



# Advancing with Fabric Technology

## QIAN FENG FABRIC TECH LIMITED 乾豐面料科技有限公司

(Company Registration No. 41195)  
(Incorporated in Bermuda on 10 December 2007)

Invitation in respect of 123,000,000 Invitation Shares of US\$0.05 each comprising 100,565,208 New Shares and 22,434,792 Vendor Shares as follows:

- (a) 1,000,000 Offer Shares at S\$0.20 each by way of public offer; and
- (b) 122,000,000 Placement Shares at S\$0.20 each by way of placement (including 809,000 Reserved Shares reserved for our Independent Directors, employees, business associates and those who have contributed to our Group),

payable in full on application.

### PROSPECTUS DATED 18 AUGUST 2008

(Registered by the Monetary Authority of Singapore on 18 August 2008)

**THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER.**

We have made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of all the ordinary shares of US\$0.05 each (the "Shares") in the capital of our Company already issued (including the Vendor Shares (as defined herein)), the new Shares (the "New Shares")", which are the subject of this Invitation (as defined herein), and the new Shares which may be issued upon the exercise of the options granted under the Qian Feng Employee Share Option Scheme and the options granted to our Chief Financial Officer (collectively, the "Option Shares"). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. The dealing and quotation of the Shares will be in Singapore dollars.

Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our existing issued Shares (including Vendor Shares), the New Shares and the Option Shares. If permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim whatsoever against us, the Vendors or the Issue Manager, Underwriter and Placement Agent (as defined herein).

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our existing issued Shares (including Vendor Shares), the New Shares, or the Option Shares.

A copy of this Prospectus, has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our existing issued Shares (including the Vendor Shares), the New Shares, or the Option Shares, as the case may be, being offered for investment. This Prospectus has not been lodged or registered in any jurisdiction other than Singapore and Bermuda.

The Bermuda Monetary Authority has given its consent to the issue of the New Shares and for the sale of the Vendor Shares pursuant to the Invitation on the terms referred to in this Prospectus. A copy of this Prospectus will be filed with the Registrar of Companies in Bermuda. In accepting this Prospectus for filing and in granting such consent, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed herein or in any other documents referred to in this Prospectus.

**INVESTING IN OUR SHARES INVOLVES RISKS WHICH ARE DESCRIBED IN THE SECTION ENTITLED "RISK FACTORS" OF THIS PROSPECTUS. NO SHARES SHALL BE ALLOTTED AND/OR ALLOCATED ON THE BASIS OF THIS PROSPECTUS LATER THAN SIX MONTHS AFTER THE DATE OF REGISTRATION OF THIS PROSPECTUS BY THE AUTHORITY.**

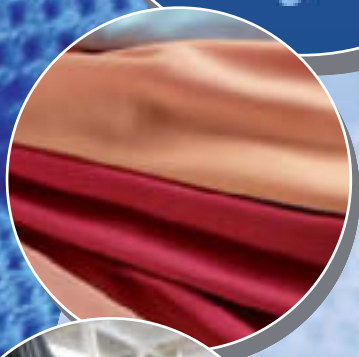
**Issue Manager, Underwriter and Placement Agent**



Applications should be received by 12.00 noon on 25 August 2008 or such other date and time as our Company and the Vendors may, in consultation with the Issue Manager, Underwriter and Placement Agent, decide, subject to any limitation under all applicable laws.







## Corporate Profile

Qian Feng Fabric Tech Limited (“our Group”) is an integrated manufacturer of quality functional knitted fabrics applicable in a wide variety of products including casual wear, sportswear, shoes and bags. With our products used by reputable international and PRC brand names, we are well-positioned to ride on the global rise in affluence and the growth of the PRC textile industry.

Strategically located in Fujian Province – one of the PRC’s largest fabric producing provinces – we are principally engaged in the production, dyeing and post-processing treatment of synthetic knitted fabrics. We process fabric products by imparting special functionalities such as water-resistance, fire-resistance, moisture wicking and anti-bacterial.

Our customers are mainly sportswear and sports shoes producers, garment producers as well as fabric trading companies, the majority of whom are located in the PRC. Some of our products are used by our customers for the production of garments and shoes for well-known international brands such as Adidas, Kappa, Mizuno, Nike and Triumph, as well as PRC brands such as Anta (安踏), Erke (鸿星尔克), 361°, Li-Ning (李宁) and Septwolves (七匹狼). Our customers’ products are sold in the PRC, Hong Kong, Taiwan, the US, Europe, Japan and India.

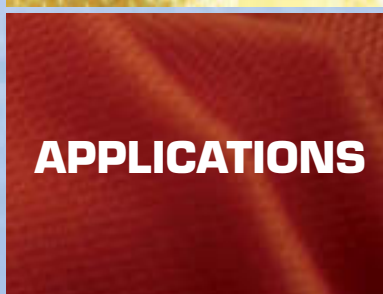
### PRODUCTION



### OUR FABRICS



### APPLICATIONS







## Our Products

Our Group's synthetic knitted fabric and functional products may be broadly classified into four categories.

### Garment and apparel fabrics

- Mainly used in the production of casual wear, sportswear, winter apparel, undergarments, swimwear and outdoor apparel
- Consist of normal and functional fabrics
- Functionalities include:
  - anti-bacterial and anti-mildew
  - moisture-wicking
  - UV-protection
  - water-resistance
  - anti-chlorine

### Shoe fabrics

- Used in the manufacture of sports shoes
- Typically have moisture-wicking functionality

### Luggage and bag fabrics

- Used in the manufacture of bags such as sports bags and luggage bags
- Typically thicker, harder and more durable

### Other fabrics

- Other fabrics include:
  - fire-resistance fabric used mainly in the manufacture of car upholstery, baby cot, mattress, curtain, bed linen and medical equipment
  - durable fabrics used in the production of toys and hats



## Our Competitive Strengths

- **An integrated business model for weaving, dyeing and post-processing treatment of fabrics**
  - One-stop solution provider with a comprehensive suite of production services; able to reduce production costs and lead time, and ensure punctual delivery
  - Dedicated R&D team to develop new value-added functionalities for fabrics and to develop new techniques and processes for weaving, dyeing and post-processing treatment
  - Technical collaboration agreements with reputable companies such as Ciba, Far Eastern and Dupont to develop new functional fabrics
- **Dedicated to providing quality products and services**
  - Accredited with ISO 9001:2000 Quality Management System
- **Established long and good relationships with our customers and suppliers**
  - Over 100 customers, of which 40 have transacted with our Group for at least five years
  - Established strong relationships with major suppliers to ensure stable supply of quality raw materials at competitive prices
- **Strong leadership as well as a dedicated and experienced management**
  - Executive Directors and Executive Officers with experience that ranges from about 10 years to more than 40 years
- **Strategically located in one of the PRC's largest fabric producing provinces**
  - Close proximity to existing and potential customers
  - Easy access to labour and suppliers of raw materials
- **Offers a wide range of fabric treatment services**
  - Ability to process and treat fabric to impart in them various special properties and functionalities, catering to our customers' changing needs and requirements

## Industry Prospects

- **Growth in demand for functional fabrics in the PRC**
  - Backed by the growing spending power of the PRC citizens, demand and production of functional fabrics is expected to continue to increase to RMB24 billion by 2010
- **Growth in demand for sports products and apparel in the PRC**
  - Demand for sports products and apparel in the PRC expected to be boosted by the hosting of the Beijing Olympic Games in 2008 and the Guangzhou Asian Games in 2010
- **Improving living standards and changing consumer trends**
  - Worldwide rise in affluence and purchasing power resulting in the rise in demand for quality and specialty apparels
- **Stringent entry barriers into dyeing industry**
  - Tightening of environmental protection measures in the PRC lead to higher entry barriers for new market entrants

## Future Plans

- **Expand our production capacity and construct new facilities**

	Maximum Capacity (Tonnes per annum)		
	FY2007	Upon completion of expansion	Percentage change
Weaving	2,862	7,614	166.0%
Dyeing & Post-processing treatment	9,540	17,520	83.6%

- **Expand our R&D capabilities**
  - Intend to strengthen our R&D capability and establish a product development centre
- **Expand our wastewater treatment capacities**
  - To increase our reusable wastewater from 20% to 60%, which will reduce our production costs

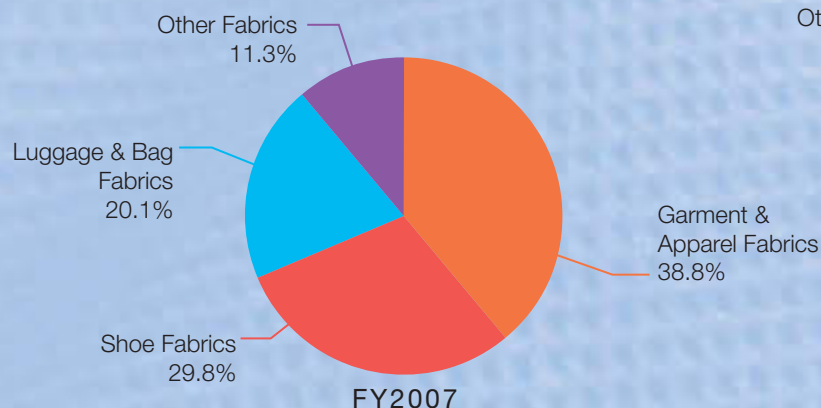
## Financial Highlights



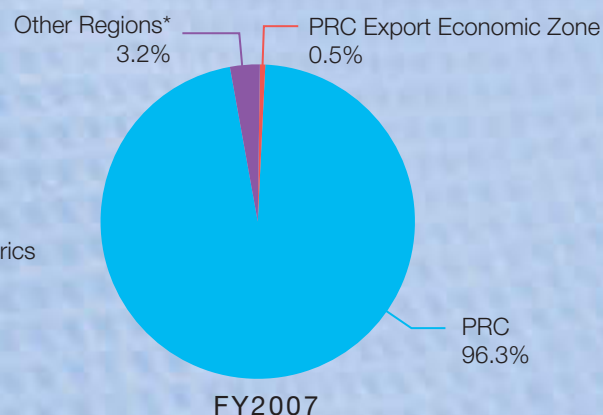
	FY2005	FY2006	FY2007
Gross Profit Margin	28.9%	29.9%	<b>32.3%</b>
Net Profit* Margin	24.0%	25.2%	<b>26.5%</b>

\* Net Profit refers to profit attributable to Shareholders

### Revenue Breakdown by Products



### Revenue Breakdown by Geographical Regions



\* Other regions include Hong Kong, France, the US and Indonesia.

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## CORPORATE INFORMATION

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<b>BOARD OF DIRECTORS</b>	:	Lin Daoqin (林道钦) ( <i>Executive Chairman and CEO</i> ) Su Chi-ho (蘇吉河) ( <i>Executive Director and COO</i> ) Lin Xiujin (林秀瑾) ( <i>Executive Director and CAHRO</i> ) Teo Moh Gin ( <i>Lead Independent Director</i> ) Soh Chun Bin ( <i>Independent Director</i> ) Lin Guohua (林国华) ( <i>Non-Executive Director</i> )
<b>BERMUDA RESIDENT REPRESENTATIVE</b>	:	Graham B.R. Collis
<b>JOINT COMPANY SECRETARIES</b>	:	Ira Stuart Outerbridge III, <i>FCIS*</i> Lau Tze Cheung, Stanley, <i>ACS, ACIS</i> Ch'ng Li-Ling, <i>LL.B (Hons)</i>
<b>REGISTERED OFFICE</b>	:	Clarendon House, 2 Church Street Hamilton HM 11, Bermuda
<b>BERMUDA COMPANY REGISTRATION NUMBER</b>	:	41195
<b>PRINCIPAL PLACE OF BUSINESS</b>	:	Jimei Textile Park, Rongqiao Economic Technology Development Zone (Fuxia Road), Fuqing City, Fujian Province 350301, the PRC
<b>BERMUDA SHARE REGISTRAR</b>	:	<b>Codan Services Limited</b> Clarendon House, 2 Church Street Hamilton HM 11, Bermuda
<b>REGISTRAR FOR THE INVITATION AND SINGAPORE SHARE TRANSFER AGENT</b>	:	<b>Boardroom Corporate &amp; Advisory Services Pte. Ltd.</b> 3 Church Street #08-01 Samsung Hub Singapore 049483
<b>ISSUE MANAGER, UNDERWRITER AND PLACEMENT AGENT</b>	:	<b>HL Bank</b> 20 Collyer Quay #01-02 Tung Centre Singapore 049319
<b>REPORTING ACCOUNTANTS AND AUDITORS</b>	:	<b>Foo Kon Tan Grant Thornton</b> 47 Hill Street, #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365  Partner-in-charge: Wong Kian Kok (a member of the Institute of Certified Public Accountants of Singapore)
<b>SOLICITORS TO THE INVITATION AND LEGAL ADVISER TO OUR COMPANY ON SINGAPORE LAW</b>	:	<b>KhattarWong</b> 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624

\* Ira Stuart Outerbridge III will resign as Joint Company Secretary and be appointed as assistant company secretary upon listing of our Shares on the SGX-ST.



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## CORPORATE INFORMATION

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<b>LEGAL ADVISER TO OUR COMPANY ON PRC LAW</b>	:	<b>Grandall Legal Group (Guangzhou)</b> 189 Guangzhou Tiyu West Road 9 <sup>th</sup> Floor Chengjian Building Guangzhou 510620, the PRC
<b>LEGAL ADVISER TO OUR COMPANY ON BERMUDA LAW</b>	:	<b>Conyers Dill &amp; Pearman</b> 50 Raffles Place #18-04 Singapore Land Tower Singapore 048623
<b>RECEIVING BANKER</b>	:	<b>HL Bank</b> 20 Collyer Quay #01-02 Tung Centre Singapore 049319
<b>PRINCIPAL BANKERS</b>	:	<b>Chiyu Banking Corporation Ltd. Fuzhou Branch</b> 1/F, International Bldg, 210 Wusi Road Fuzhou City, Fujian Province, the PRC  <b>Industrial Bank Co., Ltd. Fuqing Branch</b> Huanqiu Shangmao Centre, Chengguan Xiaoqiao Street Fuqing City, Fujian Province, the PRC
<b>VENDORS</b>	:	Dr Whang Hwee Yong Pook Jyh Long Eka Tjandranegara Chan Mun Lye Gan Kong Hiok Lim Siew Lian Chang Yeh Hong Khattar Capital International Pte. Ltd. (previously known as “J.M. Sassoon & Co (Pte) Ltd”) Koh Soe Khon Harry Acegroup Plus Investments Limited Yeoh Phaik Choo Tan Choon Keat Tony Ng Chee Yong Benjamin Hong Zong Ping Chong Wing Hong Providence SOGF Limited

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## DEFINITIONS

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In this Prospectus and the accompanying Application Forms and, in relation to the Electronic Applications, the instructions appearing on the screens of the ATMs of Participating Banks, the relevant pages of the Internet Banking websites of the relevant Participating Banks, unless the context otherwise requires, the following definitions apply throughout where the context so admits:

### COMPANIES IN OUR GROUP

<i>“Company” or “Qian Feng”</i>	:	Qian Feng Fabric Tech Limited (乾豐面料科技有限公司)
<i>“Group”</i>	:	Our Company and its subsidiaries following the completion of the Restructuring Exercise and Fuqing Jimei
<i>“Fujian Jiamei”</i>	:	Fujian Jiamei Textile Co., Ltd. (福建佳美纺织有限公司)
<i>“Fuqing Jimei”</i>	:	Fuqing Jimei Textile Co., Ltd. (福清吉美纺织有限公司) (deregistered on 19 February 2008)
<i>“Fuzhou Jimei”</i>	:	Fuzhou Jimei Dyeing and Weaving Co., Ltd. (福州吉美染织有限公司)
<i>“Mega-Gain”</i>	:	Mega-Gain International Co., Ltd. (百利國際有限公司)

### OTHER COMPANIES, ORGANISATIONS AND AGENCIES

<i>“Authority” or “MAS”</i>	:	Monetary Authority of Singapore
<i>“Ciba”</i>	:	Ciba Refining Co. Ltd. (China) (汽巴精化(中国)有限公司)
<i>“CDP” or “Depository”</i>	:	The Central Depository (Pte) Ltd.
<i>“Dupont”</i>	:	Dupont China Holdings Ltd. (杜邦中国集团有限公司)
<i>“Far Eastern”</i>	:	Far Eastern Industries (Shanghai) Ltd. (远纺工业(上海)有限公司)
<i>“HL Bank”, “Issue Manager”, “Placement Agent”, “Underwriter” or “Receiving Banker”</i>	:	HL Bank, a limited liability company incorporated in Malaysia
<i>“ISO”</i>	:	International Organisation for Standardisation
<i>“Qian Feng Group Limited”</i>	:	Qian Feng Group Limited (乾豐集團有限公司), a company incorporated in the British Virgin Islands
<i>“SAFE”</i>	:	State Administration of Foreign Exchange
<i>“SCCS”</i>	:	Securities Clearing and Computer Services (Pte) Ltd.
<i>“SGS”</i>	:	SGS-CSTC Standards Technical Services Co., Ltd.
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited

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## DEFINITIONS

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### GENERAL

- “Application Forms”* : The official printed application forms to be used for the purpose of the Invitation which form part of this Prospectus
- “Application List”* : The list of applications to subscribe for and/or purchase the Invitation Shares
- “Associate”* : (a) in relation to an entity, means:
- (i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or
  - (ii) in any other case, (A) a director or an equivalent person, (B) where the entity is a corporation, a controlling shareholder of the entity, (C) where the entity is not a corporation, a controlling interest-holder of the entity, (D) a subsidiary, a subsidiary entity, an associated company, or an associated entity, or (E) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interest-holder, as the case may be, of the entity; and
- (b) in relation to an individual, means:
- (i) his immediate family; or
  - (ii) a trustee of any trust of which the individual or any member of the individual’s immediate family is a beneficiary or, where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or
  - (iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares.

The terms “associated company”, “associated entity”, “controlling interest-holder”, “controlling shareholder”, “related corporation”, “related entity”, “subsidiary”, “subsidiary entity” and “substantial interest-holder” shall have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005

- “ATM”* : Automated teller machine of a Participating Bank
- “ATM Application”* : An application for the Offer Shares made through an ATM, subject to the terms and conditions of this Prospectus
- “Audit Committee”* : The audit committee of our Company as at the date of this Prospectus



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## DEFINITIONS

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<i>“Bermuda Companies Act”</i>	:	The Companies Act 1981 of Bermuda (as amended, supplemented or modified from time to time)
<i>“Board”</i>	:	The board of Directors of our Company as at the date of this Prospectus
<i>“business trust”</i>	:	Has the same meaning as in Section 2 of the Business Trusts Act (Chapter 31A) of Singapore, as amended, supplemented or modified from time to time
<i>“BVI”</i>	:	The British Virgin Islands
<i>“Bye-laws”</i>	:	The bye-laws of our Company as amended, supplemented or modified from time to time
<i>“CAHRO”</i>	:	Chief administration and human resources officer
<i>“Call Option Agreement”</i>	:	The call option agreement entered into between our Company and our CFO Mr Lau Tze Cheung, Stanley, on 20 February 2008, which sets out terms of the CFO Options
<i>“CEO”</i>	:	Chief executive officer
<i>“CFO”</i>	:	Chief financial officer
<i>“CFO Options”</i>	:	The options granted to our CFO Mr Lau Tze Cheung, Stanley, the terms of which are set out in paragraph 10 of the section entitled “General and Statutory Information” of this Prospectus
<i>“CFO Option Shares”</i>	:	The new Shares which may be allotted and issued upon the exercise of the CFO Options
<i>“Controlling Shareholder”</i>	:	A person who holds directly or indirectly 15% or more of the voting shares in a company or in fact exercises control over a company
<i>“COO”</i>	:	Chief operating officer
<i>“CPF”</i>	:	The Central Provident Fund
<i>“Directors”</i>	:	The directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Electronic Applications”</i>	:	An ATM Application or an IB Application
<i>“entity”</i>	:	Includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust
<i>“EPS”</i>	:	Earnings per Share
<i>“ESOS”</i>	:	The Qian Feng Employee Share Option Scheme, adopted by our Company on 5 May 2008, the terms of which are set out in Annex I – “Rules of the Qian Feng Employee Share Option Scheme” of this Prospectus

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## DEFINITIONS

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<i>“ESOS Options”</i>	:	The options which may be granted pursuant to the ESOS
<i>“ESOS Shares”</i>	:	The new Shares (not exceeding 15% of the issued share capital of our Company on the date preceding the grant of an ESOS Option) which may be allotted and issued upon the exercise of the ESOS Options
<i>“Executive Directors”</i>	:	The executive directors of our Company as at the date of this Prospectus
<i>“Executive Officers”</i>	:	The executive officers of our Company as at the date of this Prospectus
<i>“FIE”</i>	:	Foreign investment enterprise
<i>“FY”</i>	:	Financial year ended 31 December
<i>“Hong Kong”</i>	:	Hong Kong Special Administrative Region of the PRC
<i>“IB”</i>	:	Internet banking
<i>“IB Application”</i>	:	An application for the Offer Shares made through an IB website of one of the relevant Participating Banks, subject to and on the terms and conditions of this Prospectus
<i>“Independent Directors”</i>	:	The independent Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Invitation”</i>	:	The invitation by our Company and the Vendors to the public to subscribe for and/or purchase the Invitation Shares, subject to and on the terms and conditions of this Prospectus and (where applicable) the Application Forms
<i>“Invitation Price”</i>	:	S\$0.20 for each Invitation Share
<i>“Invitation Shares”</i>	:	The 123,000,000 Shares which are the subject of this Invitation, comprising 100,565,208 New Shares and 22,434,792 Vendor Shares
<i>“IPO”</i>	:	Initial public offering
<i>“Latest Practicable Date”</i>	:	30 April 2008, being the latest practicable date prior to the lodgement of this Prospectus with the MAS
<i>“Listing Manual”</i>	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	:	Net asset value
<i>“New Shares”</i>	:	The 100,565,208 new Shares for which our Company invites applications to subscribe pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus

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## DEFINITIONS

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<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Prospectus
<i>“Non-Executive Directors”</i>	:	Directors who are considered non-executive as at the date of this Prospectus
<i>“Offer”</i>	:	The invitation by our Company and the Vendors to the public for subscription and/or purchase of the Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Offer Shares”</i>	:	1,000,000 Invitation Shares which are the subject of the Offer
<i>“Option Shares”</i>	:	The ESOS Shares and the CFO Option Shares
<i>“Participating Banks”</i>	:	DBS Bank Ltd (including POSB) (“DBS Bank”), Oversea-Chinese Banking Corporation Limited (“OCBC”) and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the “UOB Group”)
<i>“PBT”</i>	:	Profit before taxation
<i>“PER”</i>	:	Price earnings ratio
<i>“periods under review”</i>	:	FY2005, FY2006 and FY2007
<i>“Placement”</i>	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendors for subscription and/or purchase at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	:	122,000,000 Invitation Shares which are the subject of the Placement (including the Reserved Shares)
<i>“PRC” or “China”</i>	:	The People’s Republic of China which, for the purpose of this Prospectus, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
<i>“Pre-IPO Investors”</i>	:	The Tranche 1 Pre-IPO Investors and the Tranche 2 Pre-IPO Investors
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Prospectus
<i>“Reserved Shares”</i>	:	The 809,000 Placement Shares reserved for our Independent Directors, employees, business associates and those who have contributed to our Group
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken by our Group in connection with the Invitation, as described in the section entitled “Restructuring Exercise” of this Prospectus



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## DEFINITIONS

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<i>“Samoa”</i>	:	The Independent State of Samoa
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP, not including a securities sub-account
<i>“Securities and Futures Act” or “SFA”</i>	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
<i>“Service Agreements”</i>	:	The service agreements of our Executive Chairman and CEO, Mr Lin Daoqin, our Executive Director and COO, Mr Su Chi-ho and our Executive Director and CAHRO, Mdm Lin Xiujin, as described in the section entitled “Service Agreements” of this Prospectus
<i>“Shareholders”</i>	:	Registered holders of our Shares
<i>“Shares”</i>	:	Ordinary shares of US\$0.05 each in the capital of our Company
<i>“Share Consolidation”</i>	:	The consolidation of five ordinary shares of US\$0.01 each in the authorised and issued share capital of our Company into one ordinary share of US\$0.05
<i>“Singapore Companies Act”</i>	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
<i>“Substantial Shareholder”</i>	:	A person who has an interest or interests in one or more voting shares in our Company and the total votes attached to that share, or those shares, is not less than 5% or the total votes attached to all the voting shares in our Company
<i>“Tranche 1 Pre-IPO Investors”</i>	:	Providence SOGF Limited, Dr Whang Hwee Yong, Pook Jyh Long, Low Cheng Lum, Eka Tjandranegara, Chan Mun Lye, Gan Kong Hiok, Lim Siew Lian, Chang Yeh Hong, J.M. Sassoon & Co (Pte) Ltd (whose name was subsequently changed to “Khattar Capital International Pte. Ltd.”) and Koh Soe Khon Harry
<i>“Tranche 2 Pre-IPO Investors”</i>	:	Dr Whang Hwee Yong, Pook Jyh Long, Eka Tjandranegara, Gan Kong Hiok, Chang Yeh Hong, Khattar Capital International Pte. Ltd., Koh Soe Khon Harry, Acegroup Plus Investments Limited, Yeoh Phaik Choo, Tan Choon Keat Tony, Ng Chee Yong Benjamin, Tang Wee Loke, Hong Zong Ping and Chong Wing Hong
<i>“USA” or “US”</i>	:	The United States of America
<i>“VAT”</i>	:	Value added tax

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## DEFINITIONS

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“Vendors” : Dr Whang Hwee Yong  
Pook Jyh Long  
Eka Tjandranegara  
Chan Mun Lye  
Gan Kong Hiok  
Lim Siew Lian  
Chang Yeh Hong  
Khattar Capital International Pte. Ltd. (previously known as  
“J.M. Sassoon & Co (Pte) Ltd”)  
Koh Soe Khon Harry  
Acegroup Plus Investments Limited  
Yeoh Phaik Choo  
Tan Choon Keat Tony  
Ng Chee Yong Benjamin  
Hong Zong Ping  
Chong Wing Hong  
Providence SOGF Limited

“Vendor Shares” : 22,434,792 existing Shares for which the Vendors invite applications to purchase pursuant to the Invitation, on the terms and subject to the conditions of this Prospectus

### **Currencies, Units and Others**

“\$” or “S\$” and “cents” : Singapore dollars and cents, respectively

“RMB” and “RMB cents” : PRC Renminbi and cents, respectively

“US Dollars” or “US\$” and “US cents” : United States dollars and cents, respectively

“HK Dollars” or “HK\$” and “HK cents” : Hong Kong dollars and cents, respectively

“sq m” : Square metres

“mu” : 亩, equivalent to approximately 667 sq m

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Singapore Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus, the Application Forms and Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined in the Bermuda Companies Act, Singapore Companies Act, Securities and Futures Act or any statutory modification thereof and used in this Prospectus and the Application Forms (including Electronic Applications) shall, where applicable, have the meaning ascribed to it under the Bermuda Companies Act, Singapore Companies Act, Securities and Futures Act (as the case may be) or any statutory modification thereof.

Any reference in this Prospectus or the Application Forms to Shares being allotted or allocated to an applicant includes allotment or allocation to CDP for the account of that applicant.

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## DEFINITIONS

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Any reference to a time of day in this Prospectus or the Application Forms shall be a reference to Singapore time unless otherwise stated.

Any reference to “we”, “us” and “our” in this Prospectus is a reference to our Company, our Group or any member of our Group as the context requires.

Any discrepancies in the tables included in the Prospectus between the listed amounts and the totals thereof are due to rounding differences.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based investors, they may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

The number of Shares outstanding immediately after the Invitation excludes:

- (a) 3,675,016 Shares issuable upon the exercise of the CFO Options with an exercise price of S\$0.20 per Share; and
- (b) Shares reserved for grant under our ESOS, up to an aggregate of 15% of our issued Shares from time to time.



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## GLOSSARY OF TECHNICAL TERMS

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To facilitate a better understanding of our business, the following glossary provides a description of some of the technical terms and abbreviations commonly found in our industry. The terms and their assigned meanings may not correspond to standard industry or common meanings, or usage of these terms, as the case may be:

<i>“knitted fabric”</i>	:	Fabric produced through the process of interlocking a series of loops made from one or more yarns
<i>“loom-state fabric”</i>	:	Fabric that has not been processed or treated
<i>“UV”</i>	:	Ultraviolet light
<i>“wicking”</i>	:	The process whereby moisture is absorbed and removed from the skin and delivered to the top layer of the fabric where it can evaporate

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us, our Directors, Executive Officers, officers or employees acting on our behalf or on the Vendors' behalf that are not statements of historical fact, constitute "forward-looking statements". You can identify some of these forward-looking statements by terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements are only predictions.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, among others, the following:

- changes in political, social and economic conditions and the regulatory environment in the places in which we conduct our business;
- our anticipated growth strategies and expected internal growth;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in currency exchange rates;
- changes in the availability and prices of raw materials we need to operate our business;
- changes in our future capital needs and the availability of financing and capital to fund these needs;
- other factors beyond our control; and
- the factors described under the section entitled "Risk Factors" of this Prospectus.

All forward-looking statements made by or attributable to us, or persons acting on our behalf, contained in this Prospectus are expressly qualified in their entirety by such factors. Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. Our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent are not representing or warranting to you that our actual future results, performance or achievements will be as discussed in those statements. Further, our Company, our Directors, the Vendors, the Issue Manager, Underwriter and Placement Agent disclaim any responsibility to update any of those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure upon our admission to the Official List of the SGX-ST. In particular, pursuant to Section 241 of the Securities and Futures Act, if after the Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in the Prospectus; (b) an omission from the Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since the Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in the Prospectus, if it had arisen before the Prospectus was lodged and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority.

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## **SELLING RESTRICTIONS**

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This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase our Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore and Bermuda in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of our Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent to inform themselves of, and to observe and comply with, any such restrictions at their own expense without liability to our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent.



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## DETAILS OF THE INVITATION

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### LISTING ON THE SGX-ST

Our Company has made an application to the SGX-ST for permission to deal in and for quotation of all our Shares already issued (including the Vendor Shares), the New Shares which are the subject of the Invitation and the Option Shares. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in and for quotation of all our issued Shares (including the Vendor Shares), the New Shares and the Option Shares. If permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors or the Issue Manager, Underwriter and Placement Agent.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries or our existing issued Shares (including the Vendor Shares), the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our existing issued Shares (including the Vendor Shares), the New Shares or the Option Shares, as the case may be, being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

The Bermuda Monetary Authority has given its consent to the issue of the New Shares and for the sale of the Vendor Shares pursuant to the Invitation on the terms referred to in this Prospectus. A copy of this Prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority in granting its permission and the Registrar of Companies in Bermuda in accepting this Prospectus for filing accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed herein or any other documents referred to in this Prospectus.

Our Company is subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Offer, we become aware of:

- (a) a false or misleading statement or matter in this Prospectus;
- (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or
- (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and which would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged,

and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority pursuant to Section 241 of the Securities and Futures Act and file a copy of such prospectus with the Registrar of Companies in Bermuda.

In the event that a supplementary or replacement prospectus is lodged with the Authority, our Invitation shall be kept open for at least 14 days after the lodgement of such supplementary or replacement prospectus.

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## DETAILS OF THE INVITATION

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Where prior to the lodgement of the supplementary or replacement prospectus, applications have been made under this Prospectus to subscribe for and/or purchase of the Invitation Shares and:

- (a) where the Invitation Shares have not been issued and/or sold to the applicants, our Company (on behalf of itself and the Vendors)
  - (i) shall:
    - (aa) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; and
    - (bb) take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus; or
  - (ii) shall, within seven days from the date of the lodgement of the supplementary prospectus or replacement prospectus, give the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or
  - (iii) shall:
    - (aa) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled; and
    - (bb) within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) where the Invitation Shares have been issued and/or transferred to the applicants, our Company (on behalf of itself and the Vendors)
  - (i) shall:
    - (aa) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to return, to our Company and/or the Vendors, those Invitation Shares which they do not wish to retain title in; and
    - (bb) take all reasonable steps to make available within a reasonable period the supplementary prospectus or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus; or
  - (ii) shall, within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, give the applicants the supplementary prospectus or replacement prospectus, as the case may be, and provide the applicants with an option to return to our Company the Invitation Shares which they do not wish to retain title in; or

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## DETAILS OF THE INVITATION

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- (iii) is required by the Securities and Futures Act to treat the issue and/or sale of the Invitation Shares as void and our Company shall, subject to compliance with the Bermuda Companies Act, within seven days from the date of lodgement of the supplementary prospectus or replacement prospectus, pay to the applicants all monies paid by them for the Invitation Shares.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) above to withdraw his application shall, within 14 days from the date of lodgement of the supplementary prospectus or replacement prospectus, notify our Company of this, whereupon our Company shall, within seven days from the receipt of such notification, pay to the applicant all monies paid by the applicant on account of his application for the Invitation Shares.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) above to return the Invitation Shares issued and/or sold to him shall, within 14 days from the date of lodgement of the supplementary prospectus or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Shares to our Company, whereupon our Company shall, subject to compliance with the Bermuda Companies Act, within seven days from the receipt of such notification and documents, if any, pay to the applicant all monies paid by the applicant for the Invitation Shares.

Under the Securities and Futures Act, the Authority may, in certain circumstances issue a stop order to our Company, directing that no or no further Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains a statement or matter, which in the opinion of the Authority is false or misleading, (ii) omits any information that should be included in accordance with the Securities and Futures Act or (iii) does not, in the opinion of the Authority, comply with the requirements of the Securities and Futures Act.

Where the Authority issues a stop order pursuant to Section 242 of the Securities and Futures Act, and:

- (a) in the case where the Invitation Shares have not been issued and/or sold to you, your application for the Invitation Shares pursuant to the Invitation shall be deemed to have been withdrawn and cancelled and our Company shall on behalf of itself and the Vendors, within 14 days from the date of the stop order, pay to you all monies you have paid on account of your application for the Invitation Shares; or
- (b) in the case where the Invitation Shares have been issued, the issue and/or sale of the Invitation Shares pursuant to the Invitation is required by the Securities and Futures Act to be deemed to be void and our Company shall on behalf of itself and the Vendors, and subject to compliance by our Company with the Bermuda Companies Act, within 14 days from the date of the stop order, to pay to you all monies you have paid for the Invitation Shares; or
- (c) in the case where the Invitation Shares have been transferred to the applicants, the sale of the Invitation Shares shall be deemed to be void and our Company (as well as on behalf of the Vendors) shall, subject to compliance with the Bermuda Companies Act, (i) if no documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, pay to the applicants all monies paid by them for those Invitation Shares, or (ii) if documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, inform all applicants to return such documents to our Company within 14 days from that date and within seven days from the date of receipt of such documents or the date of the stop order, whichever is later, pay to the applicants all monies paid by them for those Invitation shares.



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## DETAILS OF THE INVITATION

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Monies paid in respect of your application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against our Company, the Vendors or the Issue Manager, Underwriter and Placement Agent.

If our Company is required by applicable Singapore laws to cancel issued New Shares and repay application monies to applicants (including instances where a stop order under the Securities and Futures Act is issued), subject to compliance with the Bermuda Companies Act, our Company will purchase the New Shares at the Invitation Price. Information relating to the purchase of Shares by our Company is set out in the section entitled "Purchase by Our Company of Our Own Shares" of this Prospectus.

This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions, intentions and expectations expressed in this Prospectus are fair and accurate and not misleading in all material respects as at the date of this Prospectus and there are no other material facts the omission of which would make any statement in this Prospectus misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company, the Vendors, our subsidiaries and our Shares (including the Invitation Shares and the Option Shares).

We and the Vendors have not authorised any person to give any information or to make any representation not contained in this Prospectus in connection with the Invitation, and if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors or the Issue Manager, Underwriter and Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change, or a development reasonably likely to invoke a change, in the affairs of our Company or our Group or in any statement of fact or information contained in this Prospectus since the date of this Prospectus.

Where such changes occur and are material or are required to be disclosed by law, we will make an announcement of the same to the SGX-ST and the public, and if required under the Securities and Futures Act, lodge a supplementary document or replacement prospectus with the Authority and make the same available to the public after lodgement and also file the same with the Registrar of Companies in Bermuda. We will also comply with all other applicable requirements of the Securities and Futures Act and/or any other requirements of the Authority and/or the SGX-ST. All applicants should take note of any such announcements, supplementary or replacement document or prospectus and, upon the release of the same, shall be deemed to have notice of such changes.

Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our Group. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the New Shares or for any other purpose.

**This Prospectus does not constitute an offer, or invitation or solicitation, to subscribe for and/or to purchase the Invitation Shares in any jurisdiction in which such offer or invitation or solicitation is unauthorised or unlawful nor does it constitute an offer or invitation or solicitation to any person to whom it is unlawful to make such an offer or invitation or solicitation.**

Neither our Company, the Vendors, nor the Issue Manager, Underwriter and Placement Agent is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or any other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice. Each prospective investor should consult his own professional or other advisors for business, legal or tax advice regarding an investment in our Shares.

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## DETAILS OF THE INVITATION

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Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, during office hours from:

**HL Bank**  
20 Collyer Quay  
#01-02 Tung Centre  
Singapore 049319

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on:

- (i) the SGX-ST's website; and
- (ii) the Authority's website.

**The Application List will open at 10.00 a.m. on 25 August 2008 and will remain open until 12.00 noon on the same day or such other period or periods as our Company may, in consultation with the Issue Manager, Underwriter and Placement Agent, decide, subject to any limitation under all applicable laws. Where a supplementary document or replacement document has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary or replacement Prospectus.**

**Details of the procedures for application of the Invitation Shares are set out in Annex A – “Terms and Conditions and Procedures for Applications” of this Prospectus.**

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## DETAILS OF THE INVITATION

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### INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out for your reference:

Indicative Time and Date	Event
12.00 noon on 25 August 2008	Close of Application List
26 August 2008	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 27 August 2008	Commence trading on a “ready” basis
1 September 2008	Settlement date for all trades done on a “ready” basis on 27 August 2008

The above timetable is only indicative as it assumes that the closing date of the Application List takes place on 25 August 2008, the date of admission of our Company to the Official List of the SGX-ST will be 27 August 2008, the SGX-ST’s shareholding spread requirement will be complied with and the Invitation Shares will be issued and/or sold and fully paid prior to 27 August 2008. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modifications as the SGX-ST may in its discretion decide, including the commencement date of trading on a “ready” basis.

In the event of an early or extended closure of the Application List or the shortening or extension of the time period during which the Invitation is open, we will publicly announce the same:

- (a) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (b) in a local English newspaper.

We will provide details of the results of the Invitation through the channels described in (a) and (b) above.

Investors should consult the SGX-ST announcement on the “ready” trading date on the Internet (at the SGX-ST website <http://www.sgx.com>), Teletext or newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.

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## THE INVITATION

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<b>Invitation Size</b>	:	123,000,000 Invitation Shares comprising 100,565,208 New Shares and 22,434,792 Vendor Shares. The New Shares which, when allotted, issued and fully paid, will rank <i>pari passu</i> in all respects with the then existing issued Shares.
<b>Invitation Price</b>	:	S\$0.20 for each Invitation Share.
<b>The Offer</b>	:	The Offer comprises an Invitation by our Company and the Vendors to the public in Singapore to subscribe for and/or purchase the 1,000,000 Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
<b>The Placement</b>	:	The Placement comprises an offering by the Placement Agent on behalf of our Company and the Vendors of 122,000,000 Placement Shares (including an aggregate of 809,000 Reserved Shares) at the Invitation Price by way of placement, subject to and on the terms and conditions of this Prospectus.
<b>Reserved Shares</b>	:	The Company has reserved up to an aggregate of 809,000 Shares under the Placement for our Independent Directors, employees, business associates and those who have contributed to our Group at the Invitation Price.
<b>Purpose of our Invitation</b>	:	<p>The purpose of the Invitation is to secure admission of our Company to the Official List of the SGX-ST. Our Directors believe that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance the public image of our Group locally and overseas and enable us to tap the capital markets for the expansion of our operations.</p> <p>It will also provide members of the public an opportunity to participate in the equity of our Company.</p>
<b>Listing Status</b>	:	Our Shares will be quoted on the Official List of the SGX-ST in Singapore dollars, subject to admission of our Company to the Official List of the SGX-ST and permission for the dealing in and quotation of our Shares being granted by the SGX-ST.



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## PLAN OF DISTRIBUTION

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The Invitation Price was arrived at by us and the Vendors after consultation with the Issue Manager, Underwriter and Placement Agent, and after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for our Shares determined through a book-building process. The Invitation Price is the same for all the Invitation Shares and is payable in full on application.

### Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price. The terms and conditions and procedures for excess applications are described in Annex A – “Terms and Conditions and Procedures for Applications” of this Prospectus.

In the event of an under-subscription for Offer Shares as at the close of the Application List, the number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an over-subscription of the Offer Shares as at the close of the Application List and the number of Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors, after consultation with the Issue Manager, Underwriter and Placement Agent, and approved by the SGX-ST.

Pursuant to the terms and conditions contained in the Management and Underwriting Agreement as disclosed in the section entitled “Management, Underwriting and Placement Arrangements” of this Prospectus, our Company has appointed the Issue Manager to manage the Invitation and the Underwriter to underwrite the Offer Shares. The Underwriter may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

### Placement Shares

Subscribers and/or purchasers of Placement Shares may be required to pay a placement commission of up to 1.0% of the Invitation Price (plus Goods and Services Tax thereon, if applicable).

Application for the Placement Shares (excluding the Reserved Shares) may only be made by way of a Placement Shares Application Form. Please refer to Annex A – “Terms and Conditions and Procedures for Applications” of this Prospectus for further details on the terms and conditions and procedures for application.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

Pursuant to the terms and conditions contained in the Placement Agreement as disclosed in the section entitled “Management, Underwriting and Placement Arrangements” of this Prospectus, the Placement Agent agreed to subscribe or procure subscriptions for the Placement Shares. However, the Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

### Reserved Shares

We have reserved 809,000 Placement Shares for subscription by our Independent Directors, employees, business associates and those who have contributed to the success of our Group at the Invitation Price to recognise their contributions to our Group. These Reserved Shares are not subject to any moratorium and may be disposed off after the admission of our Company to the Official List of the SGX-ST.

In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List or, in the event of an under-subscription for the Placement Shares as at the close of the Application List, to satisfy excess applications made by members of the public for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

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## PLAN OF DISTRIBUTION

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### **Subscription for the Invitation Shares**

Our Company intends to offer our Independent Directors Mr Teo Moh Gin and Mr Soh Chun Bin 100,000 Reserved Shares each at the Invitation Price. Save as disclosed, none of our Directors or Substantial Shareholder Qian Feng Group Limited, intends to subscribe for the Invitation Shares.

To the best of their knowledge, none of our Directors is aware of any members of our Company's management or employees who intends to subscribe for Shares in the Invitation amounting to more than 5.0% of the Invitation Shares. To the best of their knowledge, none of our Directors is aware of any person who intends to subscribe for and/or purchase more than 5.0% of the Invitation Shares. However, in the process of assessing market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5.0% of the Invitation Shares.

Further, no Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

## USE OF PROCEEDS FROM THE INVITATION AND EXPENSES INCURRED

The total net proceeds from the Invitation (after deducting the estimated amount of listing expenses incurred in connection with the Invitation of approximately S\$2.7 million) is estimated to amount to approximately S\$21.9 million.

The net proceeds to be raised by our Company from the issue of the New Shares (after deducting the estimated listing expenses to be borne by our Company of approximately S\$2.4 million) is estimated to amount to approximately S\$17.7 million. In the event that the amount set aside to meet our Company's portion of the estimated expenses is in excess of the actual expenses incurred, such expenses will be made available for our working capital purposes.

The net proceeds to be raised by the Vendors from the issue of the Vendor Shares (after deducting the estimated listing expenses to be borne by the Vendors of approximately S\$0.3 million) is estimated to amount to approximately S\$4.2 million.

The allocation of each principal intended use of proceeds and major expenses is set out below:-

Use of Proceeds	S\$'000	As a percentage of gross proceeds from the issue of the New Shares (%)
To expand our production capacity and construct new facilities	12,800	63.6
To expand our wastewater treatment capacities	1,800	8.9
To expand our research and development capabilities	1,600	8.0
For working capital purposes	1,510	7.5
<b>Listing Expense borne by our Company</b>		
Listing fees	45	0.2
Professional fees	1,339	6.7
Underwriting commission, placement commission and brokerage	453	2.3
Miscellaneous expenses	566	2.8
<b>Total</b>	<b>20,113</b>	<b>100.0</b>

Pending the specific deployment of the net proceeds as aforesaid, we may use the funds as working capital or invest in short-term money market instruments as our Directors may, in their absolute discretion, deem fit. We will make periodic announcements when the proceeds are materially disbursed and provide a status report on the use of the proceeds in our annual report.

Please refer to the section entitled "Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans" of this Prospectus for further details on the use of proceeds.

In the opinion of our Directors, no minimum amount must be raised by the Invitation.

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## MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

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Pursuant to a management and underwriting agreement dated 18 August 2008 (the “Management and Underwriting Agreement”), our Company and the Vendors appointed the Issue Manager, and the Issue Manager has agreed, to manage the Invitation. The Issue Manager will receive a management fee from our Company for its services rendered in connection with the Invitation as the Issue Manager.

Pursuant to the Management and Underwriting Agreement, the Underwriter agreed to underwrite the subscription and/or sale of the Offer Shares on the terms and conditions therein, and our Company and the Vendors agreed to pay the Underwriter an underwriting commission of 2.00% of the aggregate Invitation Price for the total number of Offer Shares, in the proportion in which the number of Offer Shares offered by each of them pursuant to the Offer bears to the total number of Offer Shares. The Underwriter may, at its absolute discretion, appoint one more sub-underwriters for the Offer Shares. Payment of the underwriting commission shall be made whether or not any issue or allotment and/or sale or transfer of the Offer Shares is made to the Underwriter or its nominees, including any portion of the Placement Shares which have been applied to satisfy excess applications for the Offer Shares.

Pursuant to the placement agreement dated 18 August 2008 (the “Placement Agreement”), the Placement Agent agreed to subscribe for and/or purchase and/or procure subscriptions and/or purchasers for the Placement Shares at the Invitation Price. In consideration of the agreement of the Placement Agent to subscribe for and/or purchase and/or procure subscriptions and/or purchasers for the Placement Shares, our Company and the Vendors agreed to pay to the Placement Agent a placement commission of 2.25% of the aggregate Invitation Price for the total number of Placement Shares, in the proportion in which the number of Placement Shares offered by each of them pursuant to the Placement bears to the total number of Placement Shares. The Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares. Payment of the placement commission shall be made whether or not any issue or allotment and/or sale or transfer of the Placement Shares is made to the Placement Agent or its nominees, including any portion of the Offer Shares which have been applied to satisfy excess applications for the Placement Shares.

Brokerage will be paid by our Company and the Vendors to the Underwriter, members of the SGX-ST, banks and merchant banks in Singapore in respect of accepted applications made on Offer Shares Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through ATM Applications or IB Applications, at the rate of 0.25% (0.5% for DBS Bank) of the aggregate Invitation Price for the total number of Offer Shares, in the proportion in which the number of Offer Shares offered by each of them pursuant to the Offer bears to the total number of Offer Shares. In addition, DBS Bank levies a minimum brokerage fee of S\$5,000 that will be borne by our Company and the Vendors, in the proportion in which the number of Offer Shares offered by each of them pursuant to the Offer bears to the total number of Offer Shares.

Subscribers and/or purchasers of the Placement Shares may be required to pay a placement commission of up to 1.0% of the Invitation Price (plus Goods and Services Tax thereon, if applicable).

Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company and our subsidiaries.

The Management and Underwriting Agreement may be terminated by HL Bank (after consultation with the Company) at any time on or before the closing of the Application List (or the day when trading in the Shares commences on the SGX-ST in the case of paragraph (c)) by giving written notice of termination to the Company, on the occurrence of any one or more of the following events:

- (a) if there shall have come to the notice of HL Bank any breach by the Company and the Vendors of any of the warranties, representations or undertakings contained in the Management and Underwriting Agreement and such breach is not remedied to the reasonable satisfaction of HL Bank and could have a material adverse effect on the viability or success of the Invitation; or

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## MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

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- (b) if any of the conditions specified in the Management and Underwriting Agreement has not been satisfied; or
- (c) if, at any time up to the date of admission of our Company to the Official List of the SGX-ST a stop order in respect of the Prospectus has been issued by the Authority in accordance with Section 242 of the Securities and Futures Act; or
- (d) if at any time after the registration of the Prospectus with the Authority but before the closing of the Application List, the Company fails and/or neglects to lodge a supplemental or replacement prospectus (as the case may be), if so required in accordance with Section 241 of the Securities and Futures Act; or
- (e) if the Invitation Shares have not been admitted to the Official List of the SGX-ST on or before 27 August 2008 (or such other date as the Company, the Vendors and HL Bank may agree); or
- (f) the occurrence of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not involving financial markets); or
- (g) any acts of terrorism committed by a person or persons acting on behalf of or in connection with any organisation, and for the purposes of this clause, "terrorism" means the use of violence for political ends and includes any use of violence for the purposes of putting the public or any section of the public in fear; or
- (h) if there shall have been, since the date of the Management and Underwriting Agreement, any change or any development involving a prospective change or any crisis in national or international monetary, financial conditions (including without limitation, conditions in the stock market, in the foreign exchange market, in the inter-bank market, and conditions with respect to interest rates or money markets in Singapore and overseas), political, industrial, economic or legal conditions or taxation (including without limitation, imposition of any moratorium, suspension or restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise); or
- (i) foreign exchange controls in Singapore and overseas or any occurrence of a combination of any such changes or developments or crises, or any deterioration of any such conditions; or
- (j) any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, order, notice, rule, policy, directive, guideline, request or interpretation or application thereof, by any court, government body, the Authority, the Securities Industry Council, the SGX-ST, regulatory authority or other competent authority in Singapore, the PRC or Bermuda, whether or not having the force of law; or
- (k) any other occurrence of any nature whatsoever,

which event or events shall, in the reasonable opinion of HL Bank, have resulted, or is in the reasonable opinion of HL Bank, likely to result in:

- (i) the conditions in the stock market in Singapore and/or stock markets overseas being materially and adversely affected; or
- (ii) the success of the Invitation being materially prejudiced; or
- (iii) it becoming impracticable, inadvisable, inexpedient or not commercially viable for the Invitation to commence, be proceeded with or completed; or



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## MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

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- (iv) it becoming for any reason not commercially viable or otherwise contrary to or outside the usual commercial customs or practices in Singapore for HL Bank to observe or perform or be obliged to observe or perform the terms of this Agreement or the Invitation; or
- (v) the business, trading position, operations or prospects of the Company being materially and adversely affected; or
- (vi) it becoming such that no reasonable underwriter would have entered into the Management and Underwriting Agreement; or
- (vii) without limiting the generality of the foregoing, if it comes to the notice of HL Bank that (1) any statement contained in the Prospectus or the Application Forms relating thereto which in the reasonable opinion of HL Bank has become untrue, incorrect or misleading in any material respect or (2) circumstances or matters have arisen or have been discovered, which would, if the Prospectus was to be issued at that time, constitute in the sole and absolute opinion of HL Bank, a material omission of material information, and the Company fails to lodge a supplementary or replacement prospectus or document within a reasonable time after being notified of such material misrepresentation or omission or fails to promptly take such steps as HL Bank may reasonably require to inform investors of the lodgement of such supplementary prospectus or document. In such an event, HL Bank reserves the right, at its absolute discretion to cancel the Invitation and any application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the Invitation Shares by ordinary post, telegraphic transfer or such other means as the HL Bank may deem appropriate at the applicant's own risk within 14 days of the termination of the Invitation.

In the event that the Management and Underwriting Agreement is terminated, our Company reserves the right, at its absolute discretion, to cancel the Invitation. The Placement Agreement is conditional, *inter alia*, upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement. In the case of the non-fulfilment of any of the conditions in the Management and Underwriting Agreement or the release or discharge of the Issue Manager and/or Underwriter (as the case may be) from their obligations under or pursuant to the Management and Underwriting Agreement, the Placement Agreement shall be terminated and the parties shall be released from their respective obligations under the Placement Agreement.

Save as disclosed above and in the sections "Potential Conflict of Interest - Interests of the Issue Manager, Underwriter and Placement Agent" and "General and Statutory Information" of this Prospectus, in the reasonable opinion of our Directors, we do not have any material relationship with the Issue Manager, Underwriter and Placement Agent.

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## PROSPECTUS SUMMARY

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*The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. Terms defined elsewhere in this Prospectus have the same meanings when used herein. Prospective investors should carefully consider the information presented in this Prospectus, particularly the matters set out in the section entitled “Risk Factors” of this Prospectus before buying our Shares.*

### OUR GROUP

Our Company was incorporated in Bermuda on 10 December 2007 as an exempted company with limited liability under the name of Qian Feng Fabric Tech Limited. Our Group currently comprises our Company and its subsidiaries, Mega-Gain, Fuzhou Jimei and Fujian Jiamei.

### OUR BUSINESS

Our Group is principally engaged in the production, dyeing and post-processing treatment of synthetic knitted fabrics. We process fabric products by imparting special functionalities such as water-resistance, fire-resistance and chlorine-resistance, UV-protection, moisture wicking, anti-static, anti-mildew and anti-bacterial properties, in accordance with our customers' requirements. Fabrics that we produce, process and treat are used in a wide variety of products such as casual wear, sportswear and accessories, winter apparel, undergarments, wedding dresses, diving and swimwear, outdoor apparel, shoes, luggage and bags, sports and outdoor accessories, car upholstery, massage chairs, baby cots, toys and medical equipment. Our Directors estimate that the sale of functional fabrics constituted approximately 60% and 75% of our sales volume in FY2006 and FY2007 respectively.

Our customers are mainly sportswear and sports shoes producers, garment producers as well as fabric trading companies, the majority of whom are located in the PRC. Some of our products are used by our customers for the production of garments and shoes for well-known international brands such as Adidas, Kappa, Mizuno, Nike and Triumph, as well as PRC brands such as Anta (安踏), Erke (鸿星尔克), 361°, Li-Ning (李宁) and Septwolves (七匹狼).

### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- (a) we have an integrated business model for weaving, dyeing and post-processing treatment of fabrics;
- (b) we are dedicated to providing quality products and services;
- (c) we have long and good relationships with our customers and suppliers;
- (d) we have strong leadership as well as a dedicated and experienced management;
- (e) we are strategically located in one of the PRC's largest fabric producing provinces; and
- (f) we offer a wide range of fabric treatment services.

Please refer to the section entitled “History and Business – Competitive Strengths” of this Prospectus for more details on our competitive strengths.

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## PROSPECTUS SUMMARY

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### FINANCIAL PERFORMANCE

The following table represents summary financial data for our Group. The data presented in this table are derived from our financial statements and notes thereto which are included elsewhere in this Prospectus. You should read those sections and the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Prospectus for a further explanation of the financial data summarised here.

#### Operating Results of our Group

RMB'000	Audited FY2005	Audited FY2006	Audited FY2007
Revenue	139,465	202,124	325,632
Gross profit	40,328	60,453	105,286
Profit before taxation	34,143	51,333	93,314
Profit attributable to shareholders	33,431	50,840	86,139

#### Financial Position of our Group

RMB'000	Audited		
	2005	As at 31 December 2006	2007
Non-current assets	72,888	83,628	78,409
Net current assets / (liabilities)	(10,168)	6,307	44,641
Non-current liabilities	964	2,832	262
Total equity	61,756	87,103	122,788

### BUSINESS STRATEGIES AND FUTURE PLANS

Our future plans are as follows:

- (a) expand our production capacity and construct new facilities;
- (b) expand our research and development capabilities; and
- (c) expand our wastewater treatment capacities.

Please refer to the section entitled “Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans” of this Prospectus for more details.

### WHERE YOU CAN FIND US

Our registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Our principal place of business is located at Jimei Textile Park, Rongqiao Economic Technology Development Zone (Fuxia Road), Fuqing City, Fujian Province 350301, the PRC. Our telephone number is 86-591-85361757 and our facsimile number is 86-591-85361633. Our internet address is <http://www.qianfeng.com.sg>. **Information contained in our website does not constitute part of this Prospectus.**

## INVITATION STATISTICS

### INVITATION PRICE

S\$0.20  
(equivalent to  
101.00 RMB cents<sup>(1)</sup>)

### NAV

NAV per Share based on the audited combined balance sheet of our Group as at 31 December 2007 adjusted for the Restructuring Exercise ("Adjusted NAV per Share"):

- |     |   |                 |
|-----|---|-----------------|
| (a) | before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 389,436,940 Shares | 37.57 RMB cents |
| (b) | after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 490,002,148 Shares | 48.11 RMB cents |

Premium of Invitation Price per Share over Adjusted NAV per Share:

- |     |   |         |
|-----|---|---------|
| (a) | before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 389,436,940 Shares | 168.83% |
| (b) | after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 490,002,148 Shares | 109.94% |

### EPS

Historical net EPS of our Group for FY2007 based on the pre-Invitation share capital of 389,436,940 Shares	22.12 RMB cents
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Historical net EPS of our Group for FY2007 based on the pre-Invitation share capital of 389,436,940 Shares, assuming that the Service Agreements <sup>(2)</sup> had been in place since the beginning of FY2007	21.65 RMB cents
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### PER

Historical PER based on the historical net EPS of our Group for FY2007	4.57 times
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Historical PER based on the historical net EPS of our Group for FY2007, assuming that the Service Agreements <sup>(2)</sup> had been in place since the beginning of FY2007	4.67 times
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### NET OPERATING CASH FLOW<sup>(3)</sup>

Historical net operating cash flow per Share for FY2007 based on our Company's pre-Invitation Share Capital of 389,436,940 Shares	19.52 RMB cents
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Historical net operating cash flow per Share for FY2007 based on our Company's pre-Invitation share capital of 389,436,940 Shares, assuming that the Service Agreements <sup>(2)</sup> had been in place since the beginning of FY2007	19.05 RMB cents
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### PRICE TO NET OPERATING CASH FLOW RATIO

Invitation Price to historical net operating cash flow per Share for FY2007	5.17 times
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Invitation Price to historical net operating cash flow per Share for FY2007, assuming that the Service Agreements <sup>(2)</sup> had been in place since the beginning of FY2007	5.30 times
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## INVITATION STATISTICS

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### MARKET CAPITALISATION

Market capitalisation based on the Invitation Price and post-Invitation share capital of 490,002,148 Shares      S\$98.0 million

**Notes:-**

- (1) The translation was computed based on the exchange rate of RMB5.050 : S\$1.00. No representation is made that the RMB amount stated can be converted at such rate indicated or at any other rate or at all.
- (2) Had the Service Agreements been in place in FY2007, our profit before taxation and profit attributable to shareholders would have been RMB91.4 million and RMB84.3 million respectively.
- (3) Net operating cash flow for FY2007 is defined as net cash generated from operating activities as set out in our Group's combined cash flow statements for FY2007.



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## RISK FACTORS

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*You should carefully consider and evaluate each of the following considerations and all other information set forth in this Prospectus before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions, the securities market and ownership of our Shares, including possible future sales of our Shares.*

*If any of the following considerations and uncertainties develops into actual events, our business, financial conditions, results of operations and prospects could be materially and adversely affected. In such cases, the trading price of our Shares could decline and you may lose all or part of your investment in our Shares. To the best of our Directors' knowledge and belief, all risk factors that are material to investors in making an informed judgement have been set out below.*

*This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.*

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **Our profitability and performance will be affected by fluctuations in the availability and prices of our major raw materials**

The financial performance of our Group will be affected by changes in production costs brought about by fluctuations in the prices of our raw materials. Our major raw materials are synthetic fibre yarn, loom-state fabrics, dye, additives and packaging materials which accounted for approximately 84.9%, 86.4% and 89.5% of our total cost of sales in FY2005, FY2006 and FY2007 respectively.

The price of synthetic fibre yarn is to a large extent subject to fluctuations in the price of crude oil as they are derivative products of crude oil. Generally when the price of crude oil increases, the price of synthetic fibre yarn also increases. The price of major raw materials and/or water, electricity, steam, fuel and auxiliary dyeing agents may fluctuate due to changes in supply and demand conditions. Any shortage in supply or upsurge in demand of our major raw materials and/or water, electricity, fuel and auxiliary dyeing agents may lead to an increase in prices.

If we are unable to pass on such increase in prices to our customers or if we are unable to secure alternative sources at competitive prices, our production costs may increase and our profit margins may decrease. This in turn, may adversely affect our profitability and performance.

#### **We are subject to the PRC's environmental measures**

We are engaged in a business that produces high volume of pollutants. In recent years, the PRC has been tightening its environmental protection measures so as to be more in line with developed countries.

Under current PRC laws, any enterprise which discharges pollutants is required to be registered with the relevant PRC governmental departments and to obtain a pollutant discharge permit. Any such enterprise is also required to have wastewater treatment facilities that meet the relevant environmental standards and to have pollutants produced from their operations treated before discharge. Such facilities are subject to periodical and annual environmental inspections. In addition, fines may be imposed for the discharge of polluted water or pollutants which are untreated. Relevant governmental authorities may refuse to issue or renew a pollutant discharge permit if an enterprise fails to pass environmental inspections and are also empowered to close down any enterprise that causes severe environmental problems. If any such event occurs, our operations will be adversely affected.

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## RISK FACTORS

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There is no assurance that the current PRC environmental protection laws and regulations will not be amended in the future. If more stringent environmental protection laws and regulations are introduced, our Group may need to utilise significant financial and/or other resources to ensure compliance, which will result in an increase of our Group's operating costs and have an adverse effect on our Group's profitability and prospects. Furthermore, if we are unable to comply with such stringent environmental protection standards, penalties may be imposed on us and the operations and business of our Group will be adversely affected.

Our Group's compliance with the relevant pollution standards is largely dependent on wastewater treatment facilities owned by our Group. In the event that the facilities require major repair and maintenance resulting in the prolonged suspension of waste water treatment, the business and operations of our Group will be adversely affected.

There is no assurance that there will not be any accidents occurring in the ordinary course of our business which might result in wastewater being discharged without adequate treatment. Any such significant accident, even for which we are not responsible or found to be at fault, may expose us to third party liability claims which may result in significant legal costs and damages. As we do not maintain third party liability insurance in view of the nature of our business, the occurrence of any such third party liability claims, regardless of merit, could adversely affect our corporate image as well as financial condition.

Please refer to the section entitled "History and Business – Permits, Approvals, Licences and Government Regulations" and Annex D – "Summary of Relevant PRC Laws and Regulations" of this Prospectus for more information.

### **Major disruptions to our production process may adversely affect our business**

In order to maintain optimum efficiency and maximise the use of our production facilities, we operate on a 24-hour basis. In the event of major disruptions to our production process, arising from events such as major equipment breakdowns or natural calamities, we may experience delay in the delivery of our products to our customers and may be exposed to potential claims for compensation. Major disruptions to our production process will result in a loss of goodwill and may have a material adverse effect on our Group's business operations and financial performance.

Our operations are dependent on key manufacturing, processing and treatment facilities, including our wastewater treatment facilities. In the periods under review, we have not encountered or experienced any major damage, disruption or malfunction of our key facilities. However, we cannot give any assurance that such events will not occur in the future. In the event major repairs or maintenance need to be carried out on our key facilities, our business and operations of our Group will be disrupted. This in turn will adversely affect our revenue and profit.

### **Failure to compete effectively in a competitive environment may affect our profitability**

Our Group operates in a highly competitive textile industry. Our Directors believe that our major competitors include other fabric manufacturers and textile producers who possess manufacturing, dyeing and treatment facilities. Some of these competitors may have significantly greater financial, technical and marketing resources, stronger brand name recognition and larger existing customer base than our Group.

Our Directors also believe that these competitors may have the ability to respond more quickly to new or emerging technologies, may adapt more quickly to changes in customer requirements and may devote greater resources to the development, promotion and sales of their products and services than us. Please refer to the section entitled "History and Business – Competition" of this Prospectus for further details of our present competitors.

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## RISK FACTORS

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There is no assurance that our Group will be able to continue competing successfully against present and future competitors. We believe that important factors to achieving success in our industry include maintaining customer loyalty by cultivating long-term customer relationships, achieving consistent service renewal and maintaining the quality of our products. If we are unable to attain these, we may lose our customers to our competitors and this will adversely affect our market share. Increased competition may also force us to lower our prices, thus reducing our profit margins and affecting our financial performance and condition. Such competition may have a material adverse effect on our business, financial position and results of operations.

**Product defects arising from products manufactured by us will lead to loss of sales, higher costs, negative publicity, payment of compensation to our customers and/or product liability claims**

Currently, we do not have any product liability insurance in respect of products manufactured by us. In the event that defects arise from our production or if our products are not in compliance with specifications from our customers, we may be liable to complaints, lawsuits and claims from our customers or their end-customers which in turn could generate negative publicity and our business, financial condition and operations may be adversely affected.

**Our insurance coverage may not be sufficient for our business operations**

Large volumes of wastewater are produced during the course of our production process. We presently own and operate a wastewater treatment plant in Fuzhou Jimei's business premises. If wastewater is not adequately treated before discharge, it may endanger and cause damage to the environment and human health. While we currently have general insurance coverage for our Group's fixed assets and inventory, we have not obtained any third party insurance coverage for liabilities arising out of, *inter alia*, industrial accidents. In the event our losses exceed the insurance coverage or are not covered by the insurance policies which we have taken up, we may be liable to cover the amounts claimed and our business and profitability will be adversely affected. Please refer to the section entitled "History and Business – Insurance" of this Prospectus for more information.

**We are dependent on our Executive Directors and Executive Officers**

Our success to date has been largely due to the contribution of our Executive Directors, Mr Lin Daoqin, Mr Su Chi-ho and Mdm Lin Xiujin. Our continuing success is dependent, to a large extent, on our ability to retain their services. The continued success of our business is also dependent on our key management and operational personnel such as our Executive Officers.

The loss of the services of our Executive Directors and Executive Officers without suitable replacement in a timely manner or the inability to attract and retain qualified personnel may adversely affect our operations and hence, our revenue and profits.

**We are dependent on the PRC textile and garment industry**

As our main customers are garment producers and fabric trading companies, our Group is heavily dependent on the market conditions of the PRC textile and garment industry. Demand for our products and our prospects are also dependent on the retail growth and penetration rate of our customers' products to end-customers. Any adverse changes in the market conditions due to changes in the spending patterns and purchasing power of our customers' end-customers or the inability of our customers to maintain and expand their distribution channels may negatively impact the demand for our products resulting in our revenue, performance and/or profitability being adversely affected.

**Any disruption in our supply of water, electricity or fuel or any outbreak of fire, earthquake, tsunami, adverse weather conditions or other calamities may result in major disruption in our operations and could adversely affect our sales**

Our operation is dependent on a stable supply of water, electricity and fuel. Disruption to our supply of utilities due to restriction in supply by the relevant authorities may result in disruption to our operations. In addition, disruptions may arise due to major equipment breakdowns or other calamities such as outbreaks of fire, tsunami or similar calamities at our factories. Any major disruptions to our operations may adversely affect our ability to fulfil our sales orders and adversely affect our profitability.

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## RISK FACTORS

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### **We may be unable to implement our expansion plans**

Our expansion plans include, *inter alia*, the purchase of land and the construction of new wastewater treatment facilities. In the event that we are unable to obtain the necessary approvals for our expansion plans from the relevant PRC authorities (such as approvals for construction work for the new wastewater facilities from the State Environmental Protection Administration of China or its local branch), we may not be able to implement part of our expansion plans and our business, financial condition and results of operations may be adversely affected.

### **We may be unable to obtain additional capital for future expansion**

The future expansion and development of our business require significant additional capital. Failure to raise the required capital in the future on acceptable terms, or at all, may limit our expansion and growth which, in turn, may affect our ability to compete.

If additional funds are raised through the issue of new shares or convertible debt securities, the percentage shareholding of each of our Shareholders will be reduced. Further, such new shares or convertible debt securities may have rights, preferences or privileges senior to those of existing shares.

Additional debt financing, on the other hand, will increase our total interest expenses and may limit our ability to pay dividends or require us to seek consent prior to payment of dividend; increase our vulnerability to general adverse economic and industry conditions; limit our ability to pursue our growth plan; require us to dedicate a substantial portion of our cash flow to repayment of debt, thereby reducing the available cash flow to fund capital expenditure, working capital requirements and other general corporate purposes and limit our flexibility in planning for, or reacting to, changes in our business and industry. In the event that financing is needed and we are unable to obtain additional financing on acceptable terms or at all, our business, financial condition and results of operations may be adversely affected.

### **We may be unable to utilise the results of our research and development efforts or develop new and innovative fabric products and manufacturing and processing technologies that meet changing market demands**

Our Directors believe that our business is dependent on our ability to innovate and develop fabric products and manufacturing and processing technologies that meet customer requirements and market trends in a timely manner. In the event the technologies produced from our research and development efforts do not meet customer or market demands, or we are unable to develop products or technologies that are superior to those of our competitors, our business may be adversely affected.

### **We are dependent on the protection of our proprietary technical know-how**

The success of our business may be attributed to our expertise and technical know-how in the manufacturing of our products. The mixing of proportions of chemicals and additives used and their applications in our dyeing and post-processing treatment processes are part of our proprietary technical know-how. Thus, effective protection of proprietary information and technical know-how in our production process is critical to our business. Most of our proprietary information is derived from our research and development. As our proprietary information and know-how are not patented, we rely on confidentiality restrictions to protect such intellectual property rights. We are thus vulnerable to unauthorised disclosure of such proprietary information to our competitors. There is no assurance that our controls to maintain confidentiality, such as requiring our relevant staff to enter into confidentiality agreements, will be effective and there will be no unauthorised disclosure of our proprietary information. Hence, should any of our proprietary information or technical know-how be leaked to our competitors, our business and financial performance may be adversely affected.

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## RISK FACTORS

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### **Our operations are dependent on technical staff**

The operation of our facilities, equipment and machinery requires the expertise and supervision of key technical staff. We enter into employment contracts with all of our key employees. However, under the terms of the employment contracts, employees may resign from their appointments by serving not less than three months' notice to our Group. In the event any technical staff was to resign and we are unable to find a suitable replacement in a timely manner or unable to attract and retain qualified personnel, our business and operations will be adversely affected.

### **We may be subject to claims for infringement of third parties' intellectual property rights or may not be able to protect our intellectual property rights**

Third parties may initiate litigation against our Group alleging infringement of their proprietary rights. While we are unaware that any of our products currently infringes any intellectual property rights of third parties, we cannot be totally certain about this and there is no assurance that our products will not infringe any patents or proprietary rights of third parties in the future. In the event of any material claims or litigation involving infringement of intellectual property rights of third parties, with or without merit, we will have to expend considerable resources, including time, effort and money, to defend ourselves in such legal proceedings. In addition, our business may be severely disrupted due to such legal proceedings. In such an event, our Group's financial results and operations may be adversely affected.

Pending the registration of the "Jimei" trademark in the PRC, we continue to market our products in the PRC under this name. We may, however, face difficulty in effectively enforcing our intellectual property rights against third parties who violate our rights in the PRC or in countries where we have not registered our products under the "Jimei" trademark. If we are unable to effectively protect our intellectual property rights, our brand reputation, sales and profitability may be adversely affected by such passing-off or counterfeiting. If we are compelled to undertake litigation to protect our intellectual property rights, there may be a material adverse impact on our business and profitability.

### **Foreign anti-dumping restrictions may adversely affect our sales and profitability**

Prior to the PRC's entry into the World Trade Organisation ("WTO"), PRC products were subject to anti-dumping restrictions such as export quota imposed by various countries. Such export quotas were abolished, pursuant to the PRC's accession into the WTO. To the best of our Directors' knowledge, some fabrics processed by us are exported to overseas markets such as the US, Europe, Japan and India by our customers. The US had in the past imposed restrictions to curb the import of PRC textile products to protect its domestic textile industry. In the event the US were to impose further trade protection measures on PRC textile products, or reinstate the quota system, or if other countries were to also adopt similar protective measures against PRC textile products, there may be a decrease in demand for the products of our customers, who are mainly fabric traders, garment manufacturers, and manufacturers of hats, bags and shoes. This in turn may adversely affect our sales and profitability.

## ***RISKS RELATING TO THE PRC***

### **We are dependent on the political, economic, regulatory and social conditions in the PRC**

Our operating subsidiaries and significant assets are located in the PRC. Accordingly, our business and future growth is dependent on the political, economic, regulatory and social conditions of the PRC. Any changes in the policies implemented by the government of the PRC resulting in currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes detrimental to our business could materially and adversely affect our operations, financial performance and future growth.

Our financial performance and future growth is dependent on the social, economic and political conditions of the PRC. Unfavourable changes in the social, economic and political conditions of the PRC or in PRC government policies in the future may have a negative impact on our operations and business in the PRC which will in turn adversely affect our overall financial performance.



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## RISK FACTORS

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Since 1978, the PRC government has been reforming and is expected to continue to reform the rules and regulations governing its economic and political systems. Any changes in the political and economic policy of the PRC government may lead to a change in the laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect our co-operation and dealings with our business associates. While the current policy of the PRC government seems to be one of pursuing economic reform policies to encourage investments and greater economic de-centralisation, there is no assurance that such a policy will continue to prevail in the future.

Our business and operations in the PRC, and those of our customers and suppliers in the PRC are subject to the laws and regulations promulgated by the PRC government. The PRC legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives, and internal guidelines as well as judicial interpretations. Unlike common law jurisdictions like Singapore, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. As such, the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. Furthermore, in line with its transformation from a centrally planned economy to a more free market-oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system of the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change.

### **Changes to tax laws and regulations may adversely impact our profitability**

Under PRC laws and regulations, tax rebates on VAT incurred during the production of certain products, such as textile products, may be granted if such products are exported overseas. In accordance with the Notice on Adjustment of Export Tax Rebate Rate for Textile Products, the export tax rebate rate for textile products is 13.0% with effect from 1 August 2008. There is no assurance that such rate will not be reduced or there will not be suspension of such policies in the future. Any reduction to the rate of rebate or suspension of such policies may affect our customers' business which in turn may adversely affect our profitability.

Fuzhou Jimei, Fujian Jiamei and Fuqing Jimei, being FIEs, are exempted from the state enterprise income tax, namely, the Enterprise Income Tax, for a period of two years from its first profit making year, and is subject to the Enterprise Income Tax at a 50.0% reduction (subject to the approval from the relevant PRC tax authorities) for the next three years subsequently. Fuzhou Jimei was exempted from Enterprise Income Tax in FY2005 and FY2006, and was subjected to the Enterprise Income Tax at a deducted rate of 7.5% in FY2007. Fujian Jiamei was not subjected to Enterprise Income Tax from FY2005 to FY2007 as it was not profitable during these financial years. Fujian Jiamei did not have any fabric producing, processing or treatment operations from FY2005 to FY2007. In 2008, Fujian Jiamei undertook the production of loom-state fabrics after Fuzhou Jimei transferred its loom-state fabric production facilities to Fujian Jiamei. Fuqing Jimei, which was liquidated in February 2008, was subjected to Enterprise Income Tax of 15% from FY2005 to FY2007.

On 16 March 2007, the National People's Congress of the PRC passed the Enterprise Income Tax Law of the People's Republic of China, which will take effect as of 1 January 2008 (the "New EIT Law"). In accordance with the New EIT Law, a unified Enterprise Income Tax rate of 25.0% and unified tax deduction standards will be applied equally to both domestic-invested enterprises and FIEs. In accordance with the Notice concerning Implementation of Preference Policy of Enterprise Income Tax in Transition Period issued by the State Council of the PRC on 26 December 2007, the Enterprise Income Tax rate applicable to FIEs which are currently subject to a deducted rate will be gradually increased up to 25.0% within five years commencing from 1 January 2008.

Pursuant to the New EIT Law, an FIE which was set up before 16 March 2007 and was entitled to the Enterprise Income Tax exemption and reduction treatment under the original FIE income tax laws and regulations, will continue to enjoy such tax treatment until the expiry of the granted exemption and reduction period. If such an FIE has not recorded profits prior to 2008, the exemption and reduction period will be deemed to commence in 2008, regardless of whether the FIE is actually profit-making in 2008 or not.

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## RISK FACTORS

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As at the Latest Practicable Date, Fuzhou Jimei is subject to the Enterprise Income Tax at a deducted rate of 9.0% in FY2008, while Fujian Jiamei is exempted from the Enterprise Income Tax in FY2008. Fuzhou Jimei will continue to enjoy a deducted Enterprise Income Tax rate of 10.0% in FY2009 and be subject to the increased Enterprise Income Tax rates of 22%, 24% and 25% respectively in FY2010, FY2011 and FY2012. Fujian Jiamei will be exempted from the Enterprise Income Tax until the end of FY2009 and then subject to the deducted rates of 11.0%, 12.0% and 12.5% respectively in FY2010, FY2011 and FY2012.

Notwithstanding the foregoing, any removal, loss, suspension or reduction of the aforesaid tax benefits will have an adverse impact on our Group's profitability.

Please refer to Annex D – “Summary of Relevant PRC Laws and Regulations” of this Prospectus for further details of the applicable income tax laws and regulations in the PRC and the recent development on the PRC Enterprise Income Tax Law. Please refer to the section entitled “Management's Discussion and Analysis of Results of Operations and Financial Position – Income tax expense” of this Prospectus for further details of the Enterprise Income Tax of our PRC subsidiaries.

### **PRC foreign exchange control may limit our ability to utilise our cash effectively and affect our ability to receive dividends and other payments from our PRC subsidiaries**

Our PRC subsidiaries, which are FIEs, are subject to the PRC rules and regulations on currency conversion. In the PRC, the SAFE regulates the conversion of the RMB into foreign currencies. Currently, FIEs (including wholly foreign owned enterprises) are required to apply to the SAFE for “Foreign Exchange Registration Certificates for FIEs”. With such registration certification (which has to be renewed annually), FIEs are allowed to open foreign currency accounts including the “current account” and “capital account”. Currently, transactions within the scope of the “current account” (for example, remittance of foreign currencies for payment of dividends) can be effected without requiring the approval of the SAFE. However, conversion of currency in the “capital account” (for example, for capital items such as direct investments, loans and securities) still requires the approval of the SAFE.

Although each of our PRC subsidiaries has applied for and obtained the Foreign Exchange Certificates for FIEs, there is no assurance that the PRC regulatory authorities will not impose restrictions on the convertibility of RMB by FIEs. Most of our sales were denominated in RMB. As such, any future restrictions on currency exchanges may limit our ability to utilise funds generated in the PRC to fund any potential business activities outside the PRC or to distribute dividends to our Shareholders.

Please refer to the section entitled “Exchange Controls” of this Prospectus for further details.

### **Our subsidiaries, operations and significant assets are located outside Singapore. Shareholders may not be accorded the same rights and protection that would be accorded under the Singapore Companies Act. In addition, it could be difficult to enforce a Singapore judgement against our Directors and officers**

Our operating subsidiaries, operations and significant assets are located in the PRC. Our operating subsidiaries are therefore subject to the relevant laws in the PRC. The Singapore Companies Act may provide shareholders with certain rights and protection which may not have corresponding or similar provisions under the laws of the PRC. As such, investors in our Shares may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Singapore Companies Act. In addition, all our Executive Directors, as at the Latest Practicable Date, are non-residents of Singapore and the assets of these persons are mainly located outside Singapore. As such, there may be difficulty for Shareholders to effect service of process in Singapore, or to enforce a judgement obtained in Singapore against any of these persons.

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## RISK FACTORS

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### **Negative publicity on PRC products may adversely affect our business and profits**

Negative publicity on the safety of products made in the PRC, such as recent allegations of PRC-manufactured toys containing high level of toxic lead paint and PRC-made clothes containing dangerous levels of formaldehyde, may generally affect the demand for PRC goods. Although we are of the view that we have not been affected by these recent allegations in any significant way, there is no assurance that any negative publicity on PRC products will not affect our business and profits. To the best of our Directors' knowledge, fabrics processed by us are exported to overseas markets such as the US, Europe, Japan and India by our customers. Notwithstanding that the fabrics processed by us are in compliance with safety standards of the countries to which they are exported, any negative publicity on PRC products, whether relating to our industry or otherwise, may affect our customers' sales. This in turn may adversely affect our business and profits.

### **The outbreak of avian influenza and/or other communicable diseases, if uncontrolled, could affect our financial performance and prospects**

The outbreak of avian influenza and/or other communicable diseases, if uncontrolled, can have an adverse effect on business sentiments and environment. In addition, if any of our employees, our customers or our suppliers, is affected by the outbreak of communicable diseases, it can adversely affect, among others, our operations, our customers' orders and our supply of raw materials. Accordingly, our sales and profitability will be materially and adversely affected.

### ***RISKS RELATING TO OUR COMPANY BEING INCORPORATED IN BERMUDA***

#### **Rights and protection accorded to our Shareholders may be different from those applicable to shareholders of a Singapore-incorporated company**

We are incorporated in Bermuda as an exempted company under the Bermuda Companies Act. The Singapore Companies Act may provide shareholders of Singapore-incorporated companies rights and protection of which there may be no corresponding or similar provisions under Bermuda Companies Act. As such, if you invest in our Shares, you may or may not be accorded the same level of shareholder rights and protection that a shareholder of a Singapore-incorporated company may be accorded under the Singapore Companies Act. We have set out in Annex B a summary of certain provisions under Bermuda company law, in Annex C a comparison of Singapore company law with Bermuda company law, and in Annex E a summary of the Memorandum of Association and selected Bye-laws of our Company. Explanatory statements on specific issues have been set out in the sections entitled "Purchase by our Company of Our Own Shares", "Attendance at General Meetings" and "Take-overs" of this Prospectus. Each of the summaries and explanatory statements is not intended to be and does not constitute legal advice and any person wishing to have advice on the differences between the Bermuda Companies Act and the Singapore Companies Act and/or the laws of any jurisdiction with which he is not familiar is recommended to seek independent legal advice. Copies of the Memorandum of Association and the Bye-laws of our Company are available for inspection at such place and time as set out in the section entitled "General and Statutory Information - Documents Available for Inspection" of this Prospectus.

### ***RISKS RELATING TO INVESTMENT IN OUR SHARES***

#### **Our Executive Directors and Substantial Shareholder Qian Feng Group Limited, who will retain majority control over our Group after the Invitation, will have significant influence over the outcome of matters submitted to Shareholders for approval**

Upon completion of the Invitation, our Executive Directors and Substantial Shareholder Qian Feng Group Limited will directly own in aggregate approximately 66.73% of our Company's post-Invitation share capital. Our Executive Directors Mr Lin Daoqin, Mr Su Chi-ho and Mdm Lin Xiujin are deemed interested in the shareholding of Qian Feng Group Limited in our Company's post-Invitation share capital. As a result, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the appointment of our directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by the rules of the Listing Manual, the SGX-ST to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may not benefit our Shareholders.

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## RISK FACTORS

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### **Our share price may be volatile, which can result in substantial losses for investors subscribing for the Invitation Shares**

The market price of our Shares may be highly volatile and can fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:

- (a) variations in our operating results;
- (b) success or failure of our management team in implementing business and growth strategies;
- (c) gain or loss of an important business relationship or adverse financial performance by a significant customer or group of customers;
- (d) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (f) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed in Singapore or anywhere else in the world;
- (g) additions or departures of key personnel;
- (h) fluctuations in stock market prices and volume; or
- (i) involvement in litigation.

### **Investors in our Shares will face immediate and substantial dilution**

The Invitation Price of our Shares of S\$0.20 (equivalent to 101.00 RMB cents based on an exchange rate of RMB5.050 : S\$1.00) is substantially higher than our Adjusted NAV per Share of approximately 48.11 RMB cents (based on our audited NAV as at 31 December 2007, as adjusted for the Restructuring Exercise and the net proceeds from the Invitation) based on the post-Invitation issued share capital. If we are liquidated based on the NAV immediately following this Invitation, each Shareholder subscribing for the New Shares will receive less than the price they paid for their Shares. Details of the immediate dilution incurred by new investors are described in the section entitled "Dilution" of this Prospectus.

In addition, we have granted our CFO, Mr Lau Tze Cheung, Stanley, the CFO Options and may grant options under our ESOS to directors and employees of our Group (the "ESOS Options") to subscribe for new Shares. If and when such CFO Options and ESOS Options are ultimately exercised and new Shares are issued, to the extent that the exercise price of the CFO Options and the ESOS Options is lower than the then existing NAV per Share, there will be a dilution to the investors in our Shares.

### **Additional funds raised through issue of new Shares for our future growth will dilute Shareholders' equity interests**

Although we have identified our expansion plans as set out under the section entitled "Prospects, Business Strategies and Future Plans - Business Strategies and Future Plans" of this Prospectus as avenues to pursue growth in our business, we may also find other opportunities to grow, including acquisitions which cannot be predicted at this juncture. Under such circumstances, secondary issue(s) of securities after the Invitation may be necessary to raise the required capital to develop these growth opportunities. If new Shares placed to new and/or existing Shareholders are issued after the Invitation, they may be priced at a discount to the then prevailing market price of our Shares trading on the SGX-ST, in which case, existing Shareholders' equity interest will be diluted. If we fail to utilise the new equity to generate a commensurate increase in earnings, our EPS will be diluted and this could lead to a decline in our share price. Any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

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## RISK FACTORS

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### **Negative publicity may adversely affect our share price**

Negative publicity involving our Group, any of our Directors, Executive Officers or Substantial Shareholder Qian Feng Group Limited, may adversely affect the market perception or the stock performance of our Company, whether or not it is justified. Some examples are unsuccessful attempts in joint ventures, takeovers or involvement in insolvency proceedings.

### **There has been no prior market for our Shares and this offering may not result in an active or liquid market for these Shares**

There has been no public market for our Shares prior to this Invitation. Accordingly, there can be no assurance that an active public market for our Shares will develop or, if developed, will be sustained after the Invitation. The Invitation Price has been determined by us, in consultation with the Issue Manager based on prevailing market conditions and estimated market demand for our Shares, and may not be indicative of the market price at which our Shares will trade after the Invitation.

Investors may not be able to resell their Shares at or above the Invitation Price. Volatility in the trading price of our Shares may be caused by factors beyond our control and may be unrelated or not proportionate to our operating results.



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## EXCHANGE RATES

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The closing exchange rate between RMB and S\$ as at the Latest Practicable Date was RMB5.152 to S\$1.00.

The table below sets forth the highest and lowest exchange rates between RMB and Singapore dollars for each month during the six months prior to the lodgement of this Prospectus with the Authority. The table indicates how much RMB it would take to buy one Singapore dollar.

	RMB/S\$1.00	
	High	Low
November 2007	5.168	5.095
December 2007	5.140	5.040
January 2008	5.082	5.021
February 2008	5.113	5.054
March 2008	5.148	5.072
April 2008	5.176	5.070

The following table sets forth, for the financial period indicated, how much RMB it would take to buy one Singapore dollar, based on the average of the exchange rates between RMB and Singapore dollar on the last day of each month during each financial period and the closing exchange rate for the financial period. Unless otherwise noted, the exchange rates in this table are used for our Company's financial accounts disclosed elsewhere in this Prospectus.

	RMB/S\$1.00	
	Average	Closing
FY2005	4.914	4.852
FY2006	5.033	5.088
FY2007	5.050	5.068

The above exchange rates were obtained from Bloomberg L.P. and should not be construed as representations that the RMB amounts actually represent such S\$ amounts or could be converted into S\$ at the rate indicated or any other rate or at all. Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted under this section and is thereby not liable for these statements under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the above exchange rates in their proper form and context in this Prospectus and has not verified the accuracy of these statements.

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## EXCHANGE CONTROLS

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The following is a description of the exchange controls existing in the jurisdictions in which our Group operates which may affect the repatriation of capital and the remittance of profits by or to our Company.

### PRC

Our PRC subsidiaries, which are FIEs, are subject to the PRC rules and regulations on currency conversion. In the PRC, the SAFE regulates the conversion of the RMB into foreign currencies. Currently, FIEs (including wholly foreign owned enterprises) are required to apply to the SAFE for “Foreign Exchange Registration Certificates for FIEs”. With such registration certification (which has to be renewed annually), FIEs are allowed to open foreign currency accounts including the “current account” and “capital account”. Currently, transactions within the scope of the “current account” (for example, remittance of foreign currencies for payment of dividends) can be effected without requiring the approval of the SAFE. However, conversion of currency in the “capital account” (for example, for capital items such as direct investments, loans and securities) still requires the approval of the SAFE.

To the best of the Director’s knowledge and barring unforeseen circumstances, nothing has come to their attention that PRC foreign exchange restrictions will have a material adverse effect on the ability of our PRC subsidiaries to pay dividends or repatriate capital to Mega-Gain and/or our Company.

Please refer to the section entitled “Risk Factors – Risks Relating to the PRC” and to Annex D – “Summary of Relevant PRC Law and Regulations” of this Prospectus for more details on the exchange controls in relation to the PRC.

### BERMUDA

We have been designated by the Bermuda Monetary Authority as non-resident for Bermuda exchange control purposes and as such, we are able to conduct our day-to-day operations free of exchange control formalities. We are able to pay dividends, distribute capital, open and maintain bank accounts in any foreign currency and to acquire assets and meet all liabilities without reference to the Bermuda Monetary Authority.

Please refer to Annex B – “Summary of Bermuda Company Law” of this Prospectus for more details on the exchange controls in relation to Bermuda.

## DIVIDEND POLICY

Save as disclosed below, no dividend has been declared by our Company and its subsidiaries during the periods under review:

Subsidiary	FY2005 (RMB'million)	FY2006 (RMB'million)	FY2007 (RMB'million)
Fuzhou Jimei <sup>(1)</sup>	15.0	35.0	55.0
Fuqing Jimei	6.8	—	—

**Note:-**

- (1) In each of FY2005, FY2006 and FY2007, Fuzhou Jimei distributed dividends to its shareholder, Mega-Gain. Mega-Gain subsequently distributed these dividends to its shareholders.

As at the Latest Practicable Date, the above dividends have been paid in full.

We currently do not have a formal dividend policy. However, we intend to recommend and distribute dividends of at least 20% of our profits attributable to Shareholders in FY2008 and FY2009 ("Proposed Dividends"). Investors should note that the foregoing statement on the Proposed Dividends is merely a statement of our present intention and shall not constitute a legally binding obligation on our Company or legally binding statement in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion. Investors should not treat the Proposed Dividends as an indication of our Group's future dividend policy. No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends in any of the periods discussed.

There can be no assurance as to the form, amount or timing of any future dividends that will be paid (if any).

Subject to the Bermuda Companies Act, shareholders in general meeting may from time to time declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to the Bermuda Companies Act, our Directors may also from time to time declare a dividend or other distribution. Any declaration and payment of dividends in the future will be determined at the sole discretion of the Board of Directors, and will depend upon our Group's operating results, financial conditions, other cash requirements including capital expenditures, the terms of the borrowing arrangements (if any), and other factors deemed relevant by our Directors.

We may declare dividends, if any, in S\$. Depositors holding Shares through CDP will receive their dividends in Singapore dollars. We intend to make the necessary arrangements with CDP to convert any dividends into S\$ equivalent at such foreign exchange rate as we or CDP may determine for onward distribution to the Depositors who/which are entitled thereto. Such Depositors should note that there will be exchange rate exposure in respect of dividends declared in RMB and subsequently paid to them in the S\$ equivalent amounts. Neither our Company nor CDP will be liable for any loss howsoever arising from such conversion.

Information relating to taxes payable on dividends are set out in Annex F – "Taxation" of this Prospectus.

## CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents, capitalisation and indebtedness as at 31 March 2008:-

- (a) on an actual basis based on management accounts, after taking into account the Restructuring Exercise;
- (b) as adjusted for the net proceeds from the issue of New Shares pursuant to the Invitation and application of the net proceeds from the Invitation.

You should read this table in conjunction with the “Audited Combined Financial Statements of the Group for the Financial Years Ended 31 December 2005, 2006 and 2007” as set out in Annex G and the “Unaudited Pro Forma Combined Financial Statements of the Group for the Financial Year Ended 31 December 2007” as set out in Annex H of this Prospectus and the section entitled “Management’s Discussion and Analysis of Results of Operations and Financial Position” of this Prospectus.

RMB’000	Unaudited as at 31 March 2008 after taking into account the Restructuring Exercise	As adjusted for the net proceeds from the issue of the New Shares
<b>Cash and cash equivalents</b>	65,244	154,678
<b>Total indebtedness</b>		
– Interest-bearing bank borrowings (current)	11,956	11,956
<b>Shareholders’ equity</b>	171,543	260,977
<b>Total capitalisation and indebtedness</b>	183,499	272,933

As at the Latest Practicable Date, our total credit facilities are as follows:-

Financial institution	Facility type	Total facility	Amount outstanding	Expiry	Security
Chiyu Banking Corporation Ltd. Fuzhou Branch	Term loan	RMB4,500,000	RMB927,600	17 November 2008	Mortgage on factory buildings
Chiyu Banking Corporation Ltd. Fuzhou Branch	Credit facility	RMB7,000,000	RMB5,000,000	8 January 2009	Mortgage on factory buildings
Chiyu Banking Corporation Ltd. Fuzhou Branch	Term loan	US\$230,000	US\$7,433	13 June 2008	Mortgage on factory equipment and a personal guarantee by Su Chi-ho <sup>(1)</sup>
Chiyu Banking Corporation Ltd. Fuzhou Branch	Term loan	US\$300,000	US\$102,185	24 March 2009	Mortgage on factory equipment and guarantees provided by Su Chi-ho <sup>(1)</sup>
Industrial Bank Co., Ltd. Fuqing Branch	Credit facility	RMB20,150,000	RMB5,000,000	12 July 2008	Mortgage on factory equipment and joint and several personal guarantees by Lin Daoqin and Su Chi-ho <sup>(1)</sup>

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## CAPITALISATION AND INDEBTEDNESS

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**Note:-**

- (1) We intend to request for the discharge of the personal guarantees provided by Lin Daoqin and Su Chi-ho after our admission to the Official List of the SGX-ST. In the event that the terms and conditions of our banking facilities from the financial institutions are affected by the withdrawal of these personal guarantees, or in the event that the financial institutions do not agree to release the guarantees, Mr Lin Daoqin and Mr Su Chi-ho will continue to provide the guarantees in favour of the financial institutions.

As at the Latest Practicable Date, we had cash and cash equivalents of RMB73.3 million and total bank borrowings (comprising only current borrowings) of RMB11.7 million. As at the Latest Practicable Date, we had unutilised banking facilities amounting to approximately RMB17.2 million available for use.

Our bank borrowings comprised bank loans used to finance the acquisition of property, plant and equipment as well as for working capital purposes. The interest rates of our credit facilities comprise fixed and variable rates that range from 5.7% to 9.5% per annum.

Save as disclosed above, since 31 March 2008 and up to the Latest Practicable Date, there were no material changes in the level of our borrowings, indebtedness or liabilities, and our total liquidity and capital resources, save for scheduled repayments of our bank and financing facilities and changes in our retained earnings arising from the day-to-day operations in the ordinary course of our business.

To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our shareholders.

### **Contingent Liabilities**

As at the Latest Practicable Date, we do not have any contingent liabilities.

Save as disclosed above and in the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Capital Expenditure, Divestment and Commitment" of this Prospectus, we have no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading credits) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities, and capital expenditure commitments.

## DILUTION

Dilution is the amount by which the Invitation Price paid by subscribers of our Invitation Shares in this Invitation exceeds our NAV per Share of our Group immediately after this Invitation. Our NAV per Share as at 31 December 2007, as adjusted for the Restructuring Exercise, but before adjusting for the net proceeds from the Invitation ("Adjusted NAV"), and based on the pre-Invitation share capital of 389,436,940 Shares was 37.57 RMB cents per Share.

Based on the issue of 100,565,208 New Shares at the Invitation Price pursuant to the Invitation and after deducting estimated listing expenses incurred in connection with the Invitation, the Adjusted NAV of our Group as at 31 December 2007 would have been 48.11 RMB cents per Share. This represents an immediate increase in NAV of 10.54 RMB cents per Share to our existing Shareholders and an immediate dilution of 52.89 RMB cents per Share to our new investors. The following table illustrates this per Share dilution:

	RMB cents
<b>Invitation Price per New Share</b>	101.00 <sup>(1)</sup>
Adjusted NAV per Share as at 31 December 2007, before adjusting for the Invitation	37.57
Increase in NAV per Share attributable to the Invitation	10.54
Adjusted NAV per Share after the Invitation	48.11
Dilution in NAV per Share to new investors	52.89

**Note:-**

- (1) The translation was computed based on the exchange rate of RMB5.05 : S\$1.00. No representation is made that the RMB amount stated can be converted as such rate indicated or at any other rate or at all.

The following table summarises the total number of Shares (adjusted for the Share Consolidation) acquired by our Directors, Substantial Shareholder Qian Feng Group Limited, and the Pre-IPO Investors three years before the date of lodgement of this Prospectus, the total consideration and the average effective price per Share paid by our Directors, Substantial Shareholder Qian Feng Group Limited, the Pre-IPO investors and by our new public investors pursuant to this Invitation.

	Number of Shares acquired (adjusted for the Share Consolidation)	Total consideration (US\$)	Average effective price per Share (US\$)
<b>Directors</b>			
Lin Daoqin	14,400,010	720,000.50	0.05
Su Chi-ho	10	0.50	0.05
Lin Xiujin	14,400,000	720,000.00	0.05
<b>Substantial Shareholder (other than Directors)</b>			
Qian Feng Group Limited	298,160,020	14,908,001.00	0.05
<b>Pre-IPO Investors<sup>(1)</sup></b>	48,076,920	3,381,481.60	0.07
<b>New Investors<sup>(1)</sup></b>	123,000,000	18,023,298.41	0.15

**Note:-**

- (1) Computed based on an exchange rate of S\$1.3649 : US\$1.00. No representation is made that the US\$ amount can be converted at such rate or any other rate or at all.

Save as disclosed above, none of our Directors or Substantial Shareholder Qian Feng Group Limited or their respective associates has acquired any Shares during the period of three years prior to the date of lodgement of this Prospectus.



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## GENERAL INFORMATION ON OUR GROUP

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### SHARE CAPITAL

Our Company was incorporated in Bermuda on 10 December 2007 as an exempted company with limited liability under the name of Qian Feng Fabric Tech Limited. As at the date of incorporation, our authorised share capital was US\$10,000 divided into 1,000,000 shares of US\$0.01 each. As at the Latest Practicable Date, the issued capital of our Company was US\$1.00 comprising 100 fully paid shares of US\$0.01 each.

Pursuant to written resolutions passed on 5 May 2008, our then sole Shareholder, Qian Feng Group Limited approved and/or ratified as the case may be, *inter alia*, the following:-

- (a) the increase in the authorised share capital of our Company from US\$10,000 to US\$27,000,000;
- (b) the acquisition of 100% share equity in Fujian Jiamei from Mdm Lin Xiujin and the capitalisation of advances by Mdm Lin Xiujin;
- (c) the acquisition of 100% share equity in Mega-Gain from Mr Lin Daoqin and Mr Su Chi-ho and the issue of 1,492,800,000 shares of US\$0.01 each to Qian Feng Group Limited, Lin Daoqin, Hong Kong Investments Group Limited and Lin Xiujin at the direction of Lin Daoqin and Su Chi-ho;
- (d) the adoption of the ESOS and the grant of the CFO Options;
- (e) the consolidation of every five ordinary shares of US\$0.01 each in the authorised and issued share capital of our Company into one ordinary share of US\$0.05;
- (f) the allotment and issue of an aggregate of 48,076,920 shares of US\$0.05 each to the Pre-IPO Investors pursuant to the exercise of the Conversion Rights (as defined under the section entitled “General Information on Our Group – Restructuring Exercise (Subscription and conversion of redeemable convertible bonds by Pre-IPO Investors)”);
- (g) the adoption of a new set of Bye-laws of our Company;
- (h) the Service Agreements between our Company and our Executive Chairman and CEO, Mr Lin Daoqin, our Executive Director and COO, Mr Su Chi-ho and our Executive Director and CAHRO, Mdm Lin Xiujin;
- (i) the allotment and issue of New Shares pursuant to the Invitation. The New Shares when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing issued and fully paid Shares;
- (j) the listing and quotation of the issued Shares (including the New Shares to be issued pursuant to Resolution (c) above) on the Official List of the SGX-ST; and
- (k) that our Directors be authorised to:-
  - (i) allot and issue Shares in our Company; and
  - (ii) issue convertible securities and any Shares in our Company pursuant to the conversion or exercise of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as our Directors may think fit for the benefit of our Company,

## GENERAL INFORMATION ON OUR GROUP

provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50.0% of the post-Invitation issued share capital of our Company and that the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of our Company shall not exceed 20.0% of the post-Invitation issued share capital of our Company (the percentage of issued shares being based on the post-Invitation issued shares of our Company after adjusting for new Shares arising from the conversion or exercise of any convertible securities or employee share options in issue at the time such authority is given and any subsequent consolidation or sub-division of shares), and, unless revoked or varied by our Company in general meeting, such authority shall continue to be in force until the conclusion of our next annual general meeting of our Company or the date by which the next general annual meeting is required by law or by our Bye-laws to be held, whichever is earlier.

For the purposes of the above resolution, and pursuant to Rules 806(3) and 806(4) of the Listing Manual, “post-Invitation issued share capital” shall mean the enlarged issued and paid-up share capital of our Company after the completion of the Invitation, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from the exercise of share options or the vesting of share awards outstanding or subsisting at the time such authority is given, provided the options or awards were granted in compliance with the Listing Manual; and (iii) any subsequent consolidation or sub-division of shares.

As at the date of this Prospectus, our Company has only one class of Shares, being ordinary shares of US\$0.05 each. The rights and privileges of our Shares are stated in the Bye-laws of our Company. Save for the ESOS Shares and the CFO Option Shares, there are no founder, management or deferred Shares reserved for any purpose. As at the date of this Prospectus, no option to subscribe for Shares in our Company has been granted to, or was exercised by any of our Directors. The Shares owned by our Directors and Substantial Shareholder Qian Feng Group Limited, are not entitled to any different voting rights from the New Shares.

As at the date of this Prospectus, the issued and paid-up share capital of our Company is US\$19,471,847, comprising 389,436,940 Shares of US\$0.05 each. Upon the allotment and issue of the New Shares which are the subject of the Invitation, the resultant issued and paid-up capital of our Company will be increased to US\$24,500,107 comprising 490,002,148 Shares of US\$0.05 each.

Details of the changes to the issued and paid-up share capital of our Company since its incorporation, and our issued and paid-up share capital immediately after the Invitation are as follows:-

	Number of shares	Resultant issued and paid up share capital (US\$)
Issued and nil-paid shares of US\$0.01 each	100	1 (nil paid)
Crediting nil-paid shares of US\$0.01 each as fully paid	100	1
Issue of shares of US\$0.01 each pursuant to the Restructuring Exercise but prior to the Share Consolidation and the exercise of the Conversion Rights	1,706,800,000	17,068,000
	1,706,800,100	17,068,001
After the Share Consolidation	341,360,020	17,068,001
Issue of shares of US\$0.05 each pursuant to the exercise of the Conversion Rights	48,076,920	2,403,846
Pre-Invitation share capital	389,436,940	19,471,847
New Shares to be issued pursuant to the Invitation	100,565,208	5,028,260
Post-Invitation share capital	490,002,148	24,500,107

## GENERAL INFORMATION ON OUR GROUP

The authorised share capital and the shareholders' equity of our Company since its incorporation, before and after adjustments to reflect the increase in authorised share capital, the Restructuring Exercise and the Invitation are set out below. These statements should be read in conjunction with Annex G – “Audited Combined Financial Statements of the Group for the Financial Years Ended 31 December 2005, 2006 and 2007” and Annex H – “Unaudited Pro Forma Combined Financial Statements of the Group for the Financial Year Ended 31 December 2007” of this Prospectus.

	As at the date of incorporation (US\$)	After adjusting for the increase in the authorised share capital and the Restructuring Exercise but prior to the Invitation (US\$)	After the Invitation (US\$)
<b>Authorised Share Capital</b>			
1,000,000 ordinary shares of US\$0.01 each	10,000	–	–
540,000,000 ordinary shares of US\$0.05 each	–	27,000,000	27,000,000
<b>Shareholders' Equity</b>			
Issued and fully paid-up share capital	–	19,471,847	24,500,107
Share premium <sup>(1)</sup>	–	977,635	8,924,505 <sup>(2)</sup>
Reserves	–	566	566
Total Shareholders' Equity	–	20,450,048	33,425,178

**Notes:-**

- (1) For illustration, the share premium has been computed based on an exchange rate of S\$1.3649 : US\$1.00. No representation is made that the US\$ amount can be converted at such rate or any other rate or at all.
- (2) The share premium arising from the Invitation is derived after deducting estimated listing expenses in connection with the issue of the New Shares of approximately S\$2.4 million.

### RESTRUCTURING EXERCISE

The Restructuring Exercise, comprising the following steps, was undertaken by our Group in preparation for the listing of our Group on the SGX-ST:-

(a) *Incorporation of our Company*

Qian Feng Fabric Tech Limited was incorporated in Bermuda on 10 December 2007 as an exempted company with limited liability to act as the holding company of our Group with an authorised share capital of US\$10,000 comprising 1,000,000 ordinary shares of US\$0.01 each and an issued capital of US\$1.00 comprising 100 ordinary shares of US\$0.01 each was issued nil paid on 19 December 2007, of which 50 shares were issued to Mr Lin Daoqin and 50 shares were issued to Mr Su Chi-ho. On 22 February 2008, the 100 ordinary shares were fully paid up.

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## GENERAL INFORMATION ON OUR GROUP

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(b) *Acquisition of 100% equity in Fujian Jiamei*

Pursuant to a share sale agreement dated 8 January 2008 entered into between our Company of the one part and Mdm Lin Xiujin of the other part, our Company acquired the entire equity of Fujian Jiamei from Mdm Lin Xiujin at an aggregate consideration of approximately US\$2,379,000 based on the paid-up capital of Fujian Jiamei as at 31 December 2007. The consideration for our Company's acquisition of Fujian Jiamei was satisfied by (i) the payment of S\$2,918,784 (equivalent to US\$2,062,162) by us to Mdm Lin Xiujin and (ii) the payment of S\$448,453 (equivalent to US\$316,838) by us to Fujian Jiamei in settlement of an amount of RMB2,276,411 (equivalent to US\$316,838) owing by Mdm Lin Xiujin to Fujian Jiamei. The transfer of 100% equity in Fujian Jiamei to our Company was approved by Fuqing Foreign Trade and Economic Cooperation Bureau on 22 January 2008. The acquisition was completed on 3 February 2008.

Following completion of the acquisition, Fujian Jiamei became a wholly-owned subsidiary of our Company.

(c) *Liquidation and deregistration of Fuqing Jimei*

In the latter half of 2007, we recognised the need for a reorganisation to rationalise the Group's production capabilities and capacities to better position our Group for future growth. In November 2007, Mega-Gain decided to voluntarily wind up Fuqing Jimei and to transfer the assets of Fuqing Jimei to Fuzhou Jimei. On 19 February 2008, Fuqing Jimei was deregistered.

(d) *Capitalisation of amount due from Mega-Gain to Mr Lin Daoqin and Mr Su Chi-ho*

Pursuant to resolutions dated 5 May 2008, Mega-Gain capitalised the sum of US\$341,256 (equivalent to approximately RMB2.4 million) owing to Mr Lin Daoqin and Mr Su Chi-ho via the issuance of an aggregate of 341,256 ordinary shares of US\$1.00 each as fully paid in its share capital to Mr Lin Daoqin and Mr Su Chi-ho in the proportion of 50% and 50% respectively.

(e) *Increase of authorised share capital of our Company*

On 5 May 2008, the authorised share capital of our Company was increased from US\$10,000 comprising 1,000,000 shares of US\$0.01 each to US\$27,000,000 comprising 2,700,000,000 shares of US\$0.01 each.

(f) *Acquisition of 100% equity in Mega-Gain*

Pursuant to a sale and purchase agreement dated 5 May 2008 entered into between our Company of the one part and Mr Lin Daoqin and Mr Su Chi-ho of the other part, our Company acquired the entire issued share capital of Mega-Gain from Mr Lin Daoqin and Mr Su Chi-ho at an aggregate consideration of US\$14,928,000 based on the NAV of Mega-Gain as at 31 December 2007 as adjusted for the capitalisation as described in paragraph (d) above. The consideration was fully satisfied by the issuance of an aggregate of 1,492,800,000 shares in our Company of US\$0.01 each as fully paid at par, of which (i) 1,276,800,000 shares were issued to Qian Feng Group Limited as directed by Mr Lin Daoqin and Mr Su Chi-ho, (ii) 72,000,000 shares were issued to Mr Lin Daoqin, (iii) 72,000,000 shares were issued to Hong Kong Investments Group Limited as directed by Mr Su Chi-ho and (iv) 72,000,000 shares were issued to Mdm Lin Xiujin as directed by Mr Lin Daoqin and Mr Su Chi-ho.

Following completion of the acquisition, Mega-Gain became a wholly-owned subsidiary of our Company on 30 June 2008.

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## GENERAL INFORMATION ON OUR GROUP

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(g) *Provision and capitalisation of an advance from Mdm Lin Xiujin*

In February 2008, Mdm Lin Xiujin provided an advance of S\$2,918,784 to our Company. Subsequently, we capitalised a sum of US\$2,140,000 (equivalent to S\$2,911,042) from the advance into 214,000,000 ordinary shares of US\$0.01 each in our Company. The capitalisation was completed on 5 May 2008 by the issuance of 214,000,000 ordinary shares of US\$0.01 each as fully paid in our Company to Qian Feng Group Limited as directed by Mdm Lin Xiujin. On 24 July 2008, our Company repaid Mdm Lin Xiujin in cash the balance of the advance of S\$7,741.55.

(h) *Share consolidation*

On 6 May 2008, every five ordinary shares of US\$0.01 each in the authorised and issued share capital of our Company were consolidated into one ordinary share of US\$0.05. Our then issued share capital of US\$17,068,001 divided into 1,706,800,100 shares of US\$0.01 each was thus consolidated into 341,360,020 ordinary shares of US\$0.05 each.

(i) *Subscription and conversion of redeemable convertible bonds by Pre-IPO Investors*

Pursuant to an investment agreement dated 18 December 2007 and a supplemental agreement dated 18 January 2008 entered into between our Company, Mega-Gain, Lin Daoqin, Su Chi-ho, Lin Xiujin and the Tranche 1 Pre-IPO Investors, the Tranche 1 Pre-IPO Investors subscribed for redeemable convertible bonds issued by our Company for an aggregate consideration of S\$3.0 million. The Tranche 1 Pre-IPO Investors were entitled to convert the redeemable convertible bonds into such number of fully paid new ordinary shares in the capital of our Company in accordance with the terms of the agreement.

Pursuant to an investment agreement dated 18 January 2008 entered into between our Company, Mega-Gain, Lin Daoqin, Su Chi-ho, Lin Xiujin and the Tranche 2 Pre-IPO Investors, the Tranche 2 Pre-IPO Investors subscribed for redeemable convertible bonds issued by our Company for an aggregate consideration of S\$3.0 million. The Tranche 2 Pre-IPO Investors were entitled to convert the redeemable convertible bonds into such number of fully paid new ordinary shares in the capital of our Company in accordance with the terms of the agreement.

The aforesaid rights of conversion of the Tranche 1 Pre-IPO Investors and the Tranche 2 Pre-IPO Investors are herein referred to as the "Conversion Rights".

Pursuant to the investment agreements, in the event that there is a difference between the Invitation Price and the Conversion Price, the Pre-IPO Investors will pay to our Company, or will be paid (as the case may be) the Difference (as defined in the investment agreements).

On 7 May 2008, the Tranche 1 Pre-IPO Investors exercised their Conversion Rights and 28,846,154 Shares of US\$0.05 each were allotted and issued to the Tranche 1 Pre-IPO Investors at 10.4 cents per Share.

On 7 May 2008, the Tranche 2 Pre-IPO Investors exercised their Conversion Rights and 19,230,766 Shares of US\$0.05 each were allotted and issued to the Tranche 2 Pre-IPO Investors at 15.6 cents per Share.

As at the date of this Prospectus, the Company has paid an aggregate of approximately S\$1.4 million to the Pre-IPO Investors pursuant to a price adjustment clause following the fixing of the Invitation Price, in accordance with the investment agreements ("Cash Adjustment"). Following the price adjustment, the Pre-IPO Investors paid an average effective price of S\$0.10 per Share. The Shares issued to the Pre-IPO Investors constituted an aggregate of 12.35% of our issued share capital immediately following conversion and prior to the Invitation.

## GENERAL INFORMATION ON OUR GROUP

The number of Shares issued to the Pre-IPO Investors pursuant to the exercise of their Conversion Rights is set out below:

Name of allottee <sup>(1)</sup>	Before conversion Redeemable Convertible Bonds (S\$)	After conversion Number of shares of US\$0.05 issued
Dr Whang Hwee Yong	700,000	5,608,975
Pook Jyh Long	400,000	3,205,128
Low Cheng Lum	200,000	1,923,077
Eka Tjandranegara	350,000	2,884,615
Chan Mun Lye	200,000	1,923,077
Gan Kong Hiok	350,000	2,884,615
Lim Siew Lian	250,000	2,403,846
Chang Yeh Hong	400,000	3,205,128
Khattar Capital International Pte. Ltd. (previously known as "J.M. Sassoon & Co. (Pte) Ltd") <sup>(2)</sup>	1,000,000	8,012,820
Koh Soe Khon Harry	300,000	2,564,103
Acegroup Plus Investments Limited <sup>(3)</sup>	150,000	961,538
Yeoh Phaik Choo	150,000	961,538
Tan Choon Keat Tony	200,000	1,282,051
Ng Chee Yong Benjamin	300,000	1,923,077
Tang Wee Loke	200,000	1,282,051
Hong Zong Ping	200,000	1,282,051
Chong Wing Hong	150,000	961,538
Providence SOGF Limited <sup>(4)</sup>	500,000	4,807,692
<b>Total</b>	<b>6,000,000</b>	<b>48,076,920</b>

**Notes:-**

- (1) The Shares issued and allotted to the Pre-IPO Investors (other than Providence SOGF Limited) are registered in the name of HL Bank Nominees (Singapore) Pte Ltd.
- (2) Khattar Capital International Pte. Ltd. (previously known as "J.M. Sassoon & Co. (Pte) Ltd") is an investment holding company incorporated in Singapore whose shares are wholly owned by Sassoon Holdings Pte Ltd, which is in turn beneficially wholly owned by Khattar Holdings Private Limited.
- (3) Acegroup Plus Investments Limited is an investment holding company incorporated in the BVI whose shares are wholly owned by Mohd Khasan Bin Ahmad.
- (4) Providence SOGF Limited is a discretionary private equity fund incorporated in Singapore which is managed by Providence Capital Management Pte. Ltd. Providence SOGF Limited's investors include an institution and high net worth individuals.

The son of Mr Koh Soe Khon, Harry is a passive investor of Providence SOGF Limited.

Save as disclosed above, the aforesaid allottees are parties unrelated to each other and unrelated to our Directors, Substantial Shareholders and their associates.

### **Acquisition of Domestic Enterprises by Foreign Investors**

The acquisition of PRC domestic enterprises by affiliated foreign enterprises established or controlled by PRC domestic companies, enterprises or individuals are subject to the "Provisions on the Acquisition of Domestic Enterprises by Foreign Investors" (the "2006 Provisions") jointly promulgated on 8 August 2006 by six governmental authorities, including the Ministry of Commerce (the "MOC") and the China Securities Regulatory Commission (the "CSRC") and the supplemental guidelines, "Indirect Overseas Issuance or Listing of Securities by Domestic Enterprises", issued on 21 September 2006 by the CSRC. Under the 2006 Provisions, such acquisitions require the approval of the MOC. In addition, the 2006 Provisions require the listing of a special purpose vehicle overseas to be approved by the CSRC.



## GENERAL INFORMATION ON OUR GROUP

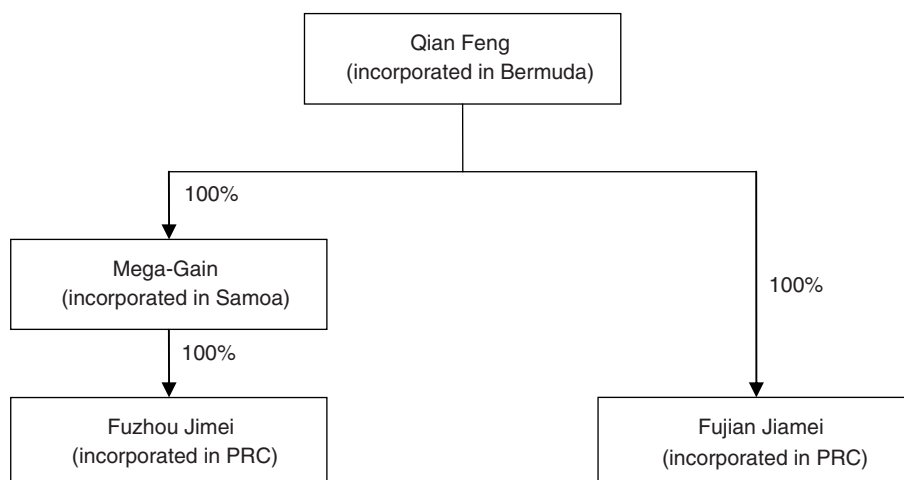
Our legal adviser on PRC law, Grandall Legal Group (Guangzhou), is of the opinion that:-

- (a) the acquisition of the 100% equity in Fujian Jiamei by our Company (the “Acquisition”) was approved by Fuqing Foreign Trade and Economic Cooperation Bureau in accordance with the “PRC Law on Wholly Foreign Owned Enterprise” and other relevant regulations; and
- (b) the 2006 Provisions are not applicable to the Acquisition as Fujian Jiamei is a wholly foreign owned enterprise and not a PRC domestic enterprise, and the Acquisition is governed by the “PRC Law on Wholly Foreign Owned Enterprise” and other relevant regulations. Accordingly, although the Acquisition was completed after 8 September 2006, Grandall Legal Group (Guangzhou) is of the view that the Acquisition does not require any further approval from the MOC and the CSRC, save for the approval of Acquisition from Fuqing Foreign Trade and Economic Cooperation Bureau which was obtained on 22 January 2008 and the registration of the Acquisition with the Fuzhou Administration of Industry and Commerce which was completed on 3 February 2008.

In addition, Grandall Legal Group (Guangzhou) is of the opinion that the listing of our Company on the Official List of the SGX-ST with Fujian Jiamei and Fuzhou Jimei as our subsidiaries does not require any approval from or registration with the CSRC, the MOC or any other PRC authorities under PRC laws and regulations, save for the registration of our listing on the Official List of the SGX-ST with the SAFE, Fujian Branch which was completed on 2 February 2008.

### GROUP STRUCTURE

Our Group structure after the completion of the Restructuring Exercise and immediately before the Invitation is as follows:



Our Company currently has three subsidiaries, the details of which are set out below.

Subsidiary	Date and place of incorporation / principal place of business	Principal activities	(i) Registered/Authorised Capital (ii) Effective Interest of our Group
Mega-Gain <sup>(1)</sup>	7 August 2003 Samoa	Investment holding	(i) US\$4,500,000 (ii) 100%
Fuzhou Jimei <sup>(2)</sup>	7 December 2001 PRC	Manufacture and sale of fabrics	(i) US\$5,000,000 (ii) 100%
Fujian Jiamei <sup>(3)</sup>	29 April 2004 PRC	Manufacture and sale of fabrics	(i) US\$3,400,000 (ii) 100%

## GENERAL INFORMATION ON OUR GROUP

### Notes:-

- (1) In the latter half of 2007, we recognised the need for a reorganisation to rationalise the Group's production capabilities and capacities to better position our Group for future growth. In November 2007, Mega-Gain decided to voluntarily wind up its wholly-owned subsidiary Fuqing Jimei and to transfer the business and assets of Fuqing Jimei to Fuzhou Jimei. On 19 February 2008, Fuqing Jimei was deregistered.
- (2) Fuzhou Jimei's business licence is valid for a period of 50 years from 7 December 2001.
- (3) Fujian Jiamei's business licence is valid for a period of 50 years from 29 April 2004.

Save for the allotment and issue of ordinary shares of US\$0.01 each in the capital of our Company pursuant to the Restructuring Exercise, there have not been any situations where more than 10.0% of our Company's capital has been paid for with assets other than in cash since its incorporation and before the date of lodgement of this Prospectus.

None of our subsidiaries is listed on any stock exchange.

None of our Directors or Substantial Shareholder Qian Feng Group Limited has an interest (direct or indirect) in any of our subsidiaries other than through our Company.

### SHAREHOLDERS

Our Shareholders and their respective shareholdings in our Company immediately before and after the Invitation are set out below:-

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Directors</b>								
Lin Daoqin <sup>(1)(7)</sup>	14,400,000	3.70	312,560,020	80.26	14,400,000	2.94	312,560,020	63.79
Su Chi-ho <sup>(2)</sup>	—	—	298,160,020	76.56	—	—	298,160,020	60.85
Lin Xiujin <sup>(1)(7)</sup>	14,400,000	3.70	312,560,020	80.26	14,400,000	2.94	312,560,020	63.79
Teo Moh Gin <sup>(3)</sup>	—	—	—	—	—	—	—	—
Soh Chun Bin <sup>(3)</sup>	—	—	—	—	—	—	—	—
Lin Guohua	—	—	—	—	—	—	—	—
<b>Substantial Shareholder (other than Directors)</b>								
Qian Feng Group Limited <sup>(1)(2)(4)(7)</sup>	298,160,020	76.56	—	—	298,160,020	60.85	—	—
<b>Other Shareholders (each holding less than 5%)</b>								
Hong Kong Investments Group Limited <sup>(5)</sup>	14,400,000	3.70	—	—	14,400,000	2.94	—	—
Pre-IPO Investors <sup>(6)</sup>	48,076,920	12.35	—	—	25,642,128	5.23	—	—
<b>Public</b>	—	—			123,000,000	25.10		
<b>Total</b>	<b>389,436,940</b>	<b>100.00</b>			<b>490,002,148</b>	<b>100.00</b>		

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## GENERAL INFORMATION ON OUR GROUP

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### **Notes:-**

- (1) Mr Lin Daoqin and Mdm Lin Xiujin are deemed interested in the Shares held by Qian Feng Group Limited (see Note (4) below) and the Shares held by each other. Mr Lin Daoqin and Mdm Lin Xiujin are spouses.
- (2) Mr Su Chi-ho is deemed interested in the Shares held by Qian Feng Group Limited (see Note (4) below).
- (3) Our Company intends to offer our Independent Directors, Mr Teo Moh Gin and Mr Soh Chun Bin, 100,000 Reserved Shares each at the Invitation Price. They may sell part or all of those Shares after the admission of our Company to the Official List of the SGX-ST.
- (4) Qian Feng Group Limited is an investment holding company incorporated in the BVI and is held by Mr Lin Daoqin (52.5%), Mr Su Chi-ho (17.5%) and Mdm Lin Xiujin (30.0%). On 11 April 2008, Mr Lin Daoqin and Mr Su Chi-ho transferred 100 ordinary shares of US\$0.01 each held in our Company to Qian Feng Group Limited.
- (5) Hong Kong Investments Group Limited is an investment holding company incorporated in the BVI and is wholly owned by Mr Cheung Chi Mang, who is not related to our Directors, Executive Officers or Substantial Shareholder Qian Feng Group Limited.
- (6) The Pre-IPO Investors comprise those individuals and corporations as set out in paragraph (i) of the section entitled “General Information on Our Group – Restructuring Exercise” of this Prospectus, none of whom is a Substantial Shareholder of our Company.
- (7) The Shares held by Lin Daoqin, Lin Xiujin and Qian Feng Group Limited are registered in the name of HL Bank Nominees (Singapore) Pte Ltd.

Save as disclosed above, there has been no significant change in the percentage of ownership of the issued share capital of our Company since its incorporation.

Save as disclosed above, there are no other relationships among our Directors and Substantial Shareholder Qian Feng Group Limited.

Save as disclosed above, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly.

There is no known arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public take-over by a third party in respect of our Shares or by our Company in respect of the shares of another corporation or units of business trust which has occurred between the date of its incorporation and the Latest Practicable Date.

Save as disclosed above and in the section entitled “General Information on Our Group – Restructuring Exercise” of this Prospectus, no shares or debentures were issued or agreed to be issued by our Company for cash or for a consideration other than cash during the last three years preceding the date of lodgement of this Prospectus.

There are no shares in our Company that are held by or on behalf of our Company or by subsidiaries of our Company.

Save as disclosed above, no employee holds 5.0% or more of the post-Invitation share capital of our Company.

### **SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP**

On 11 April 2008, Mr Lin Daoqin and Mr Su Chi-ho transferred 100 shares of US\$0.01 each, representing 100% of the then issued share capital of our Company to Qian Feng Group Limited.

Save as disclosed above and in the section entitled “General Information on Our Group – Restructuring Exercise” of this Prospectus, there were no significant changes in percentage of ownership of shares in our Company during the periods under review and up to the Latest Practicable Date.

## GENERAL INFORMATION ON OUR GROUP

### VENDOR SHARES

Details of the Vendors and the number of Vendor Shares they will be offering pursuant to the Invitation are set out below:-

Name/address of Vendors <sup>(1)</sup>	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation			Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	% of post-Invitation share capital	Number of Shares	% of post-Invitation share capital
Dr Whang Hwee Yong c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	5,608,975	1.44	2,804,975	0.72	0.57	2,804,000	0.57
Pook Jyh Long c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	3,205,128	0.82	1,602,128	0.41	0.33	1,603,000	0.33
Eka Tjandranegara c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	2,884,615	0.74	1,442,615	0.37	0.29	1,442,000	0.29
Chan Mun Lye c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	1,923,077	0.49	961,077	0.25	0.20	962,000	0.20
Gan Kong Hiok c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	2,884,615	0.74	1,442,615	0.37	0.29	1,442,000	0.29
Lim Siew Lian c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	2,403,846	0.62	1,201,846	0.31	0.25	1,202,000	0.25
Chang Yeh Hong c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	3,205,128	0.82	1,602,128	0.41	0.33	1,603,000	0.33
Khattar Capital International Pte. Ltd. (previously known as J.M. Sassoon & Co. (Pte) Ltd) <sup>(2)</sup> c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	8,012,820	2.06	4,006,820	1.03	0.82	4,006,000	0.82

## GENERAL INFORMATION ON OUR GROUP

Name/address of Vendors <sup>(1)</sup>	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation			Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	% of post-Invitation share capital	Number of Shares	% of post-Invitation share capital
Koh Soe Khon Harry c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	2,564,103	0.66	1,282,103	0.33	0.26	1,282,000	0.26
Acegroup Plus Investments Limited c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	961,538	0.25	480,538	0.12	0.10	481,000	0.10
Yeoh Phaik Choo c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	961,538	0.25	480,538	0.12	0.10	481,000	0.10
Tan Choon Keat Tony c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	1,282,051	0.33	641,051	0.16	0.13	641,000	0.13
Ng Chee Yong Benjamin c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	1,923,077	0.49	961,077	0.25	0.20	962,000	0.20
Hong Zong Ping c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	1,282,051	0.33	641,051	0.16	0.13	641,000	0.13
Chong Wing Hong c/o HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319	961,538	0.25	480,538	0.12	0.10	481,000	0.10
Providence SOGF Limited 50 Raffles Place #33-06 Singapore Land Tower Singapore 456803	4,807,692	1.23	2,403,692	0.62	0.49	2,404,000	0.49

**Notes:-**

- (1) The Shares of these Vendors (other than Providence SOGF Limited) are registered in the name of HL Bank Nominees (Singapore) Pte Ltd.
- (2) Save as disclosed in the section entitled “General Information on Our Group – Restructuring Exercise”, the aforementioned Vendors are unrelated third parties.

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## GENERAL INFORMATION ON OUR GROUP

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None of our Directors has any direct or indirect interest in the Vendor Shares, and the Vendors do not have any position, office or other material relationship with our Group within the period of three years before the date of lodgement of this Prospectus.

### MORATORIUM

To demonstrate their commitment to our Company,

- (a) Our Substantial Shareholder Qian Feng Group Limited which will hold 298,160,020 Shares representing approximately 60.85% of our Company's post-Invitation issued share capital, has undertaken to the Issue Manager, Underwriter and Placement Agent that it will not sell, realise, transfer, assign or otherwise dispose of any part of its interests in the issued share capital of our Company held immediately after the Invitation for a period of six months from the date of admission of our Company to the Official List of the SGX-ST.

Mr Lin Daoqin, Mr Su Chi-ho and Mdm Lin Xiujin who hold 52.5%, 17.5% and 30.0% respectively of the issued share capital of Qian Feng Group Limited, have undertaken to the Issue Manager, Underwriter and Placement Agent that they will not realise, transfer, assign or otherwise dispose of any part of their respective interests in the issued share capital of Qian Feng Group Limited for a period of six (6) months from the date of admission of our Company to the Official List of the SGX-ST.

- (b) Mr Lin Daoqin and Mdm Lin Xiujin who hold 14,400,000 Shares and 14,400,000 Shares respectively, representing approximately 2.94% and 2.94% of our Company's post-Invitation issue share capital, have undertaken to the Issue Manager, Underwriter and Placement Agent that they will not realise, transfer, assign or otherwise dispose of any part of their respective interests in the issued share capital of our Company for a period of six months from the date of admission of our Company to the Official List of the SGX-ST.
- (c) Hong Kong Investments Group Limited who holds 14,400,000 Shares representing approximately 2.94% of our Company's post-Invitation issue share capital, have undertaken to the Issue Manager, Underwriter and Placement Agent that it will not realise, transfer, assign or otherwise dispose of any part of its respective interests in the issued share capital of our Company for a period of six months from the date of admission of our Company to the Official List of the SGX-ST.

In addition, Mr Cheung Chi Mang who holds 100% of the issued share capital of Hong Kong Investments Group Limited, has undertaken to the Issue Manager, Underwriter and Placement Agent that he will not realise, transfer, assign or otherwise dispose of any part of his interest in the issued share capital of Hong Kong Investments Group Limited for a period of six months from the date of admission of our Company to the Official List of the SGX-ST.

- (d) The Pre-IPO Investors have each undertaken to the Issue Manager, Underwriter and Placement Agent that they will not, for a period of six months from the date of admission of our Company to the Official List of the SGX-ST, realise, transfer, assign or otherwise dispose of any part of their post-Invitation interests in the issued share capital of the Company, as shown in the table under the section entitled "General Information on Our Group – Vendor Shares" of this Prospectus.

In addition:-

- (i) Sassoon Holdings Pte Ltd, being the the sole shareholder of Khattar Capital International Pte. Ltd., has undertaken to the Issue Manager, Underwriter and Placement Agent that it will not dispose of or transfer any part of its interest in the issued share capital of Khattar Capital International Pte. Ltd. for a period of six months from the date of admission of our Company to the Official List of the SGX-ST.



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## GENERAL INFORMATION ON OUR GROUP

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- (ii) Mohd Khasan Bin Ahmad, being the sole shareholder of Acegroup Plus Investments Limited, has undertaken to the Issue Manager, Underwriter and Placement Agent that he will not dispose of or transfer any part of his interest in the issued share capital of Acegroup Plus Investments Limited for a period of six months from the date of admission of our Company to the Official List of the SGX-ST.

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## HISTORY AND BUSINESS

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### OUR HISTORY

Our Company was incorporated in Bermuda on 10 December 2007 as an exempted company with limited liability under the name of “Qian Feng Fabric Tech Limited”. Pursuant to the Restructuring Exercise as set out in the section entitled “General Information on Our Group – Restructuring Exercise” of this Prospectus, our Company became the holding company of our Group on 30 June 2008.

Prior to the establishment of our Company, Mr Lin Daoqin and Mr Su Chi-ho, the co-founders of our Group, jointly started their trading business of textile fabrics in 1995. Subsequently, Mr Lin and Mr Su decided to enter into fabrics manufacturing business.

In October 1997, our subsidiary Fuqing Jimei was incorporated as a wholly foreign owned enterprise under the name of “Fuqing Jimi Textile Co., Ltd” (福清吉米纺织有限公司) (“Fuqing Jimi”) with registered capital of RMB2.5 million. Mdm Su Wu Su-yu (蘇吳素玉) (Mr Su Chi-ho’s wife) held 100% of the equity interest in Fuqing Jimi on trust for Mr Lin Daoqin and Mr Su Chi-ho in the proportion of 50% and 50%, respectively.<sup>(1)</sup> Fuqing Jimi commenced production with six sets of warp weaving looms (经编织机), one set of warping machine (整经机) and auxiliary facilities housed in a factory located in Fuqing measuring approximately five mu. Its annual production capacity was approximately 560 tonnes of fabric.

Fuqing Jimi was primarily engaged in the production of synthetic fabrics used mainly as raw materials in the manufacture of shoes, hats, luggages and bags, as well as car interior fabrics and upholstery. Our main customers were sports shoes manufacturing companies established by Taiwanese investors in neighbouring regions such as Fujian and Guangdong Provinces. Our products were used in the manufacture of sports shoes under various reputable brands such as Adidas.

In April 1999, Fuqing Jimi was renamed to “Fuqing Jimei Textile Co., Ltd” (福清吉美纺织有限公司) and its registered capital was increased to RMB10.0 million. Thereafter, Fuqing Jimei’s registered capital was increased to RMB11.0 million and RMB12.0 million in January and October 2001. In March 2002, Fuqing Jimei’s registered capital was further increased to RMB13.2 million. Such additional capital injection represented Fuqing Jimei’s efforts to increase its production capacity through the acquisition of machinery made in Taiwan and Germany to meet the increasing market demand for our products. By the end of 2001, Fuqing Jimei owned nine sets of warp weaving looms and two sets of warping machines, with an annual production capacity of 900 tonnes of fabric.

To meet market demand for processed fabrics and in an effort to value-add to our services and products and to create greater profit margins, we incorporated Fuzhou Jimei in December 2001 with registered capital of US\$5.0 million to undertake dyeing and post-processing treatment business. Mdm Su Wu Su-yu held 100% of equity interest in Fuzhou Jimei on trust for Mr Lin Daoqin and Mr Su Chi-ho in the proportion of 50% and 50%, respectively. <sup>(1)</sup>

In 2002, we started supplying fabrics used in the manufacture of sports shoes under the “Li-Ning” (李宁) brand. In the same year, we acquired a piece of land of approximately 30 mu in Fuqing Rongqiao Economic Zone, Fujian Province, the PRC, and commenced construction of our 9,188 sq m factory to meet increasing production needs. Construction was completed early in 2003.

In 2003, Fuzhou Jimei imported two sets of setting machines (定型机) from Taiwan, and also acquired 14 sets of overflow dyeing machines (溢流染色机) as well as other production facilities. In the same year, we commenced dyeing and post-processing operations.

In 2003 following the commencement of our dyeing and post-processing operations and through our research and development and collaborative efforts with reputable suppliers, we were able to incorporate various treatment processes into our production process to impart special functionalities into fabrics, such as anti-moisture, anti-perspiration, anti-mildew and anti-bacteria properties. We believe that this development propelled us from being just a manufacturer of fabrics to a technologically advanced company able to provide value-added products at higher prices and to enjoy greater profit margins.

#### **Note:-**

- (1) At the onset, Mdm Su Wu Su-yu, Mr Lin Daoqin and Mr Su Chi-ho had agreed that Mdm Su Wu Su-yu would hold 100% of share equity in each of Fuqing Jimei (previously known as “Fuqing Jimi Textile Co., Ltd.”) and Fuzhou Jimei on trust for Mr Lin Daoqin and Mr Su Chi-ho in the proportion of 50% and 50%, respectively. Mdm Su Wu Su-yu, Mr Lin Daoqin and Mr Su Chi-ho have acknowledged the above arrangement in writing under confirmation letters dated 22 February 2008.

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## HISTORY AND BUSINESS

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In 2003, as our operations and reputation grew, certain third-party Taiwanese investors took an interest in our Group. In August that year, our Mr Lin Daoqin (25%) and Mr Su Chi-ho (30%) entered into a joint venture to incorporate Mega-Gain with Lucky Dragon Industries Limited (30%), Tsai Te-tsan (蔡德灿) (5%) and Wu Chin-liang (吴清亮) (10%). Tsai Te-tsan, Wu Chin-liang and Lucky Dragon Industries Limited were engaged in textile trading business. We believed that the joint venture would enable us to tap into the extensive network of Taiwanese customers to increase our sales. At incorporation, Mega-Gain's authorised capital was US\$4.5 million.

Following the investments from these new joint venture partners, we acquired additional machinery namely 19 sets of circular weaving looms (圆编织机), one set of overflow dyeing machine, one set of warping machine, and other auxiliary facilities. In July 2004, Mega-Gain acquired 100% equity interest in Fuzhou Jimei from Mdm Su Wu Su-yu. By the end of 2004, our Group's annual production capacity of loom-state fabrics was approximately 1,500 tonnes; for dyeing and post-processing treatment operations, our production capacity was over 4,000 tonnes per annum out of which functional fabrics, based on our Directors' estimates, accounted for approximately 2,000 tonnes.

As our sales continued to increase, we expanded our operations by incorporating Fujian Jiamei in April 2004 to engage in the production of loom-state fabrics to be used for further dyeing and post-processing treatment by Fuzhou Jimei. Fujian Jiamei was incorporated as a wholly foreign owned enterprise by Mdm Lin Xiujin as the sole shareholder with the registered capital of US\$3.4 million. Fujian Jiamei commenced construction of its factory with a built-in area of approximately 10,800 sq m on a land of approximately 20 mu in 2005. The construction was completed in December 2006. Part of the factory (6,562.5 sq m) is currently leased to Fuzhou Jimei.

In January 2006, Mega-Gain acquired 100% equity interest in Fuqing Jimei from Mdm Su Wu Su-yu for a consideration of RMB12 million. Later that year, we also increased the production capacity of Fuzhou Jimei by acquiring one set of setting machine, one set of drying machine, three sets of overflow dyeing machine, 21 sets of circular weaving looms, one set of warp weaving loom and ancillary equipment for a third production line. In FY2006, our Group's annual production volume of loom-state fabrics increased to 1,800 tonnes per annum and our dyeing and post-processing treatment capabilities achieved 5,300 tonnes per annum including functional fabrics of approximately 3,200 tonnes.

In May 2007, as a testimony to our quality control management system, our subsidiary Fuzhou Jimei was accredited with ISO9001:2000 by AFAQ-EAQA Ltd.

In August 2007, Fuqing Jimei transferred 13 sets of circular weaving looms to Fuzhou Jimei.

Later that year, we recognised the need for further investment and expansion of our operations in order to keep in pace with our competitors. As the other Taiwanese investors did not wish to further participate in the expansion of our Group, Mr Lin Daoqin and Mr Su Chi-ho acquired the equity interests of Lucky Dragon Industries Limited, Mr Tsai Te-tsan and Mr Wu Chin-liang in Mega-Gain in October 2007. Following the exit of the previous investors, we conducted an internal reorganisation to rationalise our Group's production capabilities and capacities to better position ourselves for future growth. In November 2007, we decided to voluntarily wind up Fuqing Jimei and to transfer the assets of Fuqing Jimei to Fuzhou Jimei. On 19 February 2008, Fuqing Jimei was deregistered. In January 2008, Fuzhou Jimei transferred its loom-state fabric production facilities to Fujian Jiamei. Following such transfer, our Group's production capabilities and capacities have been reorganised such that Fujian Jiamei undertakes the production of loom-state fabrics while Fuzhou Jimei undertakes dyeing and post-processing treatment services.

Our Group has grown from a business focusing only on the manufacture of synthetic knitted fabrics to a multi-faceted fabrics business offering production, dyeing and post-processing treatment for a wide range of synthetic knitted fabrics with functionalities. As at the Latest Practicable Date, we own 47 sets of circular weaving looms, ten sets of warp weaving looms, 21 sets of overflow dyeing machines, three sets of setting machines, one set of high speed fabric cutting machine, one set of colour fastness testing

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machine (试色实验机), three sets of gig mills (起毛机) and one set of drying machine (烘干机), and together with other processing facilities, occupy approximately a total land area of 60 mu and a built-up area of approximately 20,000 sq m located at Fuqing. As at the Latest Practicable Date, our Group has the capacity to produce approximately 2,862 tonnes of loom-state fabrics, as well as to dye, process and treat approximately 9,900 tonnes of fabrics (including approximately 7,425 tonnes of functional fabrics based on our Directors' estimates) per annum. Our Group staff strength has grown from about 80 staff in 1997 to approximately 330 staff as at the Latest Practicable Date.

### BUSINESS OVERVIEW

Our Group is principally engaged in the production, dyeing and post-processing treatment of synthetic knitted fabrics. We process fabric products by imparting special functionalities such as water-resistance, fire-resistance and chlorine-resistance, UV-protection, moisture wicking, anti-static, anti-mildew and anti-bacterial properties, in accordance with our customers' requirements. Fabrics that we produce, process and treat are used in a wide variety of products such as casual wear, sportswear and accessories, winter apparel, undergarments, wedding dresses, diving and swimwear, outdoor apparel, shoes, luggage and bags, sports and outdoor accessories, car upholstery, massage chairs, baby cots, toys and medical equipment. We were unable to segment our revenue into functional and normal fabrics as we previously had not maintained records that would allow us to do so. However, our Directors estimate that the sale of functional fabrics constituted approximately 60% and 75% of our sales volume in FY2006 and FY2007 respectively.

Our subsidiary Fujian Jiamei undertakes the production of loom-state fabrics. Through Fuzhou Jimei, we provide dyeing and post-processing treatment services on synthetic knitted loom-state fabrics manufactured by us and also procured from third party suppliers. We use warp weaving (经编) or circular weaving (圆编) techniques in the manufacture of our loom-state fabrics, depending on our customers' requirements. Synthetic knitted fabrics produced and processed by us include single-sided and double-sided fabric, poly-cotton fabric, mesh, roma fabric, lace, velvet, breathable fabric and flocked fabric.

Our customers are mainly sportswear and sports shoes producers, garment producers as well as fabric trading companies, the majority of whom are located in the PRC. We currently have more than 100 customers. Some of our products are used by our customers for the production of garments and shoes for well-known international brands such as Adidas, Kappa, Mizuno, Nike and Triumph, as well as PRC brands such as Anta (安踏), Erke (鸿星尔克), 361°, Li-Ning (李宁) and Septwolves (七匹狼). Our customers' products are sold mainly in the PRC, Hong Kong and Taiwan and, to the best of our Directors' knowledge, also to overseas markets such as the US, Europe, Japan and India.

### OUR PRODUCTS

Our Group's synthetic knitted fabric and functional products may be broadly categorised into (i) garment and apparel fabrics, (ii) shoe fabrics, (iii) luggage and bag fabrics, and (iv) other fabrics.

#### Garment and apparel fabrics

Our garment and apparel fabrics are mainly used in the production of casual wear, sportswear, winter apparel, undergarments, swimwear and outdoor apparel. These fabrics may be normal fabrics or functional fabrics. Our normal fabric products do not undergo additional functional treatment process after having been produced and dyed. Customers of our normal fabric products are mainly manufacturers of garments who do not require additional functionalities of the fabric. Our functional fabric products comprise fabrics treated by various techniques and imparted with special functionalities and characteristics.

Functionalities of our functional garment and apparel fabrics include the following:

- (i) anti-bacterial and anti-mildew characteristics for sports and outdoor apparel, swimwear and diving suits;
- (ii) moisture-wicking (facilitates rapid vaporisation of perspiration, thereby ensuring dryness and comfort) for sport apparel;

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- (iii) UV-protection characteristics for outdoor apparel;
- (iv) water-resistant characteristics for sports apparel, swimwear, diving suits and winter wear;
- (v) anti-chlorine characteristics for swimwear; and
- (vi) anti-static fabrics used widely in the manufacture of various kinds of products such as undergarments and winterwear.

Sales of garment and apparel fabrics constituted 40.6%, 48.0% and 38.8% of our total revenue in FY2005, FY2006 and FY2007 respectively.

### Shoe fabrics

We produce fabrics used mainly in the manufacture of sports shoes. Our shoe fabrics typically have moisture-wicking functionality. Sales of shoe fabrics constituted 32.8%, 26.9% and 29.8% of our total revenue in FY2005, FY2006 and FY2007 respectively.

### Luggage and bag fabrics

We produce fabrics used in the manufacture of bags such as sports bags and luggage bags. Such fabrics are typically thicker and harder and have to be more durable. Sales of luggage and bag fabrics constituted 15.2%, 15.0% and 20.1% of our total revenue in FY2005, FY2006 and FY2007 respectively.

### Other fabrics

Other fabrics that we produce include the following:

- (i) fire-resistant fabric used mainly in the manufacture of car upholstery, baby cots, mattress, curtain, bed linen and medical equipment; and
- (ii) durable fabrics used in the production of toys and hats.

Sales of other fabrics constituted 11.4%, 10.1% and 11.3% of our total revenue in FY2005, FY2006 and FY2007 respectively.

## PROCESSING FACILITIES AND UTILISATION

At the Latest Practicable Date, our production and processing facilities are located within our subsidiaries Fuzhou Jimei and Fujian Jiamei's premises occupying a total land area of approximately 60 mu and built-up area of approximately 20,000 sq m.

As at the Latest Practicable Date, we own the following major production and processing facilities and equipment:-

Equipment / Facility	Type of products produced / processed	No. of Units / Lines
<b>Weaving</b>		
Warp weaving looms (经编织机)	Synthetic fabric	10
Circular weaving looms (圆编织机)	Synthetic fabric	47
<b>Dyeing</b>		
Overflow dyeing machines (溢流染色机)	Synthetic fabric	21
<b>Post-Processing Treatment</b>		
Setting machines (定型机)	Synthetic fabric	3
Gig mills (起毛机)	Synthetic fabric	3
Drying machines (烘干机)	Synthetic fabric	1
High speed fabric cutting machine (高速剖布机)	Synthetic fabric	1
Colour fastness testing module (试色实验机)	Synthetic fabric	1

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### Processing Capacity and Utilisation

The table below summarises the capacities and estimated utilisation rates of our facilities for the periods under review:-

	FY2005		FY2006		FY2007	
	Maximum Capacity <sup>(1)</sup> (tonnes)	Utilisation Rate (%)	Maximum Capacity <sup>(1)</sup> (tonnes)	Utilisation Rate (%)	Maximum Capacity <sup>(1)</sup> (tonnes)	Utilisation Rate (%)
Weaving facilities	1,926	80%	2,158	83%	2,862	84%
Dyeing and post-processing treatment facilities	5,040	81%	6,540	82%	9,540	83%

**Note:-**

- (1) Our maximum annual processing capacity is calculated based on the operation of our facilities for 24 hours a day and for 330 days a year (taking into consideration down-time for adjusting equipment specifications for different products, maintenance and repairs, and festive periods). Our facilities normally operate 24 hours a day.

Different types, textures, dimensions and thickness of loom-state fabrics require different weaving techniques and production times. Thus, the utilisation rate of our weaving facilities may vary accordingly.

The utilisation rate of our dyeing machines is dependent on the capacity of our post-processing treatment facilities as all our products have to undergo post-processing treatment as the final stage of the production process. For the periods under review, the capacity of our dyeing machines were not fully utilised as we did not possess adequate post-processing treatment facilities to support our dyeing operation.

The maximum capacity and the utilisation rate of our setting machines in our post-processing treatment process are dependent on:

- (i) the capacity of our ancillary equipment that provide secondary functions, such as spin-dryers (脱水机) and scutchers (展幅机). Some of our products have to undergo the setting process several times for additional treatment steps that cleanse impurities and chemicals from the product. This cleansing process can be performed by other ancillary equipment (for example, scouring machines (水洗机)), which we currently do not have. This limits the maximum capacity and utilisation rates of our setting machines. In 2008, we expect to acquire one scouring machine (that cleanses impurities and chemicals from the processed product) and one scutcher; and
- (ii) the type, texture, length, width and thickness of the product.

In calculating our capacity and utilisation rates, we have not taken into consideration the capacity and utilisation rates of our gig mills and drying machines, as not all products undergo the napping or drying process. All our products undergo the setting process.

The maximum capacities of our weaving, and our dyeing and post-processing treatment facilities for FY2007 were 2,862 tonnes and 9,540 tonnes respectively. We are expanding our processing capacity and investing RMB103.0 million (approximately S\$20.6 million) in weaving, dyeing, post-processing treatment facilities, ancillary machinery and equipment. Upon completion of the above expansion, we expect our fabric weaving, dyeing and post-processing treatment capacities to increase to approximately 7,614 tonnes and 17,520 tonnes per annum respectively. We shall be funding this investment partly from the net proceeds of S\$8.0 million (approximately RMB40.0 million) from the Invitation and partly from internal funds and bank borrowings. As at the Latest Practicable Date, we have expended RMB0.3 million (approximately S\$0.06 million) on these acquisitions.

Save as disclosed in the section entitled “History and Business – Permits, Approvals, Licences and Government Regulations” of this Prospectus, we are not aware of any regulatory requirements or environmental issues that may materially affect our Group’s utilisation of any processing facility or equipment.



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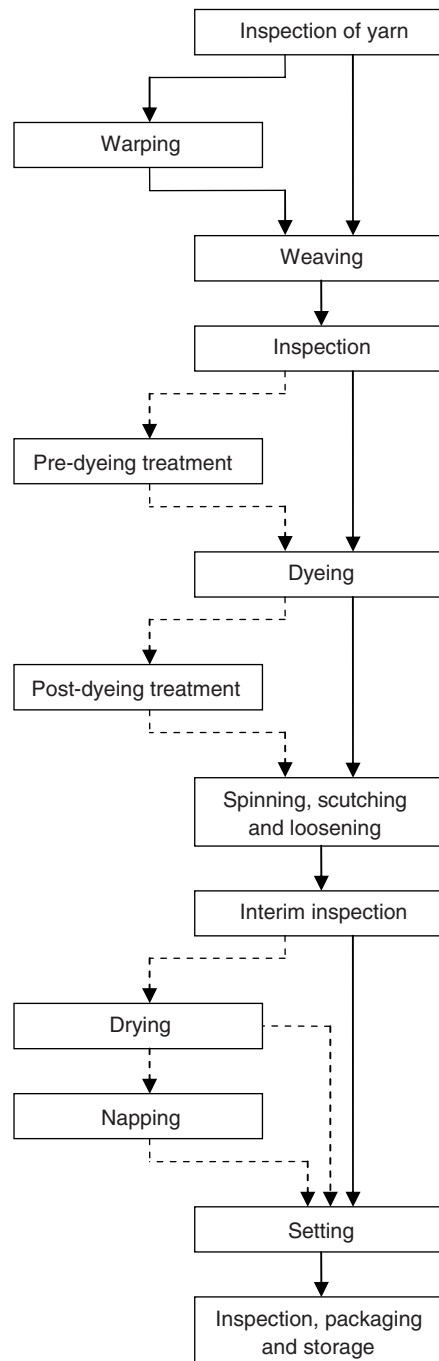
## HISTORY AND BUSINESS

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### PRODUCTION PROCESS

#### (a) Weaving, dyeing and post-processing treatment

The following chart illustrates the main phases in our production process:



-----> Process applicable for functional treatment

- *Inspection of yarn*  
Quality inspection is conducted by our quality control staff on the yarn prior to weaving.

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## HISTORY AND BUSINESS

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- *Warping*

Before weaving yarn into loom-state fabrics using warp weaving techniques, the yarn undergoes certain treatment and preparation including warping and sizing. During warping, yarn threads known as warp are unwound from a group of bobbins and wound onto a warp beam in preparation of sizing. Loom-state fabrics produced using circular weaving techniques do not require warping process.

- *Weaving*

Depending on the type of fabric to be produced, the weaving of our yarn is carried out by our warp weaving looms or circular weaving looms.

- *Inspection*

Quality inspection is carried out on the produced loom-state fabrics. Fabrics that pass inspection will then be sent for further processing.

- *Dyeing*

Our fabrics are mainly dyed through a process known as high temperature overflowing dyeing. In this process, the fabric is delivered through an overflowing dyeing machine, where the fabrics are repeatedly circulated and submerged in dyeing solution contained within an overflowing unit.

- *Spinning, scutching and loosening*

The processed fabrics are delivered through a spin dryer where the fabrics are spun at high speed to remove excess water. The fabrics produced are then delivered to a scutcher where the fabrics are spread out flat.

- *Interim inspection*

Interim inspection on the processed fabrics is conducted at this stage. Fabrics that pass the interim inspection will be sent for further processing.

- *Setting*

Setting is a process under which the fabrics are stretched or shrunk under high temperatures in order to set and stabilise the width, length and thickness of the fabrics and the alignment of the yarn fibres. Additionally, the process is used to enhance texture and colour saturation of the fabrics.

- *Inspection, packaging and storage*

The processed and treated fabrics undergo final inspection for quality and defects. Fabrics that pass quality inspection are then packaged, labeled and stored in our warehouse.

### (b) **Functional treatment of fabrics during the production process**

Depending on the requirements of our customers, functional treatment may be applied to the fabrics during stages of the production process such as pre-dyeing treatment, post-dyeing treatment, drying, napping and/or setting. Napping is a process in which the fabric is delivered through a napping machine where the fabric is brushed by bristle-covered rollers to loosen the fibres and create a soft, fluffy texture. The resultant fabric, known as flocked fabric, may then be further processed to produce velvet.

Functional treatment steps enable the loom-state fabrics to be created with different textures and/or to be imparted special functionalities such as water-resistance, fire-resistance, UV-protection, moisture wicking, anti-static and anti-bacterial properties.

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## HISTORY AND BUSINESS

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### (c) Wastewater treatment

Our Group places great importance on the environmental impact of wastewater generated through our business process. Our operating subsidiary Fuzhou Jimei has obtained its pollutant discharge permit in accordance with relevant laws and regulations. In addition, Fuzhou Jimei is equipped with a wastewater treatment and recycling plant at its factory premises to carry out the pre-treatment of wastewater generated from our business process. The wastewater to be discharged after such pre-treatment process satisfies the Grade One standards applicable to companies engaged in fabrics dyeing and treatment business as set out in the PRC National Standards GB 4287-92 (纺织染整工业水污染物排放标准). As at the Latest Practicable Date, approximately 20% of the wastewater is recycled and reused by our factories. As a testimony to our efforts, in January 2008, Fuzhou Jimei's wastewater treatment and recycle plant was recognised as an energy-saving project by Fuzhou Finance Bureau and Fuzhou Economy Committee which enables Fuzhou Jimei to enjoy a subsidy of RMB250,000 granted by Fuzhou City Government. On 15 January 2008, Fuzhou Jimei received the award of "Outstanding Enterprise (先进单位)" from Fuqing City Environmental Protection Bureau for the efforts in operating and maintaining the wastewater treatment and recycle plant.

Fujian Jiamei currently does not undertake any dyeing or processing activities which require pollutants discharge.

### QUALITY ASSURANCE

We believe that our product and service quality is the key to our continued growth and success. We place great emphasis on quality assurance and the consistent quality of our products and services at all stages of our production and business process. We attribute our success to date to our commitment to and provision of quality services. As such, we believe that good quality control has been a key competitive strength of our Group.

As at the Latest Practicable Date, we have 42 quality assurance personnel, including our production staff responsible for quality control within their respective stations and job scopes.

As a testimony to our commitment to quality services, we have been awarded the following certification:

Subsidiary	Certification Year of certification	Certification Body
Fuzhou Jimei	ISO9001:2000 Quality Management System: for Design and Manufacture of Clothing Fabric used for Hat Material, Shoe Material, Underwear, Swimwear, Wedding Dress and Sportswear; Processing of Dyeing and Finishing of Knit Fabric and Special Function Fabric  Valid from 4 May 2007 to 3 May 2010	AFAQ-EAQA Ltd

To attain and maintain this certification, we have set up a quality control management system in accordance with ISO9001:2000 standards.

Our quality control system requires all our production staff to undergo training conducted internally in relation to our quality control policies, targets and procedures, as well as production and processing techniques.

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We have established the following quality control procedures to ensure the high standard of quality of our products and services:

### **In-coming**

In order to ensure the high quality and standard of our products and services, we place strong emphasis on the quality of our raw materials. Quality control checks are conducted on all incoming raw materials to ensure that the raw materials conform to our required specifications, such as volume, tensile strength and thickness.

Before delivery is accepted, our warehouse staff conducts visual inspections to ensure that raw materials conform to our orders. Samples are retrieved from each batch of raw materials and tested by our Production (quality assurance) and Research and Development Departments to ensure the raw materials comply with our required specifications.

Before sending yarn for weaving, we carry out inspections on the yarn to test the tensile strength and thread count and ensure they are consistent with specifications and quantity set out in our orders. For loom-state fabrics that we purchase from suppliers, we examine the fabrics for defects and check if they conform to our specifications and requirements. Dyeing materials are checked for colour saturation, colour durability and shades.

If there are discrepancies in the quantity or quality of raw materials delivered to us, or if the raw materials do not conform to our specifications, such raw materials are rejected and returned to our suppliers. Raw materials that pass the quality control checks are sent for storage in the warehouse until they are required in the production process.

### **In-process**

At all stages in the production process, we have quality inspectors who are responsible for carrying out visual inspections to ensure that each process is properly completed and that the semi-finished products meet our customers' specifications. At certain stages of the production process, our semi-finished products are sent to our laboratories to be tested for tensile strength, tenacity and colour accuracy. We also put our products under certain functionality tests such as tests for water-resistance, fire-resistance and colour fading. Such tests are carried out based on applicable PRC national standards and customers' requirements.

We engage an external professional body, SGS, to carry out other functionality tests, such as tests for anti-bacteria, moisture-wicking, UV-protection and more complex colour stability tests.

We carry out regular inspections, maintenance and repairs to ensure that our production machinery and equipment are well maintained and in good working condition. We also engage state-recognised inspection authorities on an annual basis to check our specialised machinery, such as boilers, electrical generators and wastewater treatment facilities.

### **Finished products**

Before the finished fabrics are sent to the warehouse for storage, the fabrics undergo a final round of inspection to ensure that they meet the required dimensions, thickness and durability and other qualities specified by the customers.

### **After-sales**

Our quality control team is also responsible for working with our sales staff to provide after-sales service and to address customers' feedback or complaints.

Our Directors believe that customers in our industry do not usually change their suppliers unless the product quality or customer service is poor, or when prices are no longer competitive. As such, it is important that we provide quality and reliable products and services and maintain good relationships with our customers.

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## HISTORY AND BUSINESS

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For the last three financial years from FY2005 to FY2007 and from 1 January 2008 up to the Latest Practicable Date, we had not received any major complaints or rejections from our customers about our products and services.

### SALES AND MARKETING

Our Sales and Marketing Department is spearheaded by our general manager for Sales and Marketing, Mr Chang Fong-chin who has more than 25 years of experience in textile industry.

Our sales and marketing team comprises approximately 40 employees who are responsible for cultivating new customers as well as market development by developing existing accounts and strengthening customer relationships through better after-sales services to our customers. In addition, our sales personnel keep in touch with our customers through regular visits and by extending invitations to them to visit our processing facilities. These visits enable us to promote our products and services, to better understand our customers' needs and requirements and to obtain feedback on our products and services, as well as our after-sales services. Market surveys are also carried out on a regular basis to allow us to keep pace with the latest market trends. We conduct quarterly briefing meetings with our major customers to collect their requirements and recommendations on our products and design to be launched in each quarter. With these requirements and recommendations, we are able to customise our product design and production process to better meet our customers' needs. This also enables us to control costs of production in a more efficient manner.

We expand and diversify our customer base primarily by conducting direct marketing pitches to potential and existing customers. Our existing customers, suppliers and other business associates sometimes also refer new and potential customers to us.

As part of our marketing strategy, we have established sales offices in Taiwan, Guangdong Province and Shanghai. Our Directors believe that by locating our sales personnel close to our customers, we are able to promptly respond to the market changes as well as customers' demands.

To further heighten the awareness of our products, we have also participated in major trade fairs and exhibitions related to our industry such as China Shanghai International Textile, Fabrics and Accessories Exhibition 2007 (2007中国上海国际纺织品及面料、辅料博览会) in June 2007.

### AWARDS AND ACCOLADES

As a testimony to the quality of our products and our management capabilities in the PRC business community, we have received several awards and accolades in the course of our history, as listed below:-

Subsidiary	Award	Organisation	Date of Conferment/ Period	Significance of Award
Fuzhou Jimei	Executive Director Enterprise (常务理事单位)	Fujian Province Integrity Promotion Commission (福建省诚信促进会)	December 2005	In recognition of our selection onto the Fujian Province Integrity Promotion Commission
Fuzhou Jimei	Vice Chairman Enterprise (副会长单位)	Fujian Province Integrity Promotion Commission (福建省诚信促进会)	March 2006	Such selection required our satisfaction of certain prerequisites such as business integrity and the quality of our products and service

## HISTORY AND BUSINESS

Subsidiary	Award	Organisation	Date of Conferment/ Period	Significance of Award
Fuzhou Jimei	National Customer Satisfactory Brand for Synthetic Knitted Fabrics (全国针织化纤布用户满意品牌)	China Market Survey Research Centre (中国市场调研研究中心)	August 2007 (for 2006)	In recognition of the quality of our “Jimei” brand of synthetic knitted fabrics
Fuzhou Jimei	Outstanding Enterprise in Work Safety (安全生产工作先进单位)	Fuqing Rongqiao Economic and Technology Development Zone Management Committee (福清融侨经济技术开发区管委会)	January 2007	In recognition of our production, fire and work safety
Fuzhou Jimei	Leading Enterprise in the Industry in Fujian (福建工业行业榜首)	Fujian Province Enterprise Appraisal Association/ Fujian Province Enterprise Appraisal Centre (福建省企业评价中心/福建省企业评价协会)	July 2007	In recognition of our leading position in the fabric industry
Fuzhou Jimei	Outstanding Enterprise (先进单位)	Fuqing City Environmental Protection Bureau (福清市环境保护局)	January 2008 (for 2007)	In recognition of our efforts in operating and maintaining the wastewater treatment and recycle plant

### OUR MAJOR CUSTOMERS

Our Group currently has a diversified customer base of over 100 customers, who are mainly located in the PRC. Our business and profitability is not materially dependent on any industrial, commercial or financial contract with any of our customers. Our customers are mainly sportswear and sports shoes producers, garment producers and fabric trading companies mainly located in Fujian, Guangdong, Zhejiang Provinces and Shanghai. Fabrics produced and processed by us are sold in the PRC, Hong Kong and Taiwan. To the best of our Directors’ knowledge, our customers also export such fabrics to overseas markets such as the US, Europe, Japan and India.

The following table sets out information of our major customer who accounted for 5.0% or more of our Group’s total sales in the periods under review:

Customer	Percentage of total sales (%)		
	FY2005	FY2006	FY2007
Yaw Liamy Enterprise Company Ltd (香港曜良)	7.5	4.7	1.8

Our sales to Yaw Liamy Enterprise Company Ltd (“YLE”) in Hong Kong constituted 65%, 75% and 57% of our sales to other regions (being sales other than to the PRC and PRC Export Economic Zone) in FY2005, FY2006 and FY2007 respectively. Sales to YLE as a percentage of total sales decreased from FY2005 to FY2007 as YLE changed their product requirements from the use of warp weaving fabrics to circular weaving fabrics for the production of book covers. As the demand from end-customers for circular weaved book covers is lower than warp-weaved book covers, hence our sales to YLE as a percentage of total sales fell from FY2005 to FY2007. In addition, after FY2005, YLE required printing to be carried out on more of their fabrics, however we did not yet have printing facilities or services. In FY2008, YLE has reverted to using warp-weaved fabrics for the production of book covers.



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## HISTORY AND BUSINESS

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None of our Directors, Substantial Shareholder Qian Feng Group Limited, Executive Officers or their respective Associates has any interest, direct or indirect, in any of our customers. To the best of our Directors' knowledge and belief, there are no arrangements or understanding with any of our customers pursuant to which any of our Directors and Executive Officers were appointed.

### OUR MAJOR SUPPLIERS

Our Group purchases yarn, loom-state fabrics, dye and additives which are the main raw materials required for use in the weaving, dyeing and post-processing treatment processes. Our raw materials are sourced and procured from our suppliers located in the PRC and Taiwan.

Our suppliers are carefully selected by our Group's procurement personnel, which are headed by our Executive Director, Mdm Lin Xiujin. In the past three financial years from FY2005 to FY2007 and from 1 January 2008 up to the Latest Practicable Date, there are also circumstances where our customers required us to procure raw materials from certain suppliers who were designated by the customers.

Our suppliers are assessed annually on criteria such as the quality of materials supplied, the length of their business relationships with our Group, as well as their pricing, reliability, track record, service punctuality and response time. Our procurement personnel in procurement department also regularly visit our suppliers' factories to inspect their manufacturing process and assess product quality.

Our purchases are based primarily on purchasing plans prepared in accordance with our projected orders for the forthcoming year. Based on such purchasing plans, we enter into supply contracts with our major suppliers setting out the terms and conditions for our purchases for the forthcoming year, such as the raw materials and quantity to be supplied, the price of such raw materials and the payment and delivery terms for our purchases. Depending on market conditions and customers' orders, the quantity and price of raw materials may be varied by the parties.

Our Group has not encountered any significant production disruption due to shortage of supply of raw materials from our suppliers to meet our production requirements. We maintain good relationships with our suppliers and do not have any major disputes with any of them during the periods under review. We have not experienced any major difficulties in sourcing for raw materials to meet our production requirements during the said period.

The following table sets out information of our major suppliers who accounted for 5.0% or more of our Group's total purchases in the periods under review:

Supplier	Type of purchases	Percentage of total purchases (%)		
		FY2005	FY2006	FY2007
Hangzhou Tian Yuan Dacron Co. Ltd (杭州天元涤纶有限公司)	Polyester	5.3	3.4	3.6

Save as disclosed above, none of our suppliers accounted for 5.0% or more of our total purchases for the periods under review. We are not dependent on any one of our major suppliers as we are able to source our raw materials from alternative suppliers should the need arises.

Our business and profitability is not materially dependent on any industrial, commercial or financial contract with any of our suppliers.

None of our Directors, Substantial Shareholder Qian Feng Group Limited, Executive Officers or their respective Associates has any interest, director or indirect, in any of our suppliers. To the best of our knowledge and belief, there are no arrangements or understanding with any suppliers pursuant to which any of our Directors and Executive Officers were appointed.

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## HISTORY AND BUSINESS

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### CREDIT MANAGEMENT

#### Credit terms to our customers

We generally extend credit terms of 60 to 75 days to our customers. In deciding whether credit shall be extended, we typically take into consideration factors such as our relationship with the customer, its payment record and creditworthiness. The credit terms extended to our customers are reviewed half-yearly and subject to approval by our Executive Director Mr Su Chi-ho. Any request by our customers for changes to credit terms will be subject to approval by Mr Su Chi-ho on a case-by-case basis.

In relation to new customers, our Sales and Marketing Department will prepare a memorandum proposing the credit terms to be extended to such customers for approval by our Executive Director Mr Su Chi-ho. For the first three to six months of transactions with new customers, we will generally require a 30% deposit and cash payment of the balance 70% on delivery. After the three-month to six-month period, we may extend better credit terms to these customers depending on their credit performance.

Our trade receivables turnover days, based on the average trade receivables (calculated on the basis of the gross opening and closing balance of the relevant financial year) for the periods under review are as follows:

	FY2005	FY2006	FY2007
Trade receivables' turnover days <sup>(1)</sup>	36	33	32

**Note:-**

(1) For FY2005, FY2006 and FY2007, trade receivables' turnover days = (average trade receivables/revenue) x 365 days.

The aging schedules for our trade receivables as at the end of FY2007 are as follows:-

	As at 31 December 2007	
	(RMB'000)	%
Within 30 days	31,441	92.5
31 – 60 days	1,754	5.1
61 – 90 days	437	1.3
Over 90 days	369	1.1
<b>Total</b>	<b>34,001</b>	<b>100.0</b>

As at the Latest Practicable Date, all the trade receivables of RMB34.0 million as at 31 December 2007 have been collected.

For the periods under review, we did not have any provision for bad and doubtful debts and no bad debts were written off.

#### Credit terms from our suppliers

Our yarn suppliers are paid in cash upon delivery. Our suppliers of loom-state fabrics and other raw materials extend to us credit terms of up to 45 to 60 days. Under normal circumstances, we will make payment to our suppliers before expiry of the credit terms in order to secure better pricing for our raw materials purchases.

Our trade payables' turnover days based on the average trade payables (calculated on the basis of the opening and closing balance of the relevant financial year) for the periods under review are as follows:-

	FY2005	FY2006	FY2007
Trade payables' turnover days <sup>(1)</sup>	38	47	40

**Note:-**

(1) For FY2005, FY2006 and FY2007, trade payables' turnover days = (average trade payables/purchases) x 365 days.

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## HISTORY AND BUSINESS

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### RESEARCH AND DEVELOPMENT

Our Directors believe that constant innovation in developing new and improved products that are well-received by customers is vital to our continuing success. As at the Latest Practicable Date, we have a dedicated research and development team comprising five staff, which is led by our general manager for research and development Mr He Sanzhuo, who has almost 20 years' of relevant working experience in the knitted weaving industry. Our Directors believe that our research and development team possesses the necessary experience and technical know-how to develop and adapt our products to ensure that the changing needs of our customers and the market are adequately met.

We focus our research and development efforts on the following:-

- (a) developing new techniques and processes for weaving, dyeing and post-processing treatment;
- (b) improving and refining dye mixtures and formulae; and
- (c) developing new value-added functionalities for fabrics.

In addition, our research and development personnel carry out the formulation of dye mixtures for approval by our customers prior to the confirmation of orders by our customers and the execution of the same by our Production Department.

For FY2005, FY2006 and FY2007, our research and development expenses were not significant as a proportion of our total revenue.

### ***Our technology collaboration achievements***

We have entered into technology collaboration agreements with reputable companies, such as Ciba, Far Eastern and Dupont, to develop and improve our fabric processing and treatment techniques for functional fabrics.

The technical collaboration agreement with Ciba involves the use of additives provided by Ciba in our fabric dyeing and post-processing treatment processes as well as the development of new fabric products using additives provided by Ciba.

The technical collaboration agreements with Dupont and Far Eastern involve the use of functional yarn provided by Dupont and Far Eastern in the production of loom-state fabrics as well as the development of new fabric products using yarn provided by Dupont and Far Eastern.

Our technical collaborations with Ciba, Dupont and Far Eastern also include the sharing of technological expertise and provision of periodic technical training by Ciba, Dupont and Far Eastern.

As at the Latest Practicable Date, the functional fabric products that we have successfully developed through such technology collaboration are as follows:-

Product function	Description	Year of successful development	Technology partner
Anti-moisture / anti-perspiration	This fabric absorbs perspiration and facilitates rapid vaporisation of perspiration and is therefore able to ensure dryness and comfort. It is mainly used for the manufacture of sports shoes and apparel and diving suits.	2003	Far Eastern
Anti-bacterial / anti-mildew	This fabric prevents bacteria and mildew growth and mainly used for the manufacture of sports, outdoor apparel, swimwear and diving suits.	2003	Far Eastern
Anti-bacterial / anti-mildew	This fabric prevents bacteria and mildew growth and mainly used for the manufacture of sports, outdoor apparel, swimwear and diving suits.	2006	Ciba

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Product function	Description	Year of successful development	Technology partner
Fire-resistance	This fabric does not combust when in contact with fire and therefore prevents the spread of fire. This fabric is mainly used for the manufacture of car upholstery, baby cots, mattress, curtain, bed linen and bags.	2006	Ciba
Anti-moisture / anti-perspiration	This fabric absorbs perspiration and facilitates rapid vaporisation of perspiration and is therefore able to ensure dryness and comfort. It is mainly used for the manufacture of sports shoes and apparel and diving suits.	2007	Dupont
UV-protection	This fabric reduces the penetration of harmful UV rays. It is mainly used for the manufacture of outdoor apparel and accessories.	2007	Ciba
Water-resistance	This fabric prevents water from immersing into the fabric under certain pressure while facilitating vaporisation of perspiration. It is mainly used for the manufacture of sports apparel, swimwear, diving suits, winter wear and bags.	2007	Ciba
Anti-static	This fabric is able to reduce or eliminate the formation of static electricity. It is widely used for the manufacture of various kinds of products such as undergarments and winterwear.	2007	Ciba

We plan to intensify our research and development efforts to develop new products and improve our production processes, including the development of new dye formulae and processes for the treatment and processing of new fabrics. This will enable us to meet the changing demands of our customers and to stay ahead of our competitors.

To enable us to implement our plans, we intend to strengthen our research and development capability by recruiting new personnel and enhancing our existing research and development team. We also intend to acquire new advanced precision testing equipment to enable us to analyse and carry out comprehensive tests on dye and fabrics to ensure they meet our stringent quality requirements. We intend to utilise approximately 0.3% of our Group's revenue in FY2008 for these purposes.



## HISTORY AND BUSINESS

### INTELLECTUAL PROPERTY

#### Trademarks

We have, as at the Latest Practicable Date, applied for registration of the following trademarks:-

#### **Trademarks Pending Registration**

Trademark	Applicant	Class	Application Number	Place of Filing	Acceptance Date
	Fuzhou Jimei	24 <sup>(1)</sup>	20060454	PRC	10 August 2006
	Fuzhou Jimei	40 <sup>(2)</sup>	20060455	PRC	10 August 2006

#### **Notes:-**

- (1) This class covers fabric, cloth, filtering materials of textile, fabric wall coverings, felt, towels of textile, bath towels, bed linen, furniture coverings of textile, washing gloves. (织物; 布; 纺织品过滤材料; 纺织品壁挂; 毡; 纺织品毛巾; 浴巾; 被子; 纺织品毛巾; 浴巾; 被子; 纺织品家具罩; 洗涤用手套)
- (2) This class covers processing of refinery fabric products, edging of cloth, cloth fireproofing, loom warping, dyeing, chemical processing of fabrics, cloth dyeing, garments producing, custom fashioning of fur, leather processing. (纺织品精细加工; 布料边饰处理; 织物防火处理; 纺织机整经; 染色; 纺织品化学处理; 染布; 服装制作; 裘皮时装加工; 皮革加工)

We expect to obtain the registration of the above trademarks by the second half of 2009.

Save as disclosed above, our business and profitability is not materially dependent on any trademark, patent or licence or any new manufacturing process nor do we have any registered trademark, patent or licence or any applications thereof or any other intellectual property rights.

### INVENTORY MANAGEMENT

Our inventories comprise raw materials, work-in-progress and finished goods. The main raw materials in our inventory are yarn, loom-state fabrics, dyes and additives and packaging materials which are required in our production process.

We maintain a regular stock of dyes and additives. We enter into supply contracts with our suppliers on an annual basis. The supply contracts contain essential terms such as our estimated raw materials requirements for the forthcoming year, the prices of such raw materials, payment and delivery terms for our purchases. Our suppliers generally give us three months' notice before any increase in raw material prices. We maintain sufficient raw materials to support one month of production. For our yarn raw materials, we maintain inventory to support three months of production. Such inventory provisions minimise the risks of delays in our production process due to insufficient raw materials.

Our inventory turnover days based on the average inventory balances (calculated on the basis of the opening and closing balance of the relevant financial year) for the periods under review are as follows:-

	FY2005	FY2006	FY2007
Inventory turnover days <sup>(1)</sup>	28	27	27

#### **Note:-**

- (1) For FY2005, FY2006 and FY2007, inventory turnover days = (average inventories/cost of sales) x 365 days.

For the periods under review, our Group had no inventory write-off and did not make any allowance for inventory obsolescence.

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### PROPERTIES AND FIXED ASSETS

#### Land Use Rights

We own the land use rights to two parcels of land located in Fuqing City, Fujian Province, the PRC comprised in the following certificates:-

Certificate Reference No.	Location	Use	Date of Expiry of Tenure	Land area (sq m)	Encumbrances
Rong Hong Lu Guo Yong [2006] No. 08259 (融宏路国用[2006]第08259号)	Zhoudian Village (周店村) and Jinyin Village, (金印村) Honglu Town, (宏路镇) Fuqing City, Fujian Province, the PRC	Industrial	31 July 2053	17,872	Mortgaged in favour of Chiyu Banking Corporation Ltd. Fuzhou Branch to secure bank credit facilities for Fuzhou Jimei for an aggregate amount of RMB13.5 million and US\$0.5 million
Rong Hong Guo Yong [2005] No. 08195 (融宏国用[2005]第08195号)	Jinyin Village, (金印村) Honglu Town, (宏路镇) Fuqing City, Fujian Province, the PRC	Industrial	5 April 2055	21,773.4	Mortgaged in favour of Industrial Bank Co., Ltd. Fuqing Branch to secure a bank credit facility for Fuzhou Jimei for an amount of RMB20.15 million

#### Buildings

We own the property ownership rights to the following buildings in Fuqing City, Fujian Province, the PRC:-

Certificate Reference No.	Location	Use	Date of Expiry of Tenure	Area (sq m)	Encumbrance
Rong Fang Quan Zheng R Zi No. 0402819 (融房权证R字第0402819号)	Zhoudian Village (周店村) and Jinyin Village, (金印村) Honglu Town, (宏路镇) Fuqing City, Fujian Province, the PRC	Factory	31 July 2053	9,188.17	Mortgaged in favour of Chiyu Banking Corporation Ltd. Fuzhou Branch to secure bank credit facilities for Fuzhou Jimei for an aggregate amount of RMB13.5 million and US\$0.5 million
Rong Fang Quan Zheng R Zi No. 0704619 (融房权证R字第0704619号)	Jinyin Village, (金印村) Honglu Town, (宏路镇) Fuqing City, Fujian Province, the PRC	Factory	5 April 2055	10,777	Mortgaged in favour of Industrial Bank Co., Ltd. Fuqing Branch to secure a bank credit facility for Fuzhou Jimei for an amount of RMB20.15 million

Further details on our production facilities are set out in the sections entitled “History and Business – Processing Facilities and Utilisation” and “Prospects, Business Strategies and Future Plans – Business Strategies and Future Plans” of this Prospectus.

To the best of our Directors’ knowledge, save as disclosed under the section entitled “History and Business – Permits, Approvals, Licences and Government Regulations” of this Prospectus, there are no regulatory requirement or environmental issues that may materially affect our utilisation of the above properties and fixed assets, all of which are located in the PRC.



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## HISTORY AND BUSINESS

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### STAFF TRAINING

We view our human resource as one of our key assets and place great emphasis on staff training that not only imparts job skills but also inculcates desirable work attitudes and team spirit. Therefore, our employees at all levels are required to undergo internal training relevant for their positions. Our quality control program also requires all our production staff to undergo training conducted internally in relation to our quality control policies, targets and procedures, as well as production and processing techniques. Our production staff also undergoes monthly training in respect of production techniques and work safety. Our electricians and operators of specialised equipment (such as boilers and forklifts) are required to obtain professional training before commencement of work.

For new production staff, we conduct recruitment training to educate and prepare the employees for the operation of our machinery and equipment. A new production staff is required to pass an assessment before we confirm his appointment.

We also provide training for our technical and management staff through professional training workshops conducted by external speakers from institutions, consultancies, accreditation agencies and our technology collaboration partners. Such professional training relates to quality control, environmental protection, management techniques and on the use of specialised materials in the production of our functional fabrics.

Our training expenses as a proportion of our total staff costs were not significant for the periods under review.

### INSURANCE

We maintain the following insurance policies:-

Company in our Group	Annual Premium	Subject Insured	Maximum Coverage	Term
Fuzhou Jimei	RMB33,005	Inventory, equipment, property	RMB66,009,408	1 September 2007 to 1 September 2008
Fuzhou Jimei	RMB7,728	Inventory, equipment	RMB18,184,644	1 January 2008 to 1 September 2008
Fujian Jiamei	RMB21,901	Property, equipment, inventory	RMB43,801,505	8 May 2008 to 8 May 2009

Our subsidiaries, Fuzhou Jimei and Fujian Jiamei have in place social insurance for their employees. The premiums are borne by our subsidiaries and the employees in such proportion as set out in the relevant PRC regulations. We also maintain insurance for our motor vehicles.

We currently do not have any product liability insurance in respect of products processed or treated by us or any third party insurance coverage. We have not faced any third party claims or claims against us for product defects in FY2005, FY2006 and FY2007 and from 1 January 2008 up to the Latest Practicable Date.

Our Directors believe, having considered the risk levels and the costs of procuring insurance for certain risks associated with our business, that the coverage from these insurance policies is adequate for the purpose of our business. Please refer to the section entitled “Risk Factors – Risks relating to our business and industry (Our insurance coverage may not be sufficient for our business operations)” of this Prospectus for more details. We periodically review the insurance coverage of our Group and will consider taking up additional insurance, if necessary.

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## HISTORY AND BUSINESS

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### PERMITS, APPROVALS, LICENCES AND GOVERNMENT REGULATIONS

To the best of our Directors' knowledge, as at the date of this Prospectus, we have complied with all relevant laws and regulations of the PRC and have obtained all necessary licences, permits and approvals for our business operations in the PRC.

The following is a description of the material licences and permits issued to our Group's subsidiary in order for us to carry out our operations, other than those pertaining to general business registration requirements:-

Subsidiary	Name of Licence / Permit	Description of Licence / Permit	Issuing Authority	Period of validity
Fuzhou Jimei	Temporary Pollutant Discharge Permit (排放污染物临时许可证)	Permit for the discharge of pollutants	Fuqing City Environment Protection Bureau	7 April 2008 to 6 April 2009

Our Group has received confirmation letters from Fuqing City Environmental Protection Bureau on 25 October 2007 and 7 January 2008, respectively, confirming that in the last three years, none of Fuzhou Jimei and Fujian Jiamei has contravened any PRC environmental laws and regulations and no penalties have been imposed on us.

Please see the section entitled "Risk Factors – Risks relating to our business and industry (We are subject to the PRC's environmental measures)" of this Prospectus for more information.

Please refer to Annex D – "Summary of Relevant PRC Laws and Regulations" of this Prospectus for more details on the laws and regulations in the PRC to which our subsidiaries in the PRC are subject.

### COMPETITION

We believe that the principal competitive factors in our industry include, *inter alia*, product quality, customer and supplier relationships, cost and quality of raw materials, research and development capabilities, technical expertise in production and pricing. Presently in the PRC, product quality and timely delivery are the main competitive factors in the fabric weaving, dyeing and processing industry.

To the best of our Directors' knowledge, our principal competitors are the following fabric production and dyeing companies:-

- Suzhou Yuan Dong Textile, Printing and Dyeing Co., Ltd (苏州远东纺织印染有限责任公司)
- Fujian Fynex Textile Technology Limited (福建凤竹纺织科技股份有限公司)

### COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:-

- (a) **We have an integrated business model for weaving, dyeing and post-processing treatment of fabrics**

We are a key participant in the textile industry supply chain, offering a comprehensive suite of production services from weaving, dyeing to post-processing treatment of synthetic knitted fabrics. With our integrated operations, we are able to provide our customers with a one-stop solution for their fabric needs and requirements at competitive prices. In addition, our integrated business model also enables us to lower production costs for our weaving, dyeing and post-processing treatment operations, reduce lead time for the production and ensure punctual delivery of our fabric products.

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## HISTORY AND BUSINESS

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Our Directors also believe that constant innovation in developing new and improved products that are well-received by customers has been vital to our success. We have a dedicated research and development team that works closely to develop new techniques, processes and functionalities for our fabrics. We have also collaborated with reputable and technologically-advanced companies such as Ciba, Far Eastern and Dupont to develop new functional fabrics as well as new techniques for the treatment of fabrics.

**(b) We are dedicated to providing quality products and services**

We use quality raw materials, advanced processing facilities and stringent quality control measures to maintain the quality of our synthetic knitted fabric products.

In the procurement of our raw materials, we place great emphasis on the quality of the products purchased from our suppliers. We also carry out quality control checks to ensure that the raw materials used in our production processes satisfy our required specifications. Aside from quality control checks, we provide comprehensive after-sales service to our customers and take steps to manage feedback and complaints.

Our quality control program requires all our production staff to undergo training conducted internally in relation to our quality control policies, targets and procedures, as well as production and processing techniques.

As a testament to our quality control, our operating subsidiary Fuzhou Jimei has been accredited with ISO9001:2000 for quality management system in respect of design and manufacture of clothing fabric used for hat material, shoe material, underwear, swimwear, wedding dress and sportswear; processing of dyeing and finishing of knit fabric and special function fabric by AFAQ-EAQA Ltd. Fuzhou Jimei has also been awarded the “National Customer Satisfactory Brand for Synthetic Knitted Fabrics” by China Market Survey Research Centre and the “Leading Enterprise in the Industry in Fujian” jointly by Fujian Province Enterprise Appraisal Association and Fujian Province Enterprise Appraisal Centre. Please refer to the section entitled “History and Business – Awards and Accolades” of this Prospectus for more information.

In addition, with our high quality standards, we are able to produce, dye and process fabrics that meet the stringent standards and requirements specified by our customers in order to conform to the various standards required for both domestic and export markets. This gives us a competitive advantage over our competitors who do not possess such capabilities.

**(c) We have long and good relationships with our customers and suppliers**

We have been established since 1997. We have established long and good relationships with our suppliers and customers.

As at the Latest Practicable Date, we have a diverse customer base of over 100 customers, many of whom have established long and good relationships with us. This has enabled us to have a good understanding of our customers’ needs, demands and workflow and hence better meet their expectations and demands. Such good working relationships have enabled us to maintain customer loyalty as customers generally would prefer to engage and retain the services of suppliers who are able to meet their production requirements effectively and efficiently. We have approximately 16 customers who have been with us since establishment, and approximately 40 customers who have transacted with us for at least five years.

Our diverse and stable base of customers reduces any risks of our major customers discontinuing or reducing their orders from us.

Our relationship with our suppliers enables us to procure a stable supply of quality raw materials at competitive prices. We have established long-term relationships exceeding five years with our major suppliers.

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## HISTORY AND BUSINESS

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(d) **We have strong leadership as well as a dedicated and experienced management**

Our Group is led by our Executive Chairman and CEO, Mr Lin Daoqin and our Executive Director, Mr Su Chi-ho, who have been instrumental in spearheading the growth of our Group. Mr Lin has over ten years of experience in the fabric weaving industry and his drive and passion coupled with his technical and managerial experience have been instrumental to our success to-date. Mr Su is a Taiwanese and has had over 40 years of experience in the fabric weaving, dyeing and post-processing treatment industry. As a result, Mr Su is well-connected with and known among many Taiwanese businessmen who are actively involved in the apparel and garments manufacturing industry in China. As fabrics constitute a significant raw material required by apparel and garment manufacturers, we have been able to tap on this extensive business network and broad customer base.

Mr Lin and Mr Su are supported by a team of Executive Officers who have extensive experience in their respective fields. Our Executive Director, Mdm Lin Xiujin possesses about ten years of experience in the fabric weaving industry. Our Executive Officer (Sales and Marketing), Mr Chang Fong-chin, has over 25 years of experience in the fabric industry and has been involved in fabric weaving, sales and marketing of fabric products during this period. Our Executive Officer (Production), Mr Lu Chao-ho, has over 20 years of experience in fabric dyeing and post-processing treatment technologies. Our Executive Officer (Research and Development), Mr He Sanzhuo, has about 19 years of experience in the fabric weaving industry, of which about eight years have been spent mainly in research and development. Our Executive Officer (Administration and Human Resources), Mr Deng Shihong, has about 19 years of experience in the fabric weaving, dyeing and post-processing treatment industry. These management personnel support our Executive Chairman and CEO in driving our growth.

(e) **We are strategically located in one of the PRC's largest fabric producing provinces**

We are based in Fujian Province which our Directors believe is one of the largest fabric producing provinces in the PRC. Our strategic location gives us easy access to labour and suppliers of raw materials that we require for our business which in turn allows us to lower our production cost. Our Directors believe that most of the manufacturers of garments, apparels and shoes in the PRC are located in Fujian and Guangdong Provinces, the PRC. Our close proximity to such garment manufacturers, fabric traders and other textile and apparel companies provides us the opportunity to tap into the region's fabric and garment markets and enable us to respond promptly to changes in market trend.

Fuqing, where our subsidiaries Fuzhou Jimei and Fujian Jiamei are based, has easy access to various means of transport including road, air and sea. This allows us to manage our costs more effectively.

(f) **We offer a wide range of fabric treatment services**

We are able to process and treat fabrics to impart in them various special properties and functionalities such as water-resistance, fire-resistance and chlorine-resistance, UV-protection, moisture wicking, anti-static, anti-mildew and anti-bacterial properties. Our range of fabric treatment process also includes treatment to produce velvet fabric. Our extensive range of fabrics treatment capabilities enable us to cater to our customers' changing needs and requirements.

## SELECTED GROUP FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the full text of the Prospectus, including the “Audited Combined Financial Statements of the Group for the Financial Years Ended 31 December 2005, 2006 and 2007” as set out in Annex G and the “Unaudited Pro Forma Combined Financial Statements of the Group for the Financial Year Ended 31 December 2007” as set out in Annex H of this Prospectus.

### OPERATING RESULTS OF OUR GROUP <sup>(1)</sup>

RMB'000	Audited FY2005	Audited FY2006	Audited FY2007
<b>Revenue</b>	139,465	202,124	325,632
Cost of sales	(99,137)	(141,671)	(220,346)
<b>Gross profit</b>	40,328	60,453	105,286
Other income	153	241	316
Selling and distribution expenses	(2,216)	(3,372)	(5,008)
Administrative expenses	(3,830)	(5,377)	(6,381)
Finance costs	(292)	(612)	(899)
<b>Profit before taxation<sup>(2)</sup></b>	34,143	51,333	93,314
Income tax expense	(712)	(493)	(7,175)
<b>Profit attributable to shareholders<sup>(2)</sup></b>	33,431	50,840	86,139
Pre-Invitation EPS (RMB cents) <sup>(3)</sup>	8.58	13.05	22.12
Post-Invitation EPS (RMB cents) <sup>(4)</sup>	6.82	10.38	17.58

#### Notes:-

- (1) The financial results of our Group for FY2005, FY2006 and FY2007 have been prepared on the basis that our Group has been in existence throughout the respective financial years. Our financial results in FY2005, FY2006 and FY2007 include the financial results of Fuqing Jimei, which was liquidated on 19 February 2008.
- (2) Had the Service Agreements (as set out in the section entitled “Directors, Management and Staff – Service Agreements” of this Prospectus) been in place from the beginning of FY2007, the PBT and profit attributable to shareholders of our Group for FY2007 would have been RMB91.4 million and RMB84.3 million, instead of RMB93.3 million and RMB86.1 million respectively.
- (3) For comparative purposes, the pre-Invitation EPS for the periods under review has been computed based on the net profit attributable to Shareholders and the pre-Invitation share capital of 389,436,940 Shares.
- (4) For comparative purposes, the post-Invitation EPS for the periods under review has been computed based on the net profit attributable to Shareholders and the post-Invitation share capital of 490,002,148 Shares.

## SELECTED GROUP FINANCIAL INFORMATION

### FINANCIAL POSITION OF OUR GROUP <sup>(1)</sup>

RMB'000	←———— Audited —————→		
	←———— As at 31 December —————→		
	2005	2006	2007
<b>Non-current assets</b>			
Property, plant and equipment	67,503	78,355	73,247
Land use rights	5,385	5,273	5,162
	72,888	83,628	78,409
<b>Current assets</b>			
Inventories, at cost	9,339	11,434	21,258
Trade receivables	14,616	22,376	34,001
Prepayments and other receivables	57	25	7,779
Cash and bank balances	5,030	12,269	43,976
	29,042	46,104	107,014
<b>Current liabilities</b>			
Trade payables	13,515	21,784	26,109
Accrued liabilities and other payables	24,966	12,869	6,578
Interest-bearing bank borrowings	608	5,026	12,519
Convertible bonds	—	—	15,182
Income tax payable	121	118	1,985
	39,210	39,797	62,373
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(10,168)	6,307	44,641
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	964	2,832	262
<b>NET ASSETS</b>	61,756	87,103	122,788
<b>Equity</b>			
Share capital	42,032	51,539	56,085
Reserves	19,724	35,564	66,703
<b>TOTAL EQUITY</b>	61,756	87,103	122,788
NAV per Share (RMB cents) <sup>(2)</sup>	15.86	22.37	31.53

**Notes:-**

- (1) The financial position of our Group has been prepared on the basis that our Group has been in existence since 1 January 2005. Our financial position includes the financial position of Fuqing Jimei, which was deregistered on 19 February 2008.
- (2) For comparative purposes, NAV per Share for the periods under review have been computed based on the NAV and the pre-Invitation share capital of 389,436,940 Shares.



## SELECTED GROUP FINANCIAL INFORMATION

For illustrative purposes, the following financial information of our Group has been translated into S\$ using the exchange rates for each respective financial year set out in the section entitled “Exchange Rates” of this Prospectus and should not be construed as representations that the RMB amounts actually represent such S\$ amounts or could be converted into S\$ amounts at the rate indicated or at any other rate or at all.

### OPERATING RESULTS OF OUR GROUP (TRANSLATED INTO S\$) <sup>(1)</sup>

S\$'000	Audited FY2005	Audited FY2006	Audited FY2007
<b>Revenue</b>	28,381	40,160	64,482
Cost of sales	(20,174)	(28,149)	(43,633)
<b>Gross profit</b>	8,207	12,011	20,849
Other income	31	48	63
Selling and distribution expenses	(451)	(670)	(992)
Administrative expenses	(780)	(1,068)	(1,264)
Finance costs	(59)	(122)	(178)
<b>Profit before taxation<sup>(2)</sup></b>	6,948	10,199	18,478
Income tax expense	(145)	(98)	(1,421)
<b>Profit attributable to shareholders<sup>(2)</sup></b>	6,803	10,101	17,057
Pre-Invitation EPS (cents) <sup>(3)</sup>	1.75	2.59	4.38
Post-Invitation EPS (cents) <sup>(4)</sup>	1.39	2.06	3.48

#### Notes:-

- (1) The financial results of our Group for FY2005, FY2006 and FY2007 have been prepared on the basis that our Group has been in existence throughout the respective financial years. Our financial results in FY2005, FY2006 and FY2007 includes the financial results of Fuqing Jimei, which was liquidated in on 19 February 2008.
- (2) Had the Service Agreements (as set out in the section entitled “Directors, Management and Staff – Service Agreements” of this Prospectus) been in place from the beginning of FY2007, the PBT and profit attributable to shareholders of our Group for FY2007 would have been S\$18.1 million and S\$16.7 million, instead of S\$18.5 million and S\$17.1 million respectively.
- (3) For comparative purposes, the pre-Invitation EPS for the periods under review has been computed based on the net profit attributable to Shareholders and the pre-Invitation share capital of 389,436,940 Shares.
- (4) For comparative purposes, the post-Invitation EPS for the periods under review has been computed based on the net profit attributable to Shareholders and the post-Invitation share capital of 490,002,148 Shares.

## SELECTED GROUP FINANCIAL INFORMATION

### FINANCIAL POSITION OF OUR GROUP (TRANSLATED INTO S\$) <sup>(1)</sup>

S\$'000	Audited		
	As at 31 December		
	2005	2006	2007
<b>Non-current assets</b>			
Property, plant and equipment	13,912	15,400	14,453
Land use rights	1,110	1,036	1,018
	15,022	16,436	15,471
<b>Current assets</b>			
Inventories, at cost	1,925	2,247	4,195
Trade receivables	3,012	4,398	6,709
Prepayments and other receivables	12	5	1,535
Cash and bank balances	1,037	2,411	8,677
	5,986	9,061	21,116
<b>Current liabilities</b>			
Trade payables	2,785	4,281	5,152
Accrued liabilities and other payables	5,146	2,529	1,298
Interest-bearing bank borrowings	125	988	2,470
Convertible bonds	—	—	2,995
Income tax payable	25	23	392
	8,081	7,821	12,307
<b>NET CURRENT (LIABILITIES) / ASSETS</b>	(2,095)	1,240	8,809
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	199	557	52
<b>NET ASSETS</b>	12,728	17,119	24,228
<b>Equity</b>			
Share capital	8,663	10,129	11,066
Reserves	4,065	6,990	13,162
<b>TOTAL EQUITY</b>	12,728	17,119	24,228
NAV per Share (cents) <sup>(2)</sup>	3.27	4.40	6.22

**Notes:-**

- (1) The financial position of our Group has been prepared on the basis that our Group has been in existence since 1 January 2005. Our financial position includes the financial position of Fuqing Jimei, which was deregistered on 19 February 2008.
- (2) For comparative purposes, NAV per Share for the periods under review have been computed based on the NAV and the pre-Invitation share capital of 389,436,940 Shares.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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*The following discussion of our financial position and results of operations should be read in conjunction with the "Audited Combined Financial Statements of the Group for the Financial Years Ended 31 December 2005, 2006 and 2007" as set out in Annex G and the "Unaudited Pro Forma Combined Financial Statements of the Group for the Financial Year Ended 31 December 2007" as set out in Annex H of this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed below and elsewhere in this Prospectus, particularly in the section entitled "Risk Factors".*

### OVERVIEW

#### Revenue

Our Group is principally engaged in the production, dyeing and post-processing treatment of synthetic knitted fabrics. Fabrics that we produced, processed and treated are used in a variety of products including apparels such as casual wear, sportswear, winter apparel, undergarments, swimwear, outdoor apparel, shoes, luggage and bags, sports and outdoor accessories, car upholstery and massage chairs.

Our revenue is primarily generated from the sale of synthetic knitted fabric products, which may be broadly categorised into (i) garment and apparel fabrics, (ii) shoe fabrics, (iii) luggage and bag fabrics and (iv) other fabrics. Synthetic knitted fabrics produced and processed by us include single-sided and double-sided fabric, poly-cotton fabric, mesh, roma fabric, lace, velvet, flocked fabric and polar fleece fabric. In accordance with our customers' requirements, we also treat the fabrics by imparting special functionalities such as water-resistance, fire-resistance and chlorine-resistance, UV-protection, moisture wicking, anti-static, anti-mildew and anti-bacterial properties.

Our customers are mainly sportswear and sports shoes producers, garment producers as well as fabric trading companies located in the PRC. We also export to customers located in countries such as Hong Kong, France, the US and Indonesia. We currently have more than 100 customers. Our customers' products are sold mainly in the PRC, Hong Kong and Taiwan and, to the best of our Directors' knowledge, also to overseas markets such as the US, Japan, Europe and India. In addition, some of our products and our customers' products have been used in the production of garments and shoes for well-known international brands such as Adidas, Kappa, Mizuno, Nike and Triumph, as well as PRC brands such as Anta (安踏), Erke (鸿星尔克), 361°, Li-Ning (李宁) and Septwolves (七匹狼).

At the Latest Practicable Date, our production and processing facilities are located within our subsidiaries Fuzhou Jimei and Fujian Jiamei's premises. Our key production and processing machines and equipment include warp and circular weaving looms, overflow dyeing machines and setting machines.

Revenue from sales of all of our products is recognised when our products are sold to customers, which generally coincides with delivery and acceptance of our products by our customers. Our sales in the PRC are denominated in RMB. Our overseas sales are mainly denominated in HK\$ and US\$.

The main factors that can affect our revenue include the following:

- (a) our ability to maintain our reputation and brand name;
- (b) our ability to continue to maintain good working relationships with our customers, in particular our major customers;
- (c) our ability to increase our existing customer base, develop our distribution channels and expand into new markets;
- (d) our ability to compete with existing competitors and new market entrants;

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

- (e) our ability to continuously keep up with technological changes, innovate and enhance the quality of our products in order to meet the changing needs and expectations of our customers;
- (f) conditions of the fabric or garment manufacturing industries in the PRC as well as those countries that our fabric or garments products are exported to;
- (g) tariffs imposed by the PRC or foreign governments; and
- (h) the general economic conditions of the PRC and our overseas markets, which may affect the disposable income and spending patterns of consumers which, in turn, may affect demand for our products.

Please also refer to the section entitled "Risk Factors" of this Prospectus for further information on other factors that may affect our revenue.

Our selling prices are determined and negotiated on a case-by-case basis after taking into consideration factors such as the volume ordered, the cost of production, the functional qualities of the product, the production lead-time, the location of the customers and prevailing market conditions.

### Seasonality

Generally, our business is subject to seasonal fluctuations. For the past financial years ended 31 December 2005, 2006 and 2007, we have observed an increase in our sales in the second half of each of these financial years. Our Directors are of the view that the increase in demand for our products is mainly due to our customers increasing their inventory in light of the festive period at the end of the year.

### Cost of sales

Our cost of sales comprises direct materials, direct labour and other manufacturing overheads. The breakdown of these components as a percentage of cost of sales is as follows:-

	FY2005		FY2006		FY2007	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct materials	84,161	84.9	122,449	86.4	197,148	89.5
Direct labour	2,401	2.4	2,994	2.1	3,491	1.6
Other manufacturing overheads	12,575	12.7	16,228	11.5	19,707	8.9
	99,137	100.0	141,671	100.0	220,346	100.0

Direct materials comprise mainly raw materials used in the production process such as yarn, loom-state fabrics, dyeing solutions, chemical solvents and reagents. Direct materials as a proportion of cost of sales constituted 84.9%, 86.4% and 89.5% in FY2005, FY2006 and FY2007 respectively.

We source our materials from the local markets on prevailing market terms. We mainly obtained our supply of raw materials from suppliers located in the Fujian Province. A significant portion of our raw materials that we require is synthetic fibre. Prices of synthetic fibre fluctuate according to changes in supply, demand situations in the markets as well as negotiations with our suppliers. We have several long-term supply agreements with our suppliers for our raw materials and we generally stock up sufficient raw materials to meet between one to two months of our production needs. Furthermore, we maintain a constant line of communication with our suppliers to ensure that our orders for raw materials are delivered on schedule. Direct materials as a proportion of costs of sales increased from 84.9% in FY2005 to 89.5% in FY2007, due mainly to the increase in prices of dyeing solutions, chemical solvents and reagents by approximately 15% from FY2005 to FY2007 as well as the increase in prices of loom-state fabrics by approximately 39% from FY2005 to FY2007.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Direct labour costs as a proportion of cost of sales constituted 2.4%, 2.1% and 1.6% in FY2005, FY2006 and FY2007 respectively. Direct labour costs comprised mainly salaries and other staff-related costs (such as overtime wages and bonuses) of workers who were directly involved in the production of our products. Direct labour costs are dependent on factors such as the number of employees, the production volume and the industry level of salaries.

Other manufacturing overheads as a proportion of cost of sales constituted 12.7%, 11.5% and 8.9% in FY2005, FY2006 and FY2007 respectively. Other manufacturing overheads comprise mainly salaries and other staff-related costs (such as overtime wages and bonuses) of production supervisors, depreciation of our property, plant and equipment, coal costs, electricity expenses and water charges, consumables and other production overheads.

### Other income

Other income comprises foreign exchange gains, the sale of scrap materials such as loose fabrics and interest income from bank deposits. Other income constituted less than 0.5% of our revenue in FY2005, FY2006 and FY2007.

### Operating expenses

Our operating expenses comprise selling and distribution expenses and administrative expenses. The breakdown of our operating expenses during the periods under review is set out below:-

	FY2005		FY2006		FY2007	
	RMB'000	%	RMB'000	%	RMB'000	%
Selling and distribution expenses	2,216	36.7	3,372	38.5	5,008	44.0
Administrative expenses	3,830	63.3	5,377	61.5	6,381	56.0
	6,046	100.0	8,749	100.0	11,389	100.0

Selling and distribution expenses comprise mainly staff costs relating to sales personnel, sales-related entertainment expenses, freight costs, delivery and export costs, sales offices expenses, travelling and motor vehicles expenses. Staff costs relating to our sales personnel comprise salaries, bonuses and other salary-related expenses. Our sales personnel are responsible for establishing customer relations and marketing our products. Selling and distribution expenses accounted for 36.7%, 38.5%, and 44.0% of our total operating expenses in FY2005, FY2006 and FY2007 respectively.

Administrative expenses comprise mainly office utilities expenses, professional fees, depreciation charges of property, plant and equipment, amortisation of land use rights, insurance expenses, Directors' remuneration, staff salaries and other staff-related expenses, printing and stationery expenses, telecommunication expenses, entertainment expenses, travelling expenses, transportation expenses, foreign exchange losses and expenses for the upkeep of our premises. Administrative expenses accounted for 63.3%, 61.5%, and 56.0% of our total operating expenses in FY2005, FY2006 and FY2007 respectively.

### Finance costs

Finance costs comprise mainly interest expenses on bank borrowings, which were used to finance the acquisition of property, plant and equipment as well as for working capital purposes. Approximately 98% of the Group's bank loans as at 31 December 2007 were classified as short-term loans.

### Income tax expense

Our subsidiary, Mega-Gain, was incorporated in Samoa in August 2003 and is exempted from income tax.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Under PRC laws and regulations, tax rebates on VAT incurred during the production of certain products, such as textile products, may be granted if such products are exported overseas. In accordance with the Notice on Adjustment of Export Tax Rebate Rate for Textile Products, the export tax rebate rate for textile products is 13.0% with effect from 1 August 2008. Any reduction to the rate of rebate or the suspension of such policies may affect our customers' business which in turn may adversely affect our profitability.

Fuzhou Jimei, Fujian Jiamei and Fuqing Jimei, being FIEs, are exempted from the state enterprise income tax, namely, the Enterprise Income Tax, for a period of two years from its first profit making year, and is subject to the Enterprise Income Tax at a 50.0% reduction (subject to the approval from the relevant PRC tax authorities) for the next three (3) years subsequently. Fuzhou Jimei was exempted from Enterprise Income Tax in FY2005 and FY2006, and was subjected to the Enterprise Income Tax at a deducted rate of 7.5% in FY2007. Fuqing Jimei, which was voluntarily liquidated and deregistered on 19 February 2008, was subjected to Enterprise Income Tax of 15% from FY2005 to FY2007. Fujian Jiamei was not subjected to Enterprise Income Tax from FY2005 to FY2007 as it was not profitable during these financial years.

On 16 March 2007, the National People's Congress of the PRC passed the Enterprise Income Tax Law of the People's Republic of China, which will take effect as of 1 January 2008 (the "New EIT Law"). In accordance with the New EIT Law, a unified enterprise income tax rate of 25.0% and unified tax deduction standards will be applied equally to both domestic-invested enterprises and FIEs. Pursuant to the New EIT Law, any enterprise established prior to the promulgation of the New EIT Law and which enjoys tax incentives, is entitled to continue to enjoy such incentive for the rest of the tax incentive term, but if any enterprise starts to make profit later than 1 January 2008, the tax incentive term shall be regarded as starting from 1 January 2008. In accordance with the Notice concerning Implementation of Preference Policy of Enterprise Income Tax in Transition Period issued by the State Council of the PRC on 26 December 2007, the Enterprise Income Tax rate applicable to FIEs which are currently subject to a deducted rate will be gradually increased up to 25.0% within five years commencing from 1 January 2008. As at the Latest Practicable Date, Fuzhou Jimei is subject to the Enterprise Income Tax at a deducted rate of 9.0% in FY2008, while Fujian Jiamei is exempted from the Enterprise Income Tax in FY2008. Fuzhou Jimei will continue to enjoy a deducted Enterprise Income Tax rate of 10.0% in FY2009 and be subject to the Enterprise Income Tax rates of 22%, 24% and 25% respectively in FY2010, FY2011 and FY2012. Fujian Jiamei will be exempted from the Enterprise Income Tax until the end of FY2009 and then subject to the deducted rates of 11.0%, 12.0% and 12.5% respectively in FY2010, FY2011 and FY2012.

Income tax expenses amounted to RMB0.7 million, RMB0.5 million and RMB7.2 million for FY2005, FY2006 and FY2007 respectively. Our Group's effective tax rates for FY2005, FY2006 and FY2007 were 2.1%, 1.0% and 7.7% respectively. The increase in our effective tax rate in FY2007 was mainly due to Fuzhou Jimei being subjected to the Enterprise Income Tax at a rate of 7.5% in FY2007. Fuzhou Jimei was exempted from Enterprise Income Tax in FY2005 and FY2006.

### BREAKDOWN OF PAST PERFORMANCE BY PRODUCTS AND GEOGRAPHICAL REGIONS

#### By products

Our revenue is primarily derived from garment and apparel fabrics, shoe fabrics, luggage and bag fabrics and other fabrics. A breakdown of our revenue by products for the periods under review is set out below.

#### Revenue

	FY2005		FY2006		FY2007	
	RMB'000	%	RMB'000	%	RMB'000	%
Garment and apparel fabrics	56,595	40.6	97,038	48.0	126,351	38.8
Shoe fabrics	45,703	32.8	54,368	26.9	97,222	29.8
Luggage and bag fabrics	21,239	15.2	30,272	15.0	65,345	20.1
Other fabrics	15,928	11.4	20,446	10.1	36,714	11.3
	139,465	100.0	202,124	100.0	325,632	100.0



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

### **Gross profit**

	<b>FY2005</b> <b>RMB'000</b>	<b>FY2006</b> <b>RMB'000</b>	<b>FY2007</b> <b>RMB'000</b>
Garment and apparel fabrics	17,532	30,320	42,691
Shoe fabrics	12,224	15,199	30,273
Luggage and bag fabrics	6,046	8,987	20,609
Other fabrics	4,526	5,947	11,713
	<b>40,328</b>	<b>60,453</b>	<b>105,286</b>

### **Gross profit margin**

	<b>FY2005</b> <b>%</b>	<b>FY2006</b> <b>%</b>	<b>FY2007</b> <b>%</b>
Garment and apparel fabrics	31.0	31.2	33.8
Shoe fabrics	26.7	28.0	31.1
Luggage and bag fabrics	28.5	29.7	31.5
Other fabrics	28.4	29.1	31.9
Overall	<b>28.9</b>	<b>29.9</b>	<b>32.3</b>

### **By geographical regions**

The breakdown of our revenue by geographical regions in FY2005, FY2006, and FY2007 are as follows:

	<b>FY2005</b>		<b>FY2006</b>		<b>FY2007</b>	
	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>%</b>
<b>PRC</b>	123,425	88.5	189,158	93.6	313,665	96.3
<b>PRC Export Economic Zone</b>	—	—	289	0.1	1,596	0.5
<b>Other regions<sup>(1)</sup></b>	16,040	11.5	12,677	6.3	10,371	3.2
	<b>139,465</b>	<b>100.0</b>	<b>202,124</b>	<b>100.0</b>	<b>325,632</b>	<b>100.0</b>

#### **Notes:**

(1) Other regions include Hong Kong, France, the US and Indonesia.

Distribution of total revenue by geographical markets is determined by our customers' location.

Sales to customers located in the PRC increased by RMB65.7 million or 53.3%, from RMB123.4 million in FY2005 to RMB189.2 million in FY2006, due mainly to the increase in sales orders attributable to new customers as well as existing customers, and the increase in average selling prices of our products. Sales to customers located in other regions decreased by RMB3.4 million or 21.0% from RMB16.0 million in FY2005 to RMB12.7 million in FY2006, due mainly to the decrease in sales orders from our existing customers in France and Hong Kong.

Sales to customers located in the PRC increased by RMB124.5 million or 65.8% from RMB189.2 million in FY2006 to RMB313.7 million in FY2007, due mainly to the increase in sales orders attributable to new customers as well as existing customers, and the increase in average selling prices of our products. Sales to customers located in other regions decreased by RMB2.3 million or 18.2% from RMB12.7 million in FY2006 to RMB10.4 million in FY2007, due mainly to the decrease in sales orders from our existing customer in Hong Kong.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Our sales to Yaw Liamy Enterprise Company Ltd ("YLE") in Hong Kong constituted 65%, 75% and 57% of our sales to other regions in FY2005, FY2006 and FY2007 respectively. Our sales to YLE constituted 7.5%, 4.7% and 1.8% of our total sales in FY2005, FY2006 and FY2007 respectively. Sales to YLE as a percentage of total sales decreased from FY2005 to FY2007 as YLE changed their product requirements from the use of warp weaving fabrics to circular weaving fabrics for the production of book covers. As the demand from end-customers for circular-weaved book covers is lower than demand for warp-weaved book covers, our sales to YLE as a percentage of total sales fell from FY2005 to FY2007. In addition, after FY2005, YLE required printing to be carried out on more of their fabrics, however we did not yet have printing facilities or services. In FY2008, YLE has reverted to using warp-weaved fabrics for the production of book covers.

Our products sold to customers in the PRC Export Economic Zone beginning from FY2006 are typically exported out of the PRC and sales to these customers did not form a significant portion of our revenue in FY2006 and FY2007.

### REVIEW OF FINANCIAL PERFORMANCE

#### FY2005 TO FY2006

##### Revenue

Revenue increased by RMB62.7 million or 44.9%, from RMB139.5 million in FY2005 to RMB202.1 million in FY2006. The increase in revenue was mainly attributable to the following: -

- (a) sales of garment and apparel fabrics increased by RMB40.4 million or 71.5%, from RMB56.6 million in FY2005 to RMB97.0 million in FY2006 due mainly to the increase in sales volume of 33% in FY2006, which resulted mainly from the increase in sales attributable to new customers in the PRC. Average selling prices of garment and apparel fabrics increased by 29% in FY2006, due mainly to an increase in the sale of functional fabrics which commanded higher selling prices;
- (b) sales of shoe fabrics increased by RMB8.7 million or 19.0%, from RMB45.7 million in FY2005 to RMB54.4 million in FY2006 due mainly to the increase in sales volume of 22% in FY2006, which resulted mainly from the increase in sales orders from existing customers such as Anta (安踏), Erke (鸿星尔克) and 361°. Average selling prices of shoe fabrics decreased slightly by 2% in FY2006;
- (c) sales of luggage and bag fabrics increased by RMB9.0 million or 42.5%, from RMB21.2 million in FY2005 to RMB30.3 million in FY2006 due mainly to the increase in sales volume of 35% in FY2006, which resulted mainly from the increase in sales to new customers in the PRC as well as the increase in sales orders from existing customers. Average selling prices of luggage and bag fabrics increased by 6% in FY2006, due mainly to an increase in demand from our customers for fabrics with enhanced properties such as colour-fastness and elasticity; and
- (d) sales of other fabrics increased by RMB4.5 million or 28.4%, from RMB15.9 million in FY2005 to RMB20.4 million in FY2006 due mainly to the increase in sales volume of 22% in FY2006, which resulted mainly from the increase in sales to existing customers such as manufacturers of mattresses, bed linen and sports-related products. Average selling prices of other fabrics increased by 5% in FY2006, due mainly to an increase in demand for fabrics with enhanced properties.

##### Cost of sales

Cost of sales increased by RMB42.5 million or 42.9%, from RMB99.1 million in FY2005 to RMB141.7 million in FY2006. Direct materials costs increased by RMB38.3 million or 45.5%, from RMB84.2 million in FY2005 to RMB122.4 million in FY2006, due mainly to the increase in average prices of loom-state fabrics by approximately 19% in FY2006 as well as the increase in sales volume. Direct labour costs increased by RMB0.6 million or 24.7%, from RMB2.4 million in FY2005 to RMB3.0 million in FY2006 due to hiring of more production workers and salary increments for existing staff. The number of production

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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workers increased by 29, from 177 as at 31 December 2005 to 206 as at 31 December 2006. Other manufacturing overheads increased by RMB3.6 million or 29.0%, from RMB12.6 million in FY2005 to RMB16.2 million in FY2006, due mainly to the increase in coal costs of RMB1.3 million, the increase in electricity expenses of RMB0.7 million and the increase in depreciation of property, plant and equipment of RMB0.9 million.

### Gross profit and gross profit margin

Our overall gross profit increased by RMB20.1 million or 49.9%, from RMB40.3 million in FY2005 to RMB60.5 million in FY2006, in line with the increase in our revenue. Our overall gross profit margin improved by 1.0% from 28.9% in FY2005 to 29.9% in FY2006. This was mainly due to higher average selling prices of garment and apparel fabrics, luggage and bag fabrics and other fabrics. Our average selling prices increased mainly because we sold more fabrics with functional properties in FY2006 and we were also able to pass on part of the increases in our raw material prices to our customers. Our overall gross profit was partially offset by increases in our average unit production costs due to increases in the prices of loom-state fabrics.

### Other income

Other income increased by RMB0.1 million or 57.5%, from RMB0.1 million in FY2005 to RMB0.2 million in FY2006. This was mainly due to the increase in interest income of RMB0.1 million.

### Selling and distribution expenses

Selling and distribution costs increased by RMB1.2 million or 52.2%, from RMB2.2 million in FY2005 to RMB3.4 million in FY2006. The increase in selling and distribution costs was mainly due to the increase in freight costs, delivery and export costs of RMB0.5 million due to higher sales volumes, the increase in staff costs relating to sales personnel of RMB0.3 million, the increase in sales office expenses of RMB0.1 million, the increase in sales-related entertainment expenses of RMB0.1 million and the increase in travelling expenses of RMB0.1 million in FY2006.

### Administrative expenses

Administrative expenses increased by RMB1.5 million or 40.4%, from RMB3.8 million in FY2005 to RMB5.4 million in FY2006. The increase was mainly due to the increase in depreciation expenses of RMB0.7 million, the increase in staff costs and other staff-related expenses of RMB0.2 million, the increase in maintenance expenses of RMB0.1 million, the increase in insurance expenses of RMB0.1 million, the increase in amortisation of land use rights of RMB0.1 million, the increase in entertainment expenses of RMB0.1 million and the increase in real estate tax of RMB0.1 million.

### Finance costs

The finance cost increased by RMB0.3 million or 109.6%, from RMB0.3 million in FY2005 to RMB0.6 million in FY2006. The increase was mainly due to the increase in bank borrowings in FY2006.

### Profit before income tax

As a result of the above, profit before taxation increased by RMB17.2 million or 50.3%, from RMB34.1 million in FY2005 to RMB51.3 million in FY2006.

### Income tax expense

Income tax expense decreased by RMB0.2 million or 30.8%, from RMB0.7 million in FY2005 to RMB0.5 million in FY2006 mainly due to the decrease in profit before taxation of Fuqing Jimei. In FY2006, we began the transfer of our business operations from Fuqing Jimei, which is subjected to income tax at a rate of 15%, to Fuzhou Jimei, which is exempted from income tax in FY2006.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### FY2006 TO FY2007

#### Revenue

Revenue increased by RMB123.5 million or 61.1%, from RMB202.1 million in FY2006 to RMB325.6 million in FY2007. The increase in revenue was mainly attributable to the following: -

- (a) sales of garment and apparel fabrics increased by RMB29.3 million or 30.2%, from RMB97.0 million in FY2006 to RMB126.3 million in FY2007 due mainly to the increase in sales volume of 12% in FY2007, which resulted mainly from the increase in sales attributable to new customers in the PRC. Average selling prices of garment and apparel fabrics increased by 16% in FY2007, due mainly to an increase in the sale of functional fabrics, such as those with moisture absorbency as well as anti-bacterial and anti-odour properties, which commanded higher selling prices;
- (b) sales of shoe fabrics increased by RMB42.9 million or 78.8%, from RMB54.4 million in FY2006 to RMB97.2 million in FY2007 due mainly to the increase in sales volume of 50% in FY2007, which resulted mainly from the increase in sales attributable to new customers in the PRC. Average selling prices of shoe fabrics increased by 19% in FY2007, due mainly to an increase in the sale of functional fabrics such as those anti-bacterial and anti-mildew properties;
- (c) sales of luggage and bag fabrics increased by RMB35.1 million or 115.9%, from RMB30.3 million in FY2006 to RMB65.3 million in FY2007 due mainly to the increase in sales volume of 110% in FY2007, which resulted mainly from the increase in sales orders from existing customers. Average selling prices of luggage and bag fabrics increased slightly by 3% in FY2007; and
- (d) sales of other fabrics increased by RMB16.3 million or 79.6%, from RMB20.4 million in FY2006 to RMB36.7 million in FY2007 due mainly to the increase in sales volume of 60% in FY2007, which resulted mainly from the increase in sales orders from existing customers such as manufacturers of hats and baby cots. Average selling prices of other fabrics increased by 12% in FY2007, due mainly to an increase in demand for fabrics with enhanced properties.

#### Cost of sales

Cost of sales increased by RMB78.7 million or 55.5%, from RMB141.7 million in FY2006 to RMB 220.3 million in FY2007. Direct materials costs increased by RMB74.7 million or 61.0%, from RMB122.4 million in FY2006 to RMB197.1 million in FY2007, due mainly to the increase in average prices of dyeing solutions, chemical solvents and reagents by approximately 16% and the increase in average prices of loom-state fabrics by approximately 17% in FY2007. The increase in direct materials costs is also in line with the increase in the sales volume in FY2007. Direct labour costs increased by RMB0.5 million or 16.6%, from RMB3.0 million in FY2006 to RMB3.5 million in FY2007 due mainly to salary increments for existing staff. Other manufacturing overheads increased by RMB3.5 million or 21.4%, from RMB16.2 million in FY2006 to RMB19.7 million in FY2007, due mainly to the increase in coal costs of RMB1.6 million, the increase in electricity expenses of RMB1.3 million and the increase in depreciation of property, plant and equipment of RMB0.8 million.

#### Gross profit and gross profit margin

Our overall gross profit increased by RMB44.8 million or 74.2% from RMB60.5 million in FY2006 to RMB105.3 million in FY2007, in line with the increase in our revenue. Our overall gross profit margin improved by 2.4% from 29.9% in FY2006 to 32.3% in FY2007. This was mainly due to higher average selling prices of garment and apparel fabrics, shoe fabrics, luggage and bag fabrics and other fabrics. Our average selling prices increased mainly because we sold more fabrics with functional properties in FY2007 and we were also able to pass on part of the increases in our raw material prices to our customers. Our overall gross profit was partially offset by increases in our average unit production costs due to increases in the prices of dyeing solutions, chemical solvents and reagents as well as loom-state fabrics in FY2007.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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### Other income

Other income increased by RMB0.1 million or 31.1%, from RMB0.2 million in FY2006 to RMB0.3 million in FY2007. This increase was mainly due to increase in interest income of RMB0.1 million.

### Selling and distribution expenses

Selling and distribution costs increased by RMB1.6 million or 48.5%, from RMB3.4 million in FY2006 to RMB5.0 million in FY2007. The increase in selling and distribution costs was mainly due to the increase in freight costs, delivery and export costs of RMB1.3 million due to higher sales volumes, and the increase in staff costs relating to sales personnel of RMB0.3 million.

### Administrative expenses

Administrative expenses increased by RMB1.0 million or 18.7%, from RMB5.4 million in FY2006 to RMB6.4 million in FY2007. The increase was mainly due to the increase in staff costs and other staff-related expenses of RMB0.3 million, the increase in insurance expenses of RMB0.2 million, the increase in maintenance expenses of RMB0.1 million, the increase in utilities expenses of RMB0.1 million, the increase in depreciation expenses of RMB0.1 million, foreign exchange losses of RMB0.1 million and the increase in entertainment expenses of RMB0.1 million.

### Finance costs

The finance cost increased by RMB0.3 million or 46.9%, from RMB0.6 million in FY2006 to RMB0.9 million in FY2007. The increase was mainly due to the increase in bank borrowings in FY2007.

### Profit before income tax

As a result of the above, profit before taxation increased by RMB42.0 million or 81.8%, from RMB51.3 million in FY2006 to RMB93.3 million in FY2007.

### Income tax expense

Income tax expense increased by RMB6.7 million or 1,355.4%, from RMB0.5 million in FY2006 to RMB7.2 million in FY2007 mainly due to Fuzhou Jimei being subjected to the income tax at a rate of 7.5% in FY2007. Fuzhou Jimei was exempted from Enterprise Income Tax in FY2006.

## REVIEW OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2006

#### Non-current assets

Our non-current assets, comprising property, plant and equipment and land use rights, increased by RMB10.7 million or 14.7%, from RMB72.9 million as at 31 December 2005 to RMB83.6 million as at 31 December 2006. The increase was mainly due to the acquisition of additional property, plant and equipment of RMB16.9 million, which was partially offset by depreciation charges of RMB6.0 million in respect of property, plant and equipment, as well as amortisation expenses of RMB0.1 million in respect of land use rights.

#### Current assets

Our current assets comprised inventories, trade receivables, prepayments and other receivables and cash and bank balances. Current assets increased by RMB17.1 million or 58.7%, from RMB29.0 million as at 31 December 2005 to RMB46.1 million as at 31 December 2006.

Inventories increased by RMB2.1 million from RMB9.3 million as at 31 December 2005 to RMB11.4 million, which accounted for 24.8% of current assets as at 31 December 2006. Trade receivables increased by RMB7.8 million from RMB14.6 million as at 31 December 2005 to RMB22.4 million, which accounted for 48.5% of current assets as at 31 December 2006. The increase in our inventories and trade receivables is in line with the increase in our sales in FY2006.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Prepayments and other receivables, comprising prepayments of operating expenses, amounted to RMB0.03 million, or 0.05% of current assets as at 31 December 2006. Cash and bank balances amounted to RMB12.3 million or 26.6% of current assets as at 31 December 2006.

### Non-current liabilities

Non-current liabilities comprised interest-bearing bank borrowings. Our non-current liabilities increased by RMB1.9 million or 193.8% from RMB1.0 million as at 31 December 2005 to RMB2.8 million as at 31 December 2006. The additional interest-bearing bank borrowings was used to purchase property, plant and equipment and for working capital purposes.

### Current liabilities

Current liabilities increased by RMB0.6 million or 1.5% from RMB39.2 million as at 31 December 2005 to RMB39.8 million as at 31 December 2006. Current liabilities comprised trade payables, accrued liabilities and other payables, interest-bearing bank borrowings and income tax payable.

Accrued liabilities and other payables amounted to RMB12.9 million or 32.3% of current liabilities as at 31 December 2006, and consisted of:-

- (a) payables of RMB9.7 million relating to amount owing to shareholders cum directors in respect of (i) net shareholder advances of RMB7.5 million from Mr Lin Daoqin and Mr Su Chi-ho to Mega-Gain for the acquisition of Fuzhou Jimei and Fuqing Jimei in FY2004 and FY2006 respectively, (ii) shareholder advances of RMB2.3 million from Mdm Lin Xiujin to Fujian Jiamei for the purchase of land and the construction of buildings. These advances were unsecured, interest free and repayable on demand;
- (b) payables of RMB1.0 million relating to VAT and other operating tax payables; and
- (c) accrued operating expenses and other payables of RMB2.1 million.

Trade payables amounted to RMB21.8 million or 54.7% of current liabilities as at 31 December 2006. Interest-bearing bank borrowings comprised term loans for working capital purposes and amounted to RMB5.0 million or 12.6% of current liabilities. Income tax payable amounted to RMB0.1 million or 0.3% of current liabilities as at 31 December 2006.

### Shareholders' equity

As at 31 December 2006, our total equity amounted to RMB87.1 million, and comprised share capital, reserves and retained profits. Our total equity increased by RMB25.3 million, or 41.0%, from RMB61.8 million as at 31 December 2005 to RMB87.1 million as at 31 December 2006, due mainly to increase in our share capital of RMB9.5 million and our net profit for the year of RMB50.8 million, and partially offset by dividends of RMB35.0 million.

## AS AT 31 DECEMBER 2007

### Non-current assets

Our non-current assets, comprising property, plant and equipment and land use rights, decreased by RMB5.2 million or 6.2%, from RMB83.6 million as at 31 December 2006 to RMB78.4 million as at 31 December 2007. The decrease was mainly due to depreciation charges of RMB6.9 million in respect of property, plant and equipment, and amortisation expenses of RMB0.1 million in respect of land use rights, and partially offset by acquisition of property, plant and equipment of RMB1.8 million.

### Current assets

Our current assets comprised inventories, trade receivables, other receivables, prepayments and cash and bank balances. Current assets increased by RMB60.9 million or 132.1%, from RMB46.1 million as at 31 December 2006 to RMB107.0 million as at 31 December 2007.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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Inventories increased by RMB9.8 million from RMB11.4 million as at 31 December 2006 to RMB21.3 million, which accounted for 19.9% of current assets as at 31 December 2007. Trade receivables increased by RMB11.6 million from RMB22.4 million as at 31 December 2006 to RMB34.0 million, which accounted for 31.8% of current assets as at 31 December 2007. The increase in our inventories and trade receivables is in line with the increase in our sales in FY2007.

Prepayments and other receivables, amounted to RMB7.8 million or 7.3% of current assets. Prepayments and other receivables comprised prepayments of RMB3.0 million, amount owing from a shareholder cum director of RMB2.3 million and amount owing from Pre-IPO Investors RMB2.5 million for the issue of convertible bonds. Prepayments comprised mainly expenses incurred relating to the Invitation. The amount owing from shareholders cum directors comprised advances to shareholder Mdm Lin Xiujin, which were non-interest bearing and had no fixed terms of repayment. Pursuant to the Restructuring Exercise, this amount owing from Mdm Lin Xiujin was fully repaid in February 2008. The convertible bonds issued by our Company to the Tranche 1 Pre-IPO Investors are described in further detail in the section entitled "General Information on Our Group – Restructuring Exercise (Subscription and conversion of redeemable convertible bonds by Pre-IPO Investors)" of this Prospectus. The amount owing from the Tranche 1 Pre-IPO Investors was received in January 2008. Cash and bank balances amounted to RMB44.0 million or 41.1% of current assets as at 31 December 2007.

### Non-current Liabilities

Non-current liabilities comprised interest-bearing bank borrowings. Our non-current liabilities decreased by RMB2.6 million or 90.7%, from RMB2.8 million as at 31 December 2006 to RMB0.3 million as at 31 December 2007. The decrease was mainly due to non-current interest-bearing bank borrowings as at 31 December 2006 becoming current as at 31 December 2007.

### Current Liabilities

Current liabilities increased by RMB22.5 million or 56.7%, from RMB39.8 million as at 31 December 2006 to RMB62.4 million as at 31 December 2007. Current liabilities comprised trade payables, accrued liabilities and other payables, interest-bearing bank borrowings, income tax payable and convertible bonds.

Accrued liabilities and other payables amounted to RMB6.6 million or 10.5% of current liabilities as at 31 December 2007, and consisted of:-

- (a) payables of RMB2.4 million relating to amount owing to Shareholders cum Directors in respect of net Shareholder advances of RMB2.4 million from Mr Lin Daoqin and Mr Su Chi-ho to Mega-Gain for the acquisition of Fuzhou Jimei and Fuqing Jimei in FY2004 and FY2006 respectively. These advances were unsecured, interest free and repayable on demand. Pursuant to the Restructuring Exercise, these advances were capitalised into 341,256 shares in the issued capital of Mega-Gain. Please see the section entitled "General Information on Our Group – Restructuring Exercise" of this Prospectus for more details.
- (b) payables of RMB2.0 million relating to VAT and other operating tax payables; and
- (c) accrued operating expenses and other payables of RMB2.1 million.

Trade payables amounted to RMB26.1 million or 41.9% of current liabilities as at 31 December 2007. Interest-bearing bank borrowings comprised term loans that amounted to RMB12.5 million or 20.1% of current liabilities as at 31 December 2007. Income tax payable amounted to RMB2.0 million or 3.2% of current liabilities as at 31 December 2007.

Convertible bonds amounted to RMB15.2 million or 24.3% of current liabilities as at 31 December 2007. The convertible bonds issued by our Company to the Tranche 1 Pre-IPO Investors are described in further detail in the section entitled "General Information on Our Group – Restructuring Exercise (Subscription and conversion of redeemable convertible bonds by Pre-IPO Investors)" of this Prospectus.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

### Shareholders' equity

As at 31 December 2007, our total equity amounted to RMB122.8 million, and comprised share capital, reserves and retained profits. Our total equity increased by RMB35.7 million, or 41.0%, from RMB87.1 million as at 31 December 2006 to RMB122.8 million as at 31 December 2007, due mainly to the increase of share capital of RMB4.5 million and our net profit for the year of RMB86.1 million, and partially offset by dividends of RMB55.0 million.

### LIQUIDITY AND CAPITAL RESOURCES

Our operations have been financed through internal and external funds. Internal source of funds refers to cash generated from our operating activities. External sources of funds comprised mainly shareholders' equity, bank borrowings as well as advances from shareholders.

Based on our total equity of RMB122.8 million and total borrowings of RMB12.8 million as at 31 December 2007 (which excludes advances from our shareholders and the convertible bonds issue to our Pre-IPO Investors), our gearing stood at 0.10 times. We have been able to service our interest commitments due to financial institutions and our interest coverage ratio (defined as profit from ordinary activities before tax and finance costs divided by interest expense) was 104.8 times for FY2007. As at the Latest Practicable Date, we have cash and cash equivalents of RMB73.3 million and we have yet to utilise RMB17.2 million of our existing bank facilities available for use.

Our Directors are of the opinion that, as at the date of this Prospectus, after taking into account, *inter alia*, the cash flows generated from operations, together with existing cash and cash equivalents, net proceeds from the invitation and our banking facilities, our Group will have sufficient working capital to meet our present requirements.

Our Group's cash flow summary for FY2005, FY2006, and FY2007 is as follows:-

	Audited FY2005 RMB'000	Audited FY2006 RMB'000	Audited FY2007 RMB'000
Net cash generated from operating activities	35,952	47,292	76,014
Net cash used in from investing activities	(22,491)	(16,870)	(1,840)
Net cash used in from financing activities	(10,007)	(23,183)	(42,467)
Net increase in cash and cash equivalents	3,454	7,239	31,707
Cash and cash equivalents at beginning of financial year	1,576	5,030	12,269
<b>Cash and cash equivalents at end of financial year</b>	<b>5,030</b>	<b>12,269</b>	<b>43,976</b>

### Net cash generated from operating activities

Profit before taxation, before adjustments, working capital changes and income tax paid, amounted to RMB34.1 million, RMB51.3 million and RMB93.3 million in FY2005, FY2006 and FY2007 respectively. Adjustments from non-cash items, which comprised mainly amortisation of land use rights and depreciation of property, plant and equipment, amounted to RMB4.5 million, RMB6.1 million and RMB7.1 million in FY2005, FY2006 and FY2007 respectively.

Working capital changes resulted in net cash outflows of RMB0.9 million, RMB 9.7 million and RMB19.1 million in FY2005, FY2006 and FY2007 respectively. In FY2005 and FY2006, the net cash outflows of RMB0.9 million and RMB9.7 million respectively were due to increases in inventories and trade receivables and decreases in accrued liabilities and other payables, and partially offset by increases in trade payables and decreases in prepayments and other receivables. The net cash outflow of RMB19.1 million in FY2007 was due to increases in inventories, trade receivables, prepayments and other receivables, and partially offset by increases in trade payables, accrued liabilities and other payables. Income tax paid in FY2005, FY2006 and FY2007 amounted to RMB1.8 million, RMB0.5 million and RMB5.3 million respectively. As a result, we had net cash inflows from operating activities of RMB35.9 million, RMB47.3 million and RMB76.0 million in FY2005, FY2006 and FY2007 respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

### Net cash used in from investing activities

Our net cash used in from investing activities amounted to RMB22.5 million, RMB16.9 million and RMB1.8 million FY2005, FY2006 and FY2007 respectively, due mainly to payments made in relation to the purchase of land use rights and property, plant and equipment.

### Net cash used in from financing activities

Our net cash used in from financing activities amounted to RMB10.0 million, RMB 23.2 million and RMB42.5 million in FY2005, FY2006 and FY2007 respectively. Cash outflows from our financing activities were mainly due to dividend paid, the repayment of bank loans and advances to shareholders. Cash outflows from our financing activities were offset by bank loans obtained, proceeds from the issuance of new shares, proceeds from the issue of convertible bonds and advances from shareholders.

Dividend paid in FY2005, FY2006 and FY2007 amounted to RMB21.8 million, RMB35.0 million and RMB55.0 million respectively. Repayment of bank loans amounted to RMB5.3 million, RMB2.6 million and RMB5.1 million in FY2005, FY2006 and FY2007 respectively.

Net advances from Shareholders amounted to RMB6.8 million in FY2005. Net advances to Shareholders in FY2006 and FY2007 amounted to RMB4.0 million and RMB9.6 million respectively. Please refer to the section entitled "Interested Person Transactions – Past Interested Person Transactions" of this Prospectus for further details.

Bank loans obtained amounted to RMB1.9 million, RMB8.9 million and RMB10.0 million in FY2005, FY2006 and FY2007 respectively. Proceeds from the issuance of new shares, amounted to RMB8.4 million, RMB9.5 million and RMB4.6 million in FY2005, FY2006 and FY2007 respectively. Proceeds from the issue of convertible bonds amounted to RMB12.6 million in FY2007. Please refer to the section entitled "General Information on Our Group – Restructuring Exercise (Subscription and Pre-IPO Investors)" of this Prospectus for further details on the convertible bonds.

## CAPITAL EXPENDITURE, DIVESTMENT AND COMMITMENT

### Capital expenditure

Our capital expenditure for FY2005, FY2006 and FY2007 and from 1 January 2008 to the Latest Practicable Date are as follows:-

Capital expenditure (RMB'000)	FY2005	FY2006	FY2007	1 January 2008 to Latest Practicable Date
Land use rights	2,976	—	—	—
Buildings	71	—	—	—
Plant and machinery	4,839	16,522	1,757	341
Motor vehicles	160	160	—	—
Furniture fixtures and office equipment	141	133	83	45
Construction in progress	14,304	55	—	2,077
<b>Total</b>	<b>22,491</b>	<b>16,870</b>	<b>1,840</b>	<b>2,463</b>

The above capital expenditure was financed by a combination of funds generated from operating activities, advances from shareholders and bank borrowings.

In FY2005, capital expenditure on plant and machinery related mainly to the purchase of 3 dyeing machines. The purchase of land use rights in FY2005 was made by Fujian Jiamei for the construction of its factory. Construction work-in-progress in FY2005 related to the construction of Fujian Jiamei's factory.

In FY2006, capital expenditure on plant and machinery related mainly to the purchase of weaving looms (21 circular weaving looms and 1 warp weaving loom), 3 dyeing machines and 1 setting machine and several other post-processing machines.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

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In FY2007, capital expenditure on plant and machinery related mainly to the purchase of 7 circular weaving looms and 1 spin-dryer.

From 1 January 2008 to the Latest Practicable Date, capital expenditure on plant and machinery related mainly to the purchase of one set of high speed cutting machine and one set of colour-fastness testing machine. Construction-in-progress from 1 January 2008 to the Latest Practicable Date related mainly to the construction of the new hostel.

### Divestment

There were no capital divestments in FY2005, FY2006 and FY2007 and from 1 January 2008 to the Latest Practicable Date.

Save as disclosed above and in the sections entitled "Use of Proceeds and Expenses of the Invitation", "History and Business – Processing Facilities and Utilisation" and "Prospects, Business Strategies and Future Plans", we have no material plans for capital expenditure and divestments as at the Latest Practicable Date.

### Operating lease commitments

As at the Latest Practicable Date, our Group does not have any commitments in relation to non-cancellable operating leases with external parties.

### Capital commitments

As at the Latest Practicable Date, the Group had capital commitments amounting to RMB4.3 million, mainly relating to the purchase of land for our wastewater treatment facilities to be financed through net proceeds from the Invitation.

## FOREIGN EXCHANGE EXPOSURE

The proportion of our revenue in various currencies are shown below:-

% of Sales	FY2005	FY2006	FY2007
RMB	88.5	93.6	96.2
US\$	2.7	0.8	1.3
HK\$	8.8	5.6	2.5
Total	100.0	100.0	100.0

All our purchases and expenses in FY2005, FY2006 and FY2007 were denominated in RMB. Our Group has US\$ denominated loans from a financial institution amounting to an aggregate of US\$174,565 as at 31 December 2007. We also have HK\$, S\$ and US\$ bank deposits amounting to HK\$0.5 million, S\$2.3 million and US\$0.03 million as at 31 December 2007. As these loans and bank deposits are not denominated in RMB, we face foreign exchange risks in respect of these loans and bank deposits. We also face foreign exchange gains or losses on the translation of these loans and bank deposit balances during the preparation of our consolidated financial statements, which are presented in RMB.

Presently, we do not have any formal hedging policy with respect to our foreign exchange exposure. To the extent that our sales and purchases are not naturally matched in the same currency and to the extent there are timing differences between invoicing and collections/payments, foreign currency exchange fluctuations may have an adverse impact on our financial performance. We will continue to monitor our foreign exchange exposure and may use financial instruments to manage our foreign exchange exposure should the need arise. We will, prior to entering any hedging transactions, (i) seek board approval on the policy for entering into any foreign exchange hedging transactions; (ii) put in place adequate procedures which must be reviewed and approved by the Audit Committee; and (iii) the Audit Committee will monitor the implementation of the policy, including reviewing the instruments, processes and practices in accordance with the policy approved by the Board.

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## PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

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### PROSPECTS

Our Directors believe that barring any unforeseen circumstances, our Group's prospects and the overall outlook of our business is favourable due to the following factors:-

#### 1. Growth in demand for functional fabrics in the PRC

Our Directors believe that, in the recent years, the functional fabric industry in the PRC had been lagging in growth, as evident from the higher levels of foreign import of functional fabrics as compared to domestic production. With the growing spending power of the PRC citizens, the demand for functional fabrics in the PRC has increased. This had spurred the increase in research and development activities in the production of new and innovative functional fabrics in the PRC. Our Directors have seen the introduction of various new and innovative functional fabrics developed in recent years through research and development activities which have been widely accepted by consumers in the PRC. The demand for and the production of functional fabrics in the PRC is expected to continue to increase at 3.4% per annum, attaining a total production output of RMB 24.0 billion (representing a market share of 32.0% of the apparel industry) by 2010.<sup>(1)</sup>

Our Directors are confident of the prospects of our Group as they believe that the continued growth of the PRC's functional fabrics industry as well as the general growth of the PRC textile industry will spur demand for our products and drive our business.

#### 2. Growth in demand for sports equipment and apparel in the PRC

Our Directors believe that the demand for sports equipment and apparel in the PRC will be boosted by the hosting of the Beijing Olympic Games in 2008 and the Guangzhou Asian Games in 2010 with the expected increase in media coverage and publicity on sports. Our Directors believe that the growth in demand for sports equipment and apparel will increase the sales of our fabric products to customers engaged in the manufacture of sports equipment and apparel.

#### 3. Improving living standards and changing consumer trends

Improving living standards, both domestically and abroad, have led to changes in consumer and fashion trends. Worldwide rise in affluency and purchasing power has brought about a rise in demand for quality and specialty apparels. This in turn has brought about increasing demand for fabric with a wider range of colours and fabrics with special properties and functionalities. According to the China Print and Dye Association, in 2010 the estimated volume of fabrics that will be processed will reach 67 billion metres, representing an annual growth of 9.0% from 2006. In addition, the total value of the industry's print and dye output will reach RMB234.6 billion, representing an annual growth of approximately 16.0%.<sup>(2)</sup> Our Directors believe that the rising affluency and change in trends will lead to an increase in demand for our fabric products.

#### 4. Stringent entry barriers into dyeing industry

We are engaged in a business that produces high volume of pollutants. In recent years, the PRC has been tightening its environmental protection measures so as to be more in line with developed countries. Accordingly, entry barriers for new market entrants are now higher in view of the more stringent environmental measures and requirements imposed by the PRC authorities for companies intending to enter into high-pollution industries. For existing companies in the dyeing industries, they are required to maintain and meet the stringent requirements, failing which the relevant governmental authorities may refuse to issue or renew their pollutant discharge licence or may close down their operations.

As a result, our Directors believe that at a macro level, the dyeing industry will be restructured by a process of natural selection. Established and more efficient companies such as our Group, which are able to meet stringent environmental requirements, together with the demand of customers, will be able to compete effectively while less established and efficient companies will eventually be phased out of competition.



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## PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

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### **Notes:-**

- (1) The information was derived from the third edition of the China Textile News (中国纺织报) dated 8 November 2006. The China Textile News has not consented to the inclusion of such information extracted from its website for the purposes of Section 249 of the Securities and Futures Act and is therefore not liable for such information under sections 253 and 254 of the Securities and Futures Act. While our Directors have included such information in their proper form and context in the Prospectus, they have not verified the accuracy of such information.
- (2) Information contained in this section has been derived from the Eleventh Five-Year Plan on Chinese Print and Dye Industry (印染行业“十一五”规划纲要) issued by the China Dyeing and Printing Association (中国印染协会). The China Print and Dye Association has not consented to the inclusion of such information for the purposes of Section 249 of the Securities and Futures Act and are therefore not liable for such information under Sections 253 and 254 of the Securities and Futures Act. While our Directors have included such information in their proper form and context in the Prospectus, they have not verified the accuracy of such information.

## **TREND INFORMATION AND ORDER BOOK**

### **Trend Information**

We will increase our focus on the production and sale of functional fabrics in view of the growing demand for such fabrics as well as the higher margins commanded by functional fabrics as compared to non-functional ones. Based on our Directors' knowledge and experience of the industry and current trends, our Directors do not expect sharp fluctuations in the selling prices of our products although we expect a general increase in selling prices as we focus more on the production and sale of functional fabrics.

Even though the average unit purchase cost of our raw materials (comprising loom-state fabrics, yarn, dyeing solutions, chemical solvents and reagents) remained relatively unchanged in the first quarter of FY2008, our production costs are expected to rise as the increase in fuel and oil prices will lead to increases in the purchase prices of our raw materials. We expect the increase in our production costs to be mitigated by greater economies of scale from the increase in our production capacity and the increase in our selling prices.

### **Order Book**

As at the Latest Practicable Date, we have secured confirmed orders of approximately RMB55.1 million which are expected to be recognised as revenue within two months. Although we have entered into contracts with our customers, they may be subject to cancellation and deferrals. As such, the value of our order book is not indicative of our overall financial performance.

Save as disclosed above and in the sections entitled “Risk Factors”, “Management's Discussion and Analysis of Results of Operations and Financial Position” and “Prospects, Business Strategies and Future Plans – Prospects” of this Prospectus and barring any unforeseen circumstances, our Directors believe that there are no significant recent trends in production, sales and inventory, and in the costs and selling prices of products and services, and no other significant known trends with regards to the demand and supply of textile fabrics, uncertainties, demands, commitments, or events that are reasonably likely to have a material effect on our net sales or revenue, profitability, liquidity or capital resources, or that will cause the financial information disclosed in this Prospectus to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements” of this Prospectus.

## **BUSINESS STRATEGIES AND FUTURE PLANS**

In response to the increasing demands of our customers for high quality and functional fabrics and to capitalise on new market opportunities, our Group intends to further focus on the development and sales of functional fabrics. We intend to implement the following plans:-

### **(a) Expand our production capacity and construct new facilities**

We are expanding our production capacity and investing RMB103.0 million (approximately S\$20.6 million) in weaving, dyeing, post-processing treatment facilities and ancillary machinery and equipment.



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## PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

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We shall be funding this investment partly from the net proceeds of S\$8.0 million (approximately RMB40.0 million) from the Invitation and partly from internal funds and bank borrowings. As at the Latest Practicable Date, we have expended RMB0.3 million (approximately S\$0.06 million) on these acquisitions. We expect to complete the expansion of our production capacity by the first half of FY2009.

We intend to construct a new hostel and refurbish our existing hostel premises into an office and research and development building at a cost of RMB26.0 million (approximately S\$5.2 million) on our current premises at Rongqiao Economic Technology Development Zone, Fuqing City, Fujian Province, the PRC. We will fund the construction and refurbishment of the new hostel and office and research and development facilities partly using S\$4.8 million (approximately RMB24 million) of the proceeds from the Invitation and partly from internal funds. As at the Latest Practicable Date, we have expended RMB2.0 million on the construction of the new hostel. The total floor area under construction and refurbishment is approximately 10,300 sq m. We have commenced construction in the first quarter of FY2008 and expect to complete construction by the first quarter of FY2009.

The maximum capacities of our weaving, and our dyeing and post-processing treatment facilities for FY2007 were 2,862 tonnes and 9,540 tonnes per annum respectively. Upon completion of the above expansion, we expect our fabric weaving, dyeing and post-processing treatment capacities to increase to approximately 7,614 tonnes and 17,520 tonnes per annum respectively.

**(b) Expand our research and development capabilities**

We intend to strengthen our research and development capability by recruiting new personnel and enhancing our existing research and development team. We also intend to acquire new advanced precision testing equipment to enable us to analyse and carry out comprehensive tests on dye and fabrics to ensure they meet out stringent quality requirements. We intend to establish a product development centre and use S\$1.6 million (approximately RMB8.0 million) from the net proceeds of the Invitation for this purpose. We expect to commence the expansion of our research and development facilities in the latter half of FY2008 and complete the expansion by early FY2009.

**(c) Expand our wastewater treatment capacities**

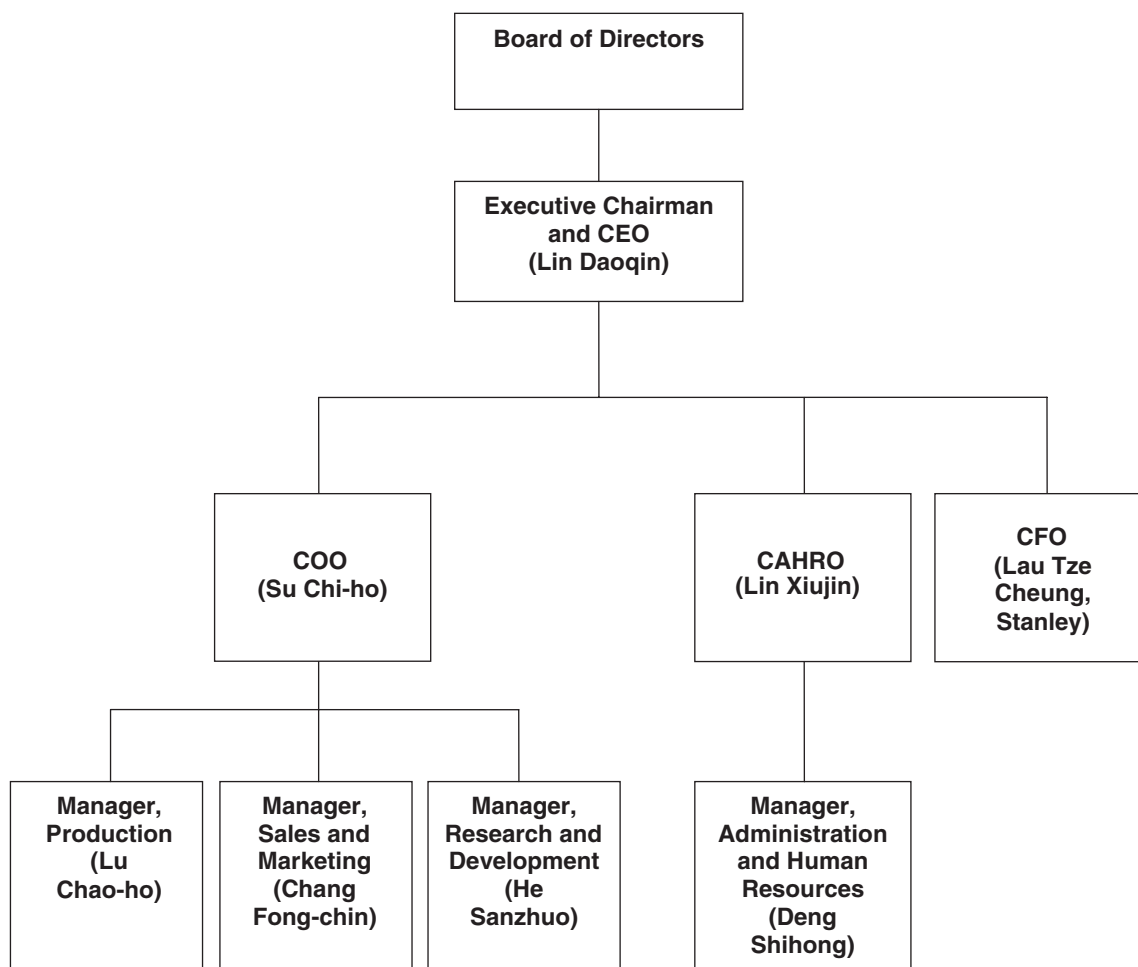
Our current wastewater treatment facilities allow us to recycle and reuse approximately 20% of the wastewater. We intend to expand our wastewater treatment facilities by acquiring new machinery and equipment and increase the wastewater treatment capacities, which will enable us to reuse about 60% of the wastewater. This will in turn result in a reduction of our production costs.

We intend to invest RMB4.0 million (approximately S\$0.8 million) to acquire a piece of land of approximately 20 mu, situated at and adjacent to our existing facilities for the expansion of these wastewater treatment facilities. As at the Latest Practicable Date, we have neither acquired the land use rights for this piece of land nor obtained the relevant approvals from the PRC authorities, namely, (i) the Fuqing City Government for the acquisition of land, (ii) the Fuqing Urban and Rural Planning Bureau (福清市城乡规划局) for land and construction planning, (iii) the Fuqing Construction Bureau (福清市建设局) for the commencement of construction and (iv) the Fuqing Environmental Protection Bureau (福清市环境保护局) for the construction of wastewater treatment facilities. To the best of our Directors' knowledge and barring unforeseen circumstances, nothing has come to their attention that we will be unable to obtain such approvals. We expect to acquire the land, obtain the relevant approvals from the PRC authorities and commence construction of wastewater facilities (at an estimated cost of RMB5.0 million (approximately S\$1.0 million)) in the latter half of FY2008 and complete the construction by the first half of FY2009. We intend to utilise S\$1.8 million of the proceeds from the Invitation to fund the acquisition of the land and the construction of the water treatment facilities.

## DIRECTORS, MANAGEMENT AND STAFF

### MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date:



### DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group.

The following table provides information regarding our Directors as at the date of this Prospectus:

Name	Age	Address	Position in the Group
Lin Daoqin (林道钦)	40	No. 179-1 Xitou County, Yangxia Town, Fuqing City, Fujian Province, the PRC	Executive Chairman, CEO
Su Chi-ho (蘇吉河)	58	Jimei Textile Park, Honglu Village (Fuxia Road), Fuqing City, Fujian Province, the PRC	Executive Director, COO
Lin Xiujin (林秀瑾)	38	No. 179-1 Xitou County Yangxia Town, Fuqing City, Fujian Province, the PRC	Executive Director, CAHRO
Teo Moh Gin	49	12 Stirling Road, #27-08, Singapore 148955	Lead Independent Director

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## DIRECTORS, MANAGEMENT AND STAFF

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Name	Age	Address	Position in the Group
Soh Chun Bin	34	33E Chancery Lane, #01-04, Singapore 309555	Independent Director
Lin Guohua (林国华)	59	Room 301 Buiding 1, Rongshengyuan, Futang Road, Fuqing City, Fujian Province, the PRC	Non-Executive Director

Information on areas of responsibility and the business, working and educational experience of our Directors is set out below:-

**Mr Lin Daoqin** is our Executive Chairman and CEO. He was appointed to our Board on 19 December 2007. He is the co-founder of our Group and has been spearheading the expansion and growth of our Group. He is instrumental in our growth and development, responsible for our operations, marketing, public relations, as well as formulating and implementing our business strategies and development plans. Mr Lin has over 10 years of experience in various aspects of the fabric weaving industry, including sales and marketing, production, finance, administration and management. Prior to the establishment of our Group, he was in the trading business of textile fabrics from 1995 to 1997. Mr Lin has completed high school education in the PRC. Mr Lin was appointed executive director (常务理事) of the Fujian Province Integrity Promotion Commission (福建省诚信促进会) in December 2005 and was appointed vice-chairman (副会长) of the same Commission in March 2006.

**Mr Su Chi-ho** is our Executive Director and COO. He was appointed to our Board on 5 May 2008. He is the co-founder of our Group and is responsible for overseeing the production operations of our Group. Mr Su has more than 40 years of experience in the fabric weaving, dyeing and post-processing treatment industry. Prior to joining our Group, Mr Su was the general manager of Fuqing Hong Liang Dyeing and Weaving Company (福清洪良染织有限公司) from 1994 to 1998. From 1980 to 1994, Mr Su was with Taiwan Tai Kuang Dyeing & Finishing Co., Ltd (台光染整股份有限公司) where he last held the post of vice-chairman and general manager. From 1964 to 1980, Mr Su was with Taiwan BaDe Hengli Dyeing and Treatment Co., Ltd, (台湾八德恒利染整公司) where he last held the post of the head of research and development. Mr Su has completed secondary school education in Taiwan.

**Mdm Lin Xiujin** is our Executive Director and CAHRO. She was appointed to our Board on 19 December 2007. She is responsible for procurement, administration and human resources management of our Group. As the person responsible for procurement for our Group, Mdm Lin is keenly aware of the market conditions in the fabric weaving industry as well as the prices of different raw materials that are required for the weaving, dyeing and post-processing treatment of our fabrics. She also participates in the continuing assessment of our major suppliers and has been involved in many major capital investment decisions made by our Group. Mdm Lin has accumulated over 10 years of experience in the fabric weaving industry commencing from the establishment of Fuqing Jimei where she joined as the manager of the finance department. Subsequently, she was appointed as the vice general manager responsible for administration and procurement in Fuzhou Jimei in 2001 and has since held the position. She has also been the vice general manager in charge of administration and procurement in Fujian Jiamei since its establishment in 2004. Mdm Lin has completed high school education in the PRC and is currently a member of the Fuqing City Committee of the Chinese People's Congress (全国人民代表大会福清市委员会代表). Mdm Lin is the wife of Mr Lin Daoqin.

**Mr Teo Moh Gin** is our Lead Independent Director. He was appointed to our Board on 5 May 2008. Mr Teo has more than 25 years of global experience in finance, business development and consulting. Mr Teo started his career in 1983 as a consultant in Arthur Andersen where he was in charge of various management consultancy projects. Between 1990 and 1993, he was the senior investment officer in the real estate department of Government of Singapore Investment Corporation responsible for the acquisition and management of prime commercial assets. Subsequently during 1994 and 1995, he was the partner in charge of business development in Veno Technologies (S) Pte Ltd. Between September

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## DIRECTORS, MANAGEMENT AND STAFF

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1995 and September 1998, Mr Teo was the chief of staff responsible for operations in Credit Suisse Bank. Thereafter, he held the position of senior vice president and chief financial officer overseeing the finance and corporate development in System Access Ltd and subsequently in SESAMi Inc from December 1998 until June 2002. From October 2002 until July 2004, he was with Transworld Carnival Corporation as its chief executive officer and was responsible for the overall management of the company. Subsequently from August 2004 to April 2005, he joined GKE International Ltd as their executive vice-president and was responsible for the mergers and acquisitions function as well as business development of the company. From June 2005 until March 2006, he was the managing director of Global Business Insights Pte Ltd and was responsible for overall management of the company. Between March 2006 and January 2007, Mr Teo was the chief corporate officer of Richland Group and was responsible for finance and corporate development of the company. He is currently a director of Vive Capital Pte. Ltd. and is involved in investment-related work. Mr Teo obtained a Bachelor of Accountancy (Honours) degree from the National University of Singapore in 1983 and a Post-graduate Diploma in Business Administration from the University of Manchester in 1998.

**Mr Soh Chun Bin** is our Independent Director. He was appointed to our board on 5 May 2008. Mr Soh is currently a director of Stamford Law Corporation. He received an LL.B. (Honours) degree from the National University of Singapore in 1999 and was qualified as an advocate and solicitor in June 2000, beginning his legal practice as an associate in Wong Partnership. In March 2001, he joined Stamford Law Corporation as one of its pioneering lawyers, becoming a director since January 2005. Mr Soh's main area of practice is corporate law, with emphasis on equity capital markets and mergers and acquisitions. Since the start of his legal practice, he has been involved in a number of initial public offerings of both local and foreign corporations, as well as real estate investment trusts. In particular, he has accumulated a wealth of transactional experience involving China, including listings of China-based companies in Singapore. He has also advised on many other aspects of corporate finance transactions, including corporate mergers and acquisitions and take-overs. He has been recognised as a leading practitioner by Asialaw Leading Lawyers and a contributor for "Mergers and Acquisitions in China", a book by Stamford Law Corporation and published by Thomson/Sweet & Maxwell Asia. Mr Soh is an advocate and solicitor of the Supreme Court of Singapore.

**Mr Lin Guohua** is our Non-Executive Director. He was appointed to the Board on 5 May 2008. Mr Lin is currently the chairman of labour union in China Construction Bank, Fuqing Sub-branch. Prior to his engagement, he held various other posts in China Construction Bank, Fuqing Sub-branch. He was the head of personnel and secretary division of China Construction Bank, Fuqing Sub-branch (中国建设银行福清支行) from August 1993 to September 1995. Subsequently, he was the vice branch-head cum supervisor of China Construction Bank, Fuqing Sub-branch from September 1995 to October 2001. Between October 2001 and December 2006, he was the supervisor the China Construction Bank, Fuqing Sub-branch. Mr Lin received a degree in accounting from Fujian Province Finance and Trading School (福建省财贸学校) in July 1968 and was recognised as an accountant by Fujian Province Jianning Village Finance Bureau (福建省建宁县财政局) in February 1986. In December 1989, he was granted the title of assistant economist (助理经济师) by Fujian Province Jianning Personnel Bureau (福建省建宁县人事局). He received the title of political affairs officer (政工师) from China Construction Bank Fujian Branch in December 1995.

Save for Mdm Lin Xiujin, who is the spouse of Mr Lin Daoqin, none of our Directors is related by blood or marriage to one another. Our Substantial Shareholder Qian Feng Group Limited is the investment vehicle of Mr Lin Daoqin, Mr Su Chi-ho and Mdm Lin Xiujin (who hold 52.5%, 17.5% and 30.0% respectively in the share capital of Qian Feng Group Limited). To the best of our Directors' knowledge, there is no arrangement or understanding with our Substantial Shareholder Qian Feng Group Limited, customers, suppliers, or any other person, pursuant to which any of our Directors were appointed. The list of present and past directorships of each of our Directors held in the last five years preceding the date of this Prospectus can be found in the section entitled "General and Statutory Information - Material Background Information on Directors and Executive Officers" of this Prospectus.

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## DIRECTORS, MANAGEMENT AND STAFF

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### Experience and Expertise of the Board of Directors

Our Directors have appropriate expertise to act as directors of our Company, as evidenced by their business and working experience set out above. Mr Teo Moh Gin is a director of other public listed companies in Singapore and is familiar with the roles and responsibilities of a director of a public listed company in Singapore. Mr Lin Daoqin, Mr Su Chi-ho, Mdm Lin Xiujin, Mr Soh Chun Bin and Mr Lin Guohua have been briefed on the roles and responsibilities of a director of a public listed company in Singapore. They will undertake training on the roles and responsibilities of a director of a listed company on the SGX-ST in due course.

### Board practices

Our Bye-laws provide that our Board of Directors shall consist of not less than two Directors. Each Director shall retire from office at least once every three years. A retiring Director shall be eligible for re-election.

We currently have six Directors on our Board, comprising three Executive Directors, one Non-Executive Director and two Independent Directors. Mr Teo Moh Gin and Mr Soh Chun Bin have been appointed as our Independent Directors. Our Directors consider Mr Teo and Mr Soh to be independent as they do not have any existing business or professional relationship with our Group, our Directors or Substantial Shareholder Qian Feng Group Limited. They are also not related to any of our Directors or Substantial Shareholder Qian Feng Group Limited.

In view of Mr Lin Daoqin's concurrent appointment as our Executive Chairman and CEO, we have appointed Mr Teo Moh Gin as our Lead Independent Director, pursuant to the recommendations in Commentary 3.3 of the Code of Corporate Governance 2005. In accordance with the recommendations in the said Commentary 3.3, the Lead Independent Director will be available to Shareholders where they have concerns which contact through the normal channels of our Executive Chairman or CFO has failed to resolve or for which such contact is in appropriate.

### EXECUTIVE OFFICERS

Our Executive Directors are assisted by our team of Executive Officers whose particulars are as follows:-

Name	Age	Address	Position in the Group
Lau Tze Cheung, Stanley (刘子祥)	46	50/F Flat G, Blk 6 Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwang O N.T., Hong Kong Kowloon	CFO
Lu Chao-ho (吕兆和)	46	No. 12 Hwa Hsia Road, Chung Li City, Taoyuan County, Taiwan	Manager, Production
Chang Fong-chin (张丰钦)	59	No. 15-3, Alley 17, Hwa An Street, Chung Ho City, Taipei County, Taiwan	Manager, Sales and Marketing
He Sanzhuo (贺三灼)	40	No. 87, Beizheng Street, Chengguan Town, Yunmeng County, Hubei Province, the PRC	Manager, Research and Development
Deng Shihong (邓世洪)	41	5-2 Unit 1, No. 209 Shuanglong West Road, Yubei District, Chongqing City, the PRC	Manager, Administration and Human Resources



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## DIRECTORS, MANAGEMENT AND STAFF

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Information on the business and working experience of our Executive Officers is set out below:

**Mr Lau Tze Cheung, Stanley** is our CFO. He joined our Group in January 2008 and is responsible for the preparation of all of our financial statements as well as for reviewing and developing effective financial policies and control procedures for our Group. He has over 20 years of accounting experience with more than 5 years in auditing and management consulting. Between May 1984 and July 1987, he was the accounts supervisor of Swire Group-Camberley Enterprise Ltd. Subsequently, from February 1989 to December 1992, he worked as a financial controller and a finance and administrative manager in Ying Tai Far East Limited and its related company Mosaic Designs Limited respectively. Thereafter, Mr Lau joined a sole-proprietor accounting firm from January 1993 to November 2005, where he attained the position of audit manager. During the same period of time, he founded STL Corporate Services Limited where he practised as a management consultant providing advice on business and operational strategies. Prior to joining our Group, he was the CFO of China Kangda Food Company Limited, a company listed on the SGX-ST, which he joined in December 2005. Mr Lau holds a Bachelor degree in Business Administration from the Open University of Hong Kong and a Master degree in International Accounting from City University of Hong Kong. Besides, he has obtained memberships in various professional bodies including The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Company Secretaries, The Association of International Accountants, Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) and The Taxation Institute of Hong Kong.

**Mr Lu Chao-ho** is our Manager for Production. He joined our Group in 2005 and is responsible for our Group's overall factory operations and production. He is also in charge of managing our Group's production operations and quality control. He has over 20 years of experience in fabric dyeing and post-processing treatment technologies. Prior to joining our Group, Mr Lu was the general manager of Taiwan Zhunying Fibre (臺灣準盈纖維) in charge of dyeing technology and management from 1989 to 2000. Between 2000 and 2004, he was the manager in Zhejiang Texwell Textile Co., Ltd. (浙江得伟染织有限公司) in charge of dyeing and processing management. Mr Lu has completed high school education in Taiwan.

**Mr Chang Fong-chin** is our Manager for Sales and Marketing. He joined our Group in 2004 and is responsible for managing and overseeing our Group's sales and marketing activities. He has over 25 years of experience in the fabric industry and has been involved in fabric weaving, sales and marketing of fabric products. Prior to joining our Group, he was the division chief of Jang Dah Fiber Corp., Ltd (正大纖維股份有限公司) from 1975 to 1980. From 1981 to 2003, he was a manager in Yixin Knitted Weaving Co., Ltd. (億馨針織有限公司) in charge of fabric weaving. Mr Chang received his Bachelor of Public Relations degree from World College of Journalism in Taiwan in 1971.

**Mr He Sanzhuo** is our Manager for Research and Development. He joined our Group in 2006 and is responsible for technology management and research and development strategies and plans of our Group. Mr He has about 19 years of experience in fabric weaving industry, of which about eight years have been spent mainly in research and development. Prior to joining our Group, he was a manager in charge of weaving technology and production facilities in Yunmeng Arts and Crafts Factory (云梦工艺美术厂) from 1989 to 2001. Between 2001 and 2005, he was the technical manager in Fujian Changle Kuiwei Knitted Weaving Co., Ltd (福建省长乐市魁维针纺有限公司). From 2005 to 2006, he was the technical manager in Fujian Changle Hexing Knitted Weaving Co., Ltd (福建省长乐市合兴针纺有限公司). Mr He received his Diploma in Knitted Weaving Engineering from Hubei Province Textile Industry School (湖北省纺织工业学校) in 1989.



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## DIRECTORS, MANAGEMENT AND STAFF

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**Mr Deng Shihong** is our Manager for Administration and Human Resources. He joined our Group in 2004 and is responsible for administration, human resources, management of engineering, information system, information technology and other related functions of our Group. He has about 19 years of experience in the fabric weaving, dyeing and post-processing treatment industry. Prior to joining our Group, Mr Deng was an engineer in charge of mechanism, electricity, production facility construction planning and management in Fuzhou Fuhua Weaving, Printing and Dyeing Co., Ltd. (福州福华纺织印染有限公司) from 1992 to 2004. He received the senior technology level (高级技术等级) recognition from Fujian Province Department of Labour in January 1999. In 2001, he graduated from Beijing Normal University Continued Education Institute (北京师范大学继续教育学院) with a Diploma in Electrical Technology and Application. In October 2004, he was recognised as Grade Two Technician (二级技师) by Fujian Province Department of Labour and Social Security. In August 2006, he was granted the title of Mid-level Engineer (中级工程师) by Fuzhou City Bureau of Personnel.

The list of present and past directorships of each of our Executive Officers held in the last five years preceding the date of this Prospectus can be found in the section entitled “General and Statutory Information - Material Background Information on Directors and Executive Officers” of this Prospectus.

### SERVICE AGREEMENTS

On 19 February 2008, our Company entered into service agreements (the “Service Agreements”) with our Executive Directors, Mr Lin Daoqin, Mr Su Chi-ho and Mdm Lin Xiujin, for an initial period of three years with effect from the date our Company is admitted to the Official List of the SGX-ST. After the said initial period, the Service Agreements will continue for a further term of three years unless otherwise terminated by either party giving not less than six months’ notice in writing to the other. The Service Agreements may be terminated if any Executive Director commits a breach of his or her Service Agreement, such as being convicted of any offence involving fraud or dishonesty or being adjudicated bankrupt. There are no benefits payable to any of the Executive Directors upon termination of his or her Service Agreement. The Service Agreements cover the terms of employment, specifically salary and bonus. Under the Service Agreements, each of the Executive Directors has also agreed not to enter into businesses that will compete with ours.

Under the terms of the Service Agreements, Mr Lin Daoqin, Mr Su Chi-ho and Mdm Lin Xiujin will be paid an annual salary of RMB996,000, RMB900,000 and RMB900,000, respectively, payable in equal monthly instalments. Each of the Executive Directors will also be entitled to an annual salary adjustment which shall be decided by and subject to the approval of the Remuneration Committee.

In addition, our Company shall pay to each of the Executive Directors an incentive bonus based on our Group’s PBT. For this purpose, “PBT” refers to the audited consolidated profit before income tax and before profit sharing (after (i) deducting profit before income tax attributable to minority interests and (ii) excluding extraordinary items) for the relevant financial year.

Under the Service Agreements, the amount of incentive bonus that the Executive Directors shall be entitled to receive is determined as follows:-

#### Lin Daoqin

PBT	Rate of Incentive Bonus
First RMB100,000,000	Nil
RMB100,000,001 to RMB150,000,000	RMB500,000 plus 0.75% of PBT in excess of RMB100,000,000
RMB150,000,001 to RMB200,000,000	RMB875,000 plus 1.0% of PBT in excess of RMB150,000,000
Above RMB200,000,000	RMB1,375,000 plus 1.25% of PBT in excess of RMB200,000,000

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## DIRECTORS, MANAGEMENT AND STAFF

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### Su Chi-ho / Lin Xiujin

PBT	Rate of Incentive Bonus
First RMB100,000,000	Nil
RMB100,000,001 to RMB150,000,000	RMB250,000 plus 0.375% of PBT in excess of RMB100,000,000
RMB150,000,001 to RMB200,000,000	RMB437,500 plus 0.5% of PBT in excess of RMB150,000,000
Above RMB200,000,000	RMB687,500 plus 0.625% of PBT in excess of RMB200,000,000

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by the Executive Directors in the course of discharging his or her duties on our behalf will be borne by our Company.

Had the Service Agreements been effected on 1 January 2007, the total remuneration payable to the Executive Directors would have been RMB2.8 million instead of RMB0.9 million, and the profit before taxation and the profit attributable to Shareholders for FY2007 would have been RMB91.4 million and RMB84.3 million respectively, instead of RMB93.3 million and RMB86.1 million respectively.

There are no existing or proposed service agreements entered or to be entered into by our Directors or our Executive Officers with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

#### *Call option under CFO service agreement*

Under his service agreement, our CFO has been granted a call option by our Company, to subscribe for shares amounting to 0.75% of the Company's post-Invitation issued share capital for a consideration equivalent to the Invitation Price per Share. The call option is exercisable between the 1<sup>st</sup> day of the 25<sup>th</sup> month to the 60<sup>th</sup> month following the admission of our Company to the Official List of the Main Board of the SGX-ST, subject to the terms and conditions of the Call Option Agreement dated 20 February 2008.

### **EMPLOYEES**

The employees of Fuzhou Jimei are unionised. The trade union obtained Trade Union Licence on 13 October 2005.

The relationship and cooperation between our management and our employees have been good and this is expected to continue. We have experienced no incidences of work stoppages, disruptions or labour disputes which affected our operations in the last three financial years ended 31 December 2007. The number of full time employees is not subject to any significant fluctuations.

## DIRECTORS, MANAGEMENT AND STAFF

We set out below the total number of our employees and the various functions which they serve as at the end of FY2005, FY2006 and FY2007:-

Functions	Number of employees As at 31 December		
	2005	2006	2007
Management	3	3	3
Production (including Quality Assurance)	197	225	246
Sales and Marketing	20	29	35
Procurement	4	5	7
Finance	5	6	9
Research and Development	2	3	5
Human Resources (including Administration)	18	18	23
<b>Total</b>	<b>249</b>	<b>289</b>	<b>328</b>

Our Group does not employ a significant number of temporary employees.

### DIRECTORS AND EXECUTIVE OFFICERS' REMUNERATION

The compensation paid to our Directors and Executive Officers for services rendered in remuneration bands<sup>(1)(2)</sup> during FY2006 and FY2007 (being the last two most recent completed financial years) and an estimate of compensation payable for FY2008 are as follows:-

	FY2006 (actual)	FY2007 (actual)	FY2008 (estimated) <sup>(3)</sup>
<u>Directors</u>			
Lin Daoqin	Band A	Band A	Band A
Su Chi-ho	Band A	Band A	Band A
Lin Xiujin	Band A	Band A	Band A
Teo Moh Gin	Nil	Nil	Band A
Soh Chun Bin	Nil	Nil	Band A
Lin Guohua	Nil	Nil	Band A
<u>Executive Officers</u>			
Lau Tze Cheung, Stanley	Nil	Nil	Band A
Lu Chao-ho	Band A	Band A	Band A
Chang Fong-chin	Band A	Band A	Band A
He Sanzhuo	Band A	Band A	Band A
Deng Shihong	Band A	Band A	Band A

#### Notes:-

- (1) Compensation includes salary, bonus, director's fee and benefits-in-kind. Compensation that has already been paid includes deferred remuneration, accrued for the financial year in question payable at a later date.
- (2) Band A – Compensation up to S\$250,000.
- (3) The estimated amount of compensation payable in FY2008 excludes any bonus or profit sharing or any other profit linked agreement or arrangement which has not been paid.

Save as required under the laws and regulations applicable to our Group, we have not set aside or accrued for any amount for the provision of pension, retirement or similar benefits.

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## DIRECTORS, MANAGEMENT AND STAFF

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### Remuneration of Persons Related to Directors and Substantial Shareholders

Save for our Executive Director Mdm Lin Xiujin, who is the spouse of our Executive Chairman and CEO Mr Lin Daoqin, as at the Latest Practicable Date, we do not have any other directors, key executives or employees (upon whose work our Group is dependent) who are related by blood or marriage to any of our Directors or Substantial Shareholders.

The remuneration of employees who are related to our Directors and Substantial Shareholders will be reviewed annually by our Remuneration Committee. This is to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increase and/or promotions for any employees who are related to our Directors and Substantial Shareholders will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee or Nominating Committee is related to the employee under review, he will abstain from the review.

The remuneration paid to employees who are immediate family members of our Directors will be disclosed in our annual reports in the event that such remuneration exceeds S\$150,000 or the RMB equivalent thereof for that financial year.

### **CORPORATE GOVERNANCE**

Our Directors recognise the importance of good corporate governance and in offering high standards of accountability to our Shareholders. We have therefore set up the following committees:-

#### ***Audit Committee***

Our Audit Committee consists of our Independent Directors, Mr Teo Moh Gin and Mr Soh Chin Bin, and our Non-Executive Director, Mr Lin Guohua. The Chairman of our Audit Committee is Mr Teo Moh Gin. Our Audit Committee meets periodically to:-

- (a) review our financial and operating results and accounting policies;
- (b) review the audit plans of the external auditors, and where applicable, our internal auditors, the results of their review and evaluation of our system of internal controls system, their letter to management and the management's response;
- (c) ensure co-ordination between the external auditors and our management, and review the co-operation given by our Company's officers to the external auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any other matters which the auditors may wish to discuss (without the presence of our management, where necessary);
- (d) review and approve interested person transactions, if any;
- (e) review any conflicts of interest, if any;
- (f) review our consolidated financial statements and the external auditors' report on those financial statements before submission to our Directors and Shareholders, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- (g) review the scope and results of the audit performed by our external auditors and its cost effectiveness;
- (h) review and evaluate the independence and performance of the external auditors and to consider their appointment, remuneration and re-appointment;
- (i) review the effectiveness and adequacy of internal accounting and financial control procedures;

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## DIRECTORS, MANAGEMENT AND STAFF

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- (j) review the adequacy of the business risk management process;
- (k) undertake such other reviews and projects as may be requested by our Board of Directors, and report to our Board of Directors their findings from time to time on matters arising and requiring the attention of the Audit Committee;
- (l) undertake such other functions and duties as may be required by the legislation, regulations or the Listing Manual, or by such amendments as may be made thereto from time to time; and
- (m) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and ensuring that arrangements are in place for the independent investigations of such matter and for appropriate follow-up.

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any Interested Person Transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee.

Apart from the above functions, our Audit Committee will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on our Company's operating results or financial position. Each member of our Audit Committee will abstain from making any recommendation on or voting in respect of matters in which he is interested. Upon the listing of our Company, we will engage internal audit professionals to review our Group's internal control procedures under the guidance of the Audit Committee.

### ***Remuneration Committee***

Our Remuneration Committee comprises our Independent Directors, Mr Soh Chun Bin and Mr Teo Moh Gin, and our Non-Executive Director, Mr Lin Guohua. The Chairman of our Remuneration Committee is Mr Soh Chun Bin. Our Remuneration Committee will recommend to our Board a remuneration framework for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind will be considered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from making any recommendation on or voting on any resolutions in respect of his own remuneration package.

### ***Nominating Committee***

Our Nominating Committee comprises our Independent Directors, Mr Soh Chun Bin and Mr Teo Moh Gin, and our Executive Director, Mr Lin Daoqin. The Chairman of our Nominating Committee is Mr Soh Chun Bin. Our Nominating Committee will be responsible for (a) the re-nomination of a Director having regard to such Director's contribution and performance, (b) determining annually whether or not a Director is independent and (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director. Our Nominating Committee will, subject to the approval of our Board, decide how our Board's performance is to be evaluated and propose objective performance criteria which address how our Board has enhanced long-term Shareholders' value. The performance evaluation will include consideration of the Company's share price performance over a 5-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution by each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from making any recommendation on or voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

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## THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### SUMMARY OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

The ESOS was approved by written resolutions of our then sole Shareholder, Qian Feng Group Limited on 5 May 2008. The rules of the ESOS are set out in Annex I – “Rules of the Qian Feng Employee Share Option Scheme” of this Prospectus.

#### Purpose of the ESOS

The purpose of the ESOS is to provide an opportunity for Directors (including Non-Executive Directors) and employees of our Group to participate in the equity of our Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of our Company and our Group. The ESOS is proposed on the basis that it is important to acknowledge the contribution made by these Directors and employees. Our Company, by adopting the ESOS, will give these participants a stake in our Company with a view to achieving the following objectives:

- (a) the motivation of Participants to optimise performance standards and efficiency and to maintain a high level of contribution;
- (b) the retention of key employees whose contributions are important to the long term growth and profitability of our Group;
- (c) the attraction of potential employees capable of adding value to the Company;
- (d) the aligning of the interest of participants with the interest of Shareholders; and
- (e) to instill loyalty and a stronger sense of identification with the long-term prosperity of our Group.

#### Summary of the Rules

A summary of the rules of the ESOS is set out below. It is qualified in its entirety by reference to the detailed rules which are set out in Annex I – “Rules of the Qian Feng Employee Share Option Scheme” of this Prospectus:

#### 1. Participants

The following persons are eligible to participate in the ESOS:

- (a) confirmed full-time employees of our Group who have attained the age of 21 years on or before the offer date;
- (b) Directors of our Company and our subsidiaries who perform an executive function; and
- (c) Non-Executive Directors of our Company and our subsidiaries.

Controlling Shareholders and their Associates are not eligible to participate in the ESOS. As our Executive Chairman and CEO, Mr Lin Daoqin, Executive Directors, Mr Su Chi-ho and Mdm Lin Xiujin are Controlling Shareholders, they will not participate in the ESOS.

#### 2. Administration of the ESOS

The ESOS is administered by a committee of Directors (“the Committee”) appointed by the Board. The Directors who are in the Committee may also participate in the ESOS but under the rules of the ESOS and the provisions of the Listing Manual, a Director must not be involved in any deliberation or decision in respect of any ESOS Options granted or to be granted to him.



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## THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### 3. Categories of Options

The ESOS has two categories of ESOS Options, being the market price option and the incentive option:-

- (a) The market price option provides for an ESOS Option holder to exercise the ESOS Option at a price (the “Market Price”) equal to the average of the last dealt prices for a Share as determined by reference to the daily official list or other publication published by the SGX-ST for the three consecutive Market Days immediately preceding the offer date of that ESOS Option, rounded up to the nearest whole cent.
- (b) The incentive option provides for an ESOS Option holder to exercise the ESOS Option at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price and provided further that such price shall not be less than the par value per Share. The prior approval of our Shareholders in general meeting must be obtained for the making of offers and grants of ESOS Options at a discount not exceeding the maximum discount as aforesaid. However, such prior approval shall be required to be obtained only once and, once obtained, shall, unless revoked, authorise the making of offers and grants of ESOS Options at such discount for the duration of the ESOS.

### 4. Limitations on the Size of the ESOS

#### (a) Size

The aggregate number of Shares over which ESOS Options may be granted, when added to the number of Shares issued and issuable in respect of all ESOS Options granted under the ESOS shall not exceed 15% of the issued Shares of our Company on the date preceding the grant of the ESOS Option.

The size of the ESOS is intended to support the long-term use of share options as part of our Group’s overall compensation strategy. In particular, the ESOS will provide our Company with greater flexibility to use share options as a part of the participants’ remuneration package to acknowledge the participants’ achievements and provide an incentive for ongoing performance.

#### (b) Entitlements

The number of Shares in respect of which ESOS Options may be offered to any participant shall be determined at the absolute discretion of the Committee who shall take into account (where applicable) criteria such as rank, responsibilities, past performance, years of service, contributions to our Group and potential for future development of that participant.

### 5. Grant of Options

The Committee may grant ESOS Options at any time during the period when the ESOS is in force. However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, the Committee may only grant ESOS Options on or after the second Market Day from the date on which such announcement is released.

### 6. Acceptance of Options

The grant of an ESOS Option must be accepted within 30 days from the offer date of the Option, and in any event, not later than 5.00 pm on the 30<sup>th</sup> day from such offer date. The participant must return the duly completed and signed acceptance form to us, accompanied by payment of S\$1.00 as consideration.

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## THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### 7. Exercise of Options

A market price option can be exercised during the period commencing after the first anniversary of the offer date and expiring on the tenth anniversary of such offer date. An incentive option can be exercised during the period commencing after the second anniversary of the offer date and expiring on the tenth anniversary of such offer date, except that any ESOS Option granted to a participant who is a Non-Executive Director of our Company or our subsidiaries will expire on the fifth anniversary of such offer date. ESOS Options can be exercised in whole or in part. If any ESOS Option is exercised in part only, the balance of the ESOS Option shall continue to be exercisable until such time as it lapses in accordance with the ESOS.

### 8. Lapse of Option

- (a) An ESOS Option shall, to the extent that it is unexercised, immediately lapse:
- (i) subject to paragraphs (b) and (c), upon the participant ceasing to be in the full-time employment of our Group, or in the case of a participant who is a Non-Executive Director, ceasing to be a Director, for any reason whatsoever;
  - (ii) upon the bankruptcy of the participant or the happening of any other event which results in the participant being deprived of the legal or beneficial ownership of such ESOS Option; or
  - (iii) in the event of any misconduct on the part of the participant as determined by the Committee in its sole and absolute discretion or any breach of any regulation of our Group, such breach being regarded as serious by the Committee in its absolute discretion; or
  - (iv) upon the company by which the participant is employed ceasing to be a company within our Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within our Group.
- (b) If a participant ceases to be employed by our Group by reason of his:
- (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee); or
  - (ii) redundancy; or
  - (iii) retirement at or after the legal retirement age; or
  - (iv) retirement before the legal retirement age with the consent of the Committee, or any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised ESOS Option within the relevant option period, and upon the expiry of such period, the ESOS Option shall immediately lapse.
- (c) If a participant dies and at the date of his death holds any unexercised ESOS Option, such ESOS Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the participant within the relevant option period, and upon the expiry of such period, the ESOS Option shall immediately lapse.

### 9. Rights of Shares

Shares allotted and issued on the exercise of an ESOS Option shall be subject to all the provisions of the Bermuda Companies Act and the Memorandum of Association and Bye-laws of our Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which falls on or after the relevant exercise date of the ESOS Option, and shall in all other respects rank *pari passu* with other existing Shares then in issue. For this purpose, "record date" means the date fixed by our Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

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## THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### 10. Duration of the ESOS

The ESOS shall continue in operation for a maximum duration of ten years commencing from the date on which it was adopted by our Company. However, the ESOS may be extended for a further period thereafter with the approval of Shareholders by way of an ordinary resolution at a general meeting and the relevant authorities.

### 11. Variation of Capital

If a variation in the issued ordinary share capital of the Company (whether by way of rights issue or capitalisation of profits or reserves, reduction of capital, subdivision, consolidation or distribution of Shares or otherwise) shall take place:

- (a) the subscription price for the Shares, the class and/or number of Shares comprised in an ESOS Option to the extent unexercised, and/or
- (b) the class and/or number of Shares over which additional ESOS Options may be granted under the ESOS,

shall be adjusted in such manner as the Committee may deem to be appropriate provided that (except in relation to a capitalisation issue) written confirmation is given by the auditors that such adjustment is fair and reasonable.

No adjustment shall be made in such a way that any participant receives a benefit that a Shareholder does not receive.

Upon any such adjustment being made, the Committee shall notify the participant in writing informing him of the subscription price thereafter in effect and the class and/or number of Shares thereafter to be issued on the exercise of the ESOS Option. Any adjustment shall take effect upon such written notification being given.

### 12. Grant of Incentive Options

In accordance with the provisions of the Listing Manual and Rule 8.1 of the ESOS Rules, the making of offers and grants of incentive options at a discount not exceeding 20% of the market price is subject to the approval of Shareholders in general meeting. For the avoidance of doubt, such prior approval shall be required to be obtained only once and, once obtained, shall, unless revoked, authorise the making of offers and grants of incentive options at such discount for the duration of the ESOS.

The ability to offer incentive options to participants of the ESOS will allow flexibility in structuring the options. Being able to offer incentive options is important in situations where it is more meaningful for our Company to acknowledge a participant's achievement through offering incentive options rather than paying him a cash bonus, as these options operate as a form of cashless reward from our Company, with a greater potential for capital appreciation than market price options, or in situations where more compelling motivation is required in order to attract new talents into our Group and/or retain talented individuals.

Our Company plans to exercise this discretion judiciously and the amount of discount may vary from one offer to another from time to time depending on the circumstances and on a case-by-case basis. In determining the quantum of the discount, the Committee may take into consideration such factors as it may in its absolute discretion deem appropriate, including but not limited to (i) the performance of our Company and our Group; (ii) the individual performance of an eligible person; and (iii) the contribution to the success of our Company and/or our Group by that eligible person. In measuring the performance of an eligible person, our Company will carry out an annual evaluation for each eligible person on a number of performance criteria as may be approved by the Committee. The overall evaluation results will then be scored and tabled for the Committee's discussion.

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## THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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As share options become more significant components of employee remuneration packages and the grant of ESOS Options with a discount element becomes more common, the discretion to grant incentive options will provide our Company with a means to maintain the competitiveness of our compensation strategy. Therefore, our Company may utilise ESOS Options as a means to reward participants for their outstanding performance as well as to motivate them to continue to excel, and will be an additional method for compensating employees other than through salary, salary increments and cash bonuses. This will enable our Company to introduce an effective manner of motivating participants to maximise their performance, which will in turn create better value for Shareholders.

In circumstances where at the time of making of grants of ESOS Options to participants, the prevailing market price on our Shares is considered artificially high and a general discount is desirable or warranted (the rate of which will be determined by the Committee), the Committee will take into consideration factors such as the historical prices of our Shares as compared with the prevailing market price of our Shares during the price fixing period for the ESOS Options, the market comparatives and practices of other industry players and the value of the ESOS Options as a component of each participant's compensation package.

The ability to grant incentive options allows our Company to grant ESOS Options on a more realistic and economically feasible basis to the participants especially in circumstances where the market price of Shares is high due to a buoyant market or inflated share prices.

With a discretion to grant ESOS Options at market price or at a discount, our Company would be able to utilise up to the maximum discount allowed for ESOS Options to structure remuneration packages to respond fairly rapidly to our employees' circumstances, the market conditions and practices and the economic situation at the time of granting ESOS Options. For example, incentive options may be used to compensate employees and keep them motivated during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements.

Our Company believes that the maximum 20% discount to the market price of our Shares is sufficient to allow for flexibility in the ESOS while minimising the potential dilutive effect to our Shareholders arising from the ESOS.

### **13. Rationale for Participation in the ESOS**

#### **(a) Executive Directors and full-time employees**

The extension of the ESOS to the Executive Directors and full-time employees allows us to have a fair and equitable system to reward those who have made and will continue to make important contributions to the long-term growth of our Group. The ESOS will also serve to attract, retain and provide incentives to its participants to attain higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivate participants to contribute towards our long-term growth.

#### **(b) Non-Executive Directors**

Non-Executive Directors are entitled to participate in the ESOS. Such persons, although not employed by our Group, work closely with our Company and are in a position to give input and contribute their experience, knowledge and expertise to the development and growth of our Group. These persons are from different disciplines with different working experience and expertise which our Group may tap on for assistance in furthering the business interests of our Group as well as for business contacts and networking.

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## THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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Our Company recognises that the services and contribution of these persons cannot be measured in the same way as employees of our Group due to the different nature of their contribution. Whilst our employees are remunerated through monthly salaries and annual discretionary bonuses, our Non-Executive Directors do not receive any monthly salary from our Group. Instead, they are remunerated for their services by way of directors' fees generally payable on an annual basis after the close of our Group's financial year and approved by Shareholders at our annual general meeting.

Remuneration given to our Non-Executive Directors by way of directors' fees is wholly in the form of cash. By including them for participation in the ESOS, our Company will have the flexibility of compensating them for their services in cash and in Options. For instance, our Company may include ESOS Options as a form of additional compensation in lieu of increasing the cash remuneration. In this way, our Company may acknowledge and give recognition to the service, achievements and contributions made by such persons through a combination of cash and ESOS Options.

The Committee when deciding on the Non-Executive Directors to offer ESOS Options to and the number of Shares thereunder to be offered will take into account their respective contributions to our Group, as well as their participation and commitment to the board on which they sit.

In order to minimise the potential conflict of interests and not to compromise the independence of our Non-Executive Directors who are Independent Directors, our Company does not intend to grant ESOS Options of significant sizes to them. As the ESOS is intended to cater primarily to our employees, the Options granted to our Independent Directors would not comprise (whether on an individual or collective basis) a significant portion of the Shares available under the ESOS as they would continue to be remunerated for their services mainly by way of directors' fees. In addition, before granting any ESOS Options to a Non-Executive Director or Independent Director, the Committee will take into careful consideration, inter alia, his performance and contributions to the success and development of our Group, attendance and participation in meetings of our Company and years of service as well as any special contributions or extra assistance provided.

Although a Non-Executive Director may be appointed as a member of the Committee, the rules of the ESOS provide that a member of the Committee shall not be involved in the deliberations of the Committee in respect of the grant of ESOS Options to him.

### 14. Cost of the ESOS

Any Options granted under the ESOS, whether such ESOS Options are market price options or incentive options, would have a fair value. In the event that such ESOS Options are granted at prices below the fair value of the ESOS Options, there will be a cost to our Company. Such costs will be more significant in the case of incentive options, where such ESOS Options are granted with exercise prices set at a discount to the prevailing market price of our Shares. The cost to our Company of granting ESOS Options with a discounted exercise price under the ESOS would be as follows:

- (a) the exercise of an ESOS Option at a discounted exercise price would translate into a reduction of the proceeds from the exercise of such ESOS Options, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of our Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company of granting ESOS Options with a discounted exercise price;

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## THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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- (b) as the monetary cost of granting ESOS Options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from an exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our company's earnings per Share; and
- (c) the effect of the issue of new Shares upon the exercise of ESOS Options on our Company's NAV per Share is accretive if the exercise price is above the NAV per Share, but dilutive otherwise. The dilutive effect is greater if the exercise price is at a discount to the market price.

The costs as discussed above would only materialise upon the exercise of the ESOS option.

Under Singapore Financial Reporting Standard 102 on Share-based Payments ("SFRS 102"), the fair value of employee services received in exchange for the grant of the Options would be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of the each ESOS Option granted at the grant date and the number of ESOS Options vested by vesting date, with a corresponding increase in equity.

Before the end of the vesting period, at each balance sheet date, the entity revises its estimates of the number of ESOS Options that are expected to vest by the vesting date and recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement would be made. The proceeds received net of any directly attributable transaction costs are credited to share capital when the ESOS Options are exercised.

During the vesting period, the consolidated earnings per Share would be reduced by both the expense recognised and the potential ordinary Shares to be issued under the ESOS. When the ESOS Options are exercised, the consolidated NAV will be increased by the amount of cash received in subscription for the new Shares. On a per Share basis, the effect is accretive if the subscription price is above the NAV per Share but dilutive otherwise.

### **15. Abstention from Voting**

Shareholders who are eligible to participate in the ESOS shall abstain from voting on any resolution relating to the ESOS.

### **16. SGX-ST Requirements**

While the ESOS is structured such that we have depending on the prevailing circumstances of our Company, it conforms with the requirements as set out in the Listing Manual for employee share option schemes.

In-principle approval has been obtained from the SGX-ST for the listing and quotation of the ESOS Option Shares. However, in-principle approval of the SGX-ST is not to be taken as an indication of the merits of the ESOS or the ESOS Option Shares. Details of the number of ESOS Options granted, the number of ESOS Options exercised and the subscription price (as well as any discount involved) will be disclosed in our annual report. The Committee currently appointed to administer the ESOS comprises our Executive Chairman and CEO, Mr Lin Daoqin, our Lead Independent Director, Mr Teo Moh Gin, our Independent Director, Mr Soh Chun Bin and our Non-Executive Director, Mr Lin Guohua. Mr Lin Daoqin is the chairman of the Committee.



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## INTERESTED PERSON TRANSACTIONS

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Transactions between our Group and any interested persons (namely, our Directors, or our Controlling Shareholders, or the Associates of such persons) are generally known as interested person transactions.

Save as disclosed under the section entitled “General Information on Our Group – Restructuring Exercise” of this Prospectus, the discussion below sets out the material interested person transactions entered into by our Group between the beginning of the three most recent completed financial years ended 31 December 2007 and up to the Latest Practicable Date (the “Relevant Period”).

### PAST INTERESTED PERSON TRANSACTIONS

Details of the interested person transactions for FY2005, FY2006, FY2007 and from 1 January 2008 to the Latest Practicable Date and which are material in the context of the Invitation are set forth below:

*(a) Advances to and from Mdm Lin Xiujin*

In FY2005, our Executive Director Mdm Lin Xiujin extended advances of approximately RMB3.4 million to Fujian Jiamei mainly for the purchase of land and the construction of Fujian Jiamei's factory. These advances were not made on an arm's length basis as they were interest-free, unsecured and without any fixed terms of repayment. As at 31 December 2005, the advances owing to Mdm Lin Xiujin amounted to approximately RMB3.4 million. Mdm Lin Xiujin was repaid RMB1.1 million of these advances in FY2006. She was repaid the remaining RMB2.3 million of these advances in FY2007. The largest amount of advance extended by Mdm Lin Xiujin to Fujian Jiamei between the beginning of FY2005 and the Latest Practicable Date was RMB3.4 million and there was no outstanding advance as at the Latest Practicable Date.

In addition to the repayment of RMB2.3 million to Mdm Lin Xiujin in FY2007 as described above, Fujian Jiamei extended an advance of approximately RMB2.3 million to Mdm Lin Xiujin in FY2007. This advance was not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment. This advance was fully repaid by in February 2008 as further described in paragraph (b) of the section entitled “General Information on Our Group – Restructuring Exercise” of this Prospectus. The largest amount of advance extended by Fujian Jiamei to Mdm Lin Xiujin between the beginning of FY2005 and the Latest Practicable Date was RMB2.3 million and there was no outstanding advance as at the Latest Practicable Date.

In February 2008, Mdm Lin Xiujin extended an advance of approximately S\$2.9 million to our Company. This advance was not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment. Subsequently, we capitalised a sum of US\$2,140,000 (equivalent to S\$2,911,042) from the advance into 214,000,000 ordinary shares of US\$0.01 each in our Company. The capitalisation was completed on 5 May 2008 by the issue of 214,000,000 ordinary shares of US\$0.01 each as fully paid in our Company to Qian Feng Group Limited as directed by Mdm Lin Xiujin. On 24 July 2008, our Company repaid Mdm Lin Xiujin in cash the balance of the advance of S\$7,741.55.

*(b) Advances from Fuqing Jimei to Mr Lin Daoqin and Mr Su Chi-ho*

In FY2005, Fuqing Jimei extended an advance of RMB6.6 million to our Executive Directors Mr Lin Daoqin and Mr Su Chi-ho. In FY2006, Fuqing Jimei further extended aggregate advances of RMB2.9 million to Mr Lin Daoqin and Mr Su Chi-ho. In FY2007, Fuqing Jimei further extended aggregate advances of RMB5.0 million to Mr Lin Daoqin and Mr Su Chi-ho.

As at 31 December 2007, the outstanding balance of the advances extended by Fuqing Jimei to Mr Lin Daoqin and Mr Su Chi-ho was RMB14.5 million. These advances were not made on an arm's length basis as they were interest-free, unsecured and without any fixed terms of repayment.

## INTERESTED PERSON TRANSACTIONS

In connection with the voluntary liquidation of Fuqing Jimei which commenced in November 2007, the shareholder of Fuqing Jimei, namely Mega-Gain, assumed the outstanding advances of Fuqing Jimei due from Mr Lin Daoqin and Mr Su Chi-ho in December 2007. The advance of RMB14.5 million due from Mr Lin Daoqin and Mr Su Chi-ho to Mega-Gain was offset as at 31 December 2007 against an amount of RMB16.9 million extended by Mr Lin Daoqin and Mr Su Chi-ho to Mega-Gain for its investments in Fuzhou Jimei and Fuqing Jimei. Fuqing Jimei was deregistered on 19 February 2008.

The largest aggregate amount of outstanding advances extended by Fuqing Jimei to Mr Lin Daoqin and Mr Su Chi-ho between the beginning of FY2005 and the Latest Practicable Date was RMB14.5 million and there was no outstanding advance as at the Latest Practicable Date.

*(c) Advances from Mr Lin Daoqin and Mr Su Chi-ho to Mega-Gain for its investments in Fuzhou Jimei and Fuqing Jimei*

In FY2005, our Executive Directors Mr Lin Daoqin and Mr Su Chi-ho extended aggregate advances of RMB16.9 million to Mega-Gain for its investments in Fuzhou Jimei and Fuqing Jimei. This advance was not made on an arm's length basis as it was interest-free, unsecured and without any fixed terms of repayment. In connection with the liquidation of Fuqing Jimei which commenced in November 2007, RMB14.5 million of this advance was offset against an amount of RMB14.5 million owing by Mr Lin Daoqin and Mr Su Chi-ho to Mega-Gain as further described in paragraph (d) above. The remaining RMB2.4 million was capitalised via the issuance of 341,256 shares of US\$1.00 each as fully paid in the share capital of Mega-Gain to Mr Lin Daoqin and Mr Su Chi-ho on 5 May 2008 as described in paragraph (d) of the section entitled "General Information on Our Group – Restructuring Exercise" of this Prospectus.

The largest aggregate amount of outstanding advance extended by Mr Lin Daoqin and Mr Su Chi-ho to Mega-Gain between the beginning of FY2005 and the Latest Practicable Date was RMB16.9 million and there was no outstanding advance as at the Latest Practicable Date.

The above transactions have ceased and our Group does not intend to enter into such transactions after the Invitation.

### PRESENT OR ONGOING INTERESTED PERSON TRANSACTIONS

#### *Provision of personal guarantees by Mr Lin Daoqin and Mr Su Chi-ho*

Our Executive Directors Mr Lin Daoqin and Mr Su Chi-ho provided guarantees for the following banking facilities granted to us:-

Financial institution	Borrower	Largest loan amount outstanding from FY2005 to the Latest Practicable Date	Outstanding loan amount as at the Latest Practicable Date	Guaranteed by
Chiyu Banking Corporation Ltd. Fuzhou Branch	Fuzhou Jimei	US\$230,000	US\$7,433	Su Chi-ho
Chiyu Banking Corporation Ltd. Fuzhou Branch	Fuzhou Jimei	US\$300,000	US\$102,185	Su Chi-ho
Industrial Bank Co., Ltd. Fuqing Branch	Fuzhou Jimei	RMB5,000,000	RMB5,000,000	Lin Daoqin and Su Chi-ho (joint and several)

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## INTERESTED PERSON TRANSACTIONS

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The banking facilities above were used to finance our purchase of machinery and equipment. Mr Lin Daoqin and Mr Su Chi-ho did not receive any fee or other benefits from providing these guarantees.

We intend to request for the discharge of the personal guarantees provided by Lin Daoqin and Su Chi-ho after our admission to the Official List of the SGX-ST. In the event that the terms and conditions of our banking facilities from the financial institutions are affected by the withdrawal of these personal guarantees, or in the event that the financial institutions do not agree to release the guarantees, Mr Lin Daoqin and Mr Su Chi-ho will continue to provide the guarantees in favour of the financial institutions.

### REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee will review all future interested person transactions, if any, to ensure that they are carried out on an arm's length basis, and on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders. Our Audit Committee will adopt the following procedures when reviewing such interested person transactions:-

- (a) When purchasing products from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained (where available), contemporaneous in time, for comparison to ensure that the interests of minority shareholders are not disadvantaged. The purchase price for products or fee for services shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration;
- (b) When supplying services to an interested person, the price and terms of other successful sales of a similar nature to non-interested persons, contemporaneous in time, will be used in comparison to ensure that the interests of minority shareholders are not disadvantaged. The fee for supply of services shall not be lower than the lowest price or fee of the two other successful sales to non-interested persons; and
- (c) When renting properties from or to an interested person, our Directors shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant inquiries with landlords of similar property and obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The amount payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant inquiries.

All transactions with an interested person equal to or exceeding RMB500,000 must be reviewed and approved by a Director who shall not be an interested person in respect of that particular transaction. In addition, an interested person transaction of a value equal to or more than 3% of our Group's latest audited net tangible assets must be approved by our Audit Committee prior to our entry into such transactions.

All transactions with an interested person will be reviewed at least quarterly by our Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit Committee. Our Audit Committee may request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit. In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

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## INTERESTED PERSON TRANSACTIONS

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In addition, our Board of Directors will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the Listing Manual and relevant accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual. There is currently no general mandate from our Shareholders for recurrent interested person transactions of a revenue or trading nature or those necessary for our day-to-day operations. In the event that such a general mandate is required in future, we will obtain it in accordance with the provisions of the Listing Manual.

Our Audit Committee and our Board shall review internal audit reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, our Audit Committee shall review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between us and our interested persons are conducted on normal commercial terms.

Our Audit Committee is of the view that the methods and procedures for determining transaction prices, as set out above, are sufficient to ensure that our Group's transactions with interested persons are on normal commercial terms which will not be prejudicial to the interests of our Company and our minority shareholders.

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## POTENTIAL CONFLICT OF INTEREST

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### INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS OR THEIR ASSOCIATES

#### Interests of Associate of our Executive Director, Mdm Lin Xiujin

Fujian Province Fuqing City San Hao Garment Manufacturing Co., Ltd (福建省福清市三豪制衣有限公司)  
(“San Hao”)

San Hao is a PRC company principally involved in the manufacture and sales of garment products such as raincoats, men’s jackets and winter clothings, ropes, thread and other low end loom-state fabrics which does not have functional qualities. Lin Kailuan, a brother of our Executive Director Mdm Lin Xiujin, is the legal representative and holds 98.0% interest (direct and deemed) in San Hao. Our Directors believe that San Hao does not provide dyeing services unlike our Group. Our Directors also believe that San Hao manufactures products that are different from those of our Group and are therefore not in direct competition with our Group’s products.

Notwithstanding the above, our Directors are of the view that any potential conflict of interest between our Group, our Directors, Controlling Shareholders and San Hao is mitigated for the following reasons:-

- (a) the directors, shareholders and management of our Group and San Hao are separate and distinct;
- (b) our Directors do not have any interest, direct or indirect, in San Hao. Conversely, Lin Kailuan does not have any interest, direct or indirect, in our Group (including all our subsidiaries);
- (c) our Directors are not directors of and are not involved in the management and operations of San Hao. Conversely, Lin Kailuan is not involved in the management and operations of our Group (including all our subsidiaries) and he does not have any interest or influence over the management and day-to-day operations of our Group (including all our subsidiaries);
- (d) there were no transactions between the Group and San Hao in the past and our Group (including all our subsidiaries) does not expect any transactions with San Hao in the future. In any event, should such situation occur, Mr Lin Daoqin and Mdm Lin Xiujin have undertaken to abstain from voting, whether as a director or shareholder of our Company, on any matter that may involve or relate to San Hao, so long as they are Directors and shareholders of our Group;
- (e) Mr Lin Daoqin and Mdm Lin Xiujin have undertaken not to acquire any direct or indirect interest or accept any appointment as a director of or take office in, or be involved in any manner whatsoever in the business, trade, management or operations of, San Hao;
- (f) our Group does not view San Hao as a competitor in the PRC synthetic knitted fabric market. In addition, in the past three financial years ended 31 December 2007, our Group has not encountered a situation where there had been competition with San Hao for a sales order, and as such, our Directors believe that the range and type of customer bases which San Hao serves are different from those of our Group; and
- (g) we market our Group’s synthetic knitted fabric products under the “Jimei” brand name while, to the best of our Directors’ knowledge, San Hao markets its products under different brand names. Accordingly, the market position of our products, as compared to those of San Hao, is separate and distinct.

Save as disclosed above:

- (a) none of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any material transactions to which we were or are a party;
- (b) none of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any company carrying on the same business or carrying on a similar trade as us; and
- (c) none of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any enterprise or company that is our customer or supplier of goods or services.

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## POTENTIAL CONFLICT OF INTEREST

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### INTERESTS OF EXPERTS

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the years preceding the date of this Prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.

No expert is engaged on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in our Shares, our subsidiaries or has a material economic interest, whether direct or indirect, in our Company including an interest in the success of the Invitation.

### INTERESTS OF THE ISSUE MANAGER, UNDERWRITER AND PLACEMENT AGENT

In the reasonable opinion of our Directors, the Issue Manager, Underwriter and Placement Agent does not have any material relationship with our Group save as disclosed below:

- (a) the Invitation is managed by the Issue Manager;
- (b) the Placement is undertaken by the Placement Agent;
- (c) the Offer is underwritten by the Underwriter;
- (d) In December 2007 and January 2008, the Group paid HL Bank commissions in connection with the private placement of our Redeemable Convertible Bonds; and
- (e) Asia Fountain Investment Co Ltd (“Asia Fountain”) is a subsidiary of Guoco Group Limited, which is a substantial shareholder of Hong Leong Bank Bhd, whose Singapore branch is the Issue Manager for the Invitation. Asia Fountain holds a 10.56% shareholding interest in China Sky Chemical Fibre Co., Ltd (“China Sky”). Quanzhou Tianyu Chemical Fibre & Weaving Industry Co., Ltd. (泉州天宇化纤织造实业有限公司) (“Tianyu”), a subsidiary of China Sky, is a supplier of nylon yarn to the Group. The Group’s purchases from Tianyu accounted for less than 5% of total purchases in FY2005, FY2006 and FY2007.

Please refer to the section entitled “Management, Underwriting and Placement Arrangements” of this Prospectus for more details.



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## **PURCHASE BY OUR COMPANY OF OUR OWN SHARES**

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Under the laws of Bermuda, a company may if authorised by its memorandum of association or bye-laws, purchase its own shares, and purchased shares may be cancelled or held as treasury shares. Our Company has such power to purchase our own Shares pursuant to paragraph 7 of our Memorandum of Association and Bye-law 3(2) of our Bye-laws. Such power to purchase our own Shares shall, subject to the Bermuda Companies Act, our Memorandum of Association and Bye-laws and if applicable, the rules and regulations of the SGX-ST (including any limits imposed thereunder) and other regulatory authorities, be exercisable by the Directors upon such terms and subject to such conditions as they think fit, in accordance with Bye-law 3(2) (which requires the prior approval of our members in general meeting to be obtained for such purchase).

Under the laws of Bermuda, such purchases may only be effected out of the capital paid-up on the purchased Shares, or out of the funds of our Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for that purpose. Any premium payable on such a purchase over the par value of the Shares to be purchased must be provided for out of the funds of our Company otherwise available for dividend or distribution or out of our Company's share premium account before the Shares are purchased. Any amount due to a Shareholder on a purchase by our Company of our own Shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of our Company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Further, such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that our Company is, or after the purchase would be, unable to pay our liabilities as they become due. Shares purchased by our Company may either be cancelled (in which event, our Company's issued, but not our authorised, capital will be diminished accordingly) or, may be held as treasury shares.

Under the laws of Bermuda, if a company holds shares as treasury shares the company shall be entered in the register of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares and no dividend or other distribution (whether in cash or otherwise) shall be paid or made to the company in respect of such shares.

For further details, please see "Purchase of shares and warrants by a company and its subsidiaries" of Annex B – "Summary of Bermuda Company Law" of this Prospectus.

Our Company presently has no intention of purchasing our own Shares after the listing. However, if we decide to do so later, we will seek our Shareholders' approval in accordance with the Bye-laws of our Company and the rules of the SGX-ST. Our Company will make a prompt public announcement of any such share purchase and has given an undertaking to the SGX-ST to comply with all requirements that the SGX-ST may impose in the event of any such share purchase.

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## ATTENDANCE AT GENERAL MEETINGS

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Under the Bermuda Companies Act, only those persons who agree to become members of a Bermuda company and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Depositors holding Shares through CDP are not recognised as members of our Company, and do not have a right under the Bermuda Companies Act to attend and to vote at general meetings of our Company. In the event that Depositors wish to attend and vote at general meetings of our Company, CDP will have to appoint them as proxies, pursuant to the Bye-laws and the Bermuda Companies Act. In accordance with Bye-law 77(1), unless CDP specifies otherwise in a written notice to our Company, CDP shall be deemed to have appointed as CDP's proxies each of the Depositors who are individuals and whose names are shown in the records of CDP, as at a time not earlier than 48 hours prior to the time of the relevant general meeting, supplied by CDP to our Company. Therefore, Depositors who are individuals can attend and vote at the general meetings of our Company without the lodgement of any proxy form. Depositors who cannot attend a meeting personally may enable their nominees to attend as CDP's proxies by completing and returning appropriate proxy forms. Depositors who are not individuals can only be represented at a general meeting of our Company if their nominees are appointed as CDP's proxies. Proxy forms appointing nominees of Depositors as proxies of CDP would need to be executed by CDP as member and must be deposited at the place and within the time frame specified by our Company to enable the nominees to attend and vote at the relevant general meeting of our Company.

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## TAKE-OVERS

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There are presently no Bermuda laws or regulations of general application which will require persons who acquire significant holding in our Shares to make take-over offers for our Shares or to notify us.

However, pursuant to the Securities and Futures Act, Sections 138, 138 and 140 of the Securities and Futures Act and the Singapore Code on Take-overs and Mergers (collectively the “Singapore Take-over and Merger Laws and Regulations”) apply to take-over offers of companies which are incorporated outside Singapore and all or any of the shares of which are listed for quotation on a securities exchange (as defined in the Securities and Futures Act). Accordingly, the Singapore Take-over and Merger Laws and Regulations will apply to take-over offers of our Company for so long as our Shares are listed on a securities exchange, which includes the SGX-ST.

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## CLEARANCE AND SETTLEMENT

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Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of the Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. The law of incorporation of our Company only recognises the registered owners or holders of our Shares as its members. Accordingly, Depositors and Depository Agents will not be treated, under our Bye-laws and the Bermuda Companies Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts, and may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive shareholders' circulars, proxy forms, annual reports and prospectuses. In such an event, Depositors and Depository Agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as Depository for foreign securities.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of our Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Bye-laws. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$20.00 is payable upon the deposit of each instrument or transfer with CDP. The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer or stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value subject to a maximum of S\$600.00 per transaction.

The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax at the prevailing rate of 7.0%.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day.

CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

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## GENERAL AND STATUTORY INFORMATION

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### MATERIAL BACKGROUND INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, address, age and principal occupation of each of our Directors and Executive Officers are set out in sections entitled “Directors, Management and Staff – Directors” and “Directors, Management and Staff – Executive Officers” of this Prospectus.
2. Information on the business and working experience of each of our Directors and Executive Officers are set out in sections entitled “Directors, Management and Staff – Directors” and “Directors, Management and Staff – Executive Officers” of this Prospectus.
3. The present and past directorships of each of our Directors held in the five years preceding the date of this Prospectus, excluding that held in our Company, are set out below:-

<b>Name</b>	<b>Present Directorship</b>	<b>Past Directorship</b>
Lin Daoqin	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	Fuzhou Jimei Fujian Jiamei	Fuqing Jimei (deregistered on 19 February 2008)
	<u>Other companies</u>	<u>Other companies</u>
	Qian Feng Group Limited	None
Su Chi-ho	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	Fuzhou Jimei Fujian Jiamei Mega-Gain	Fuqing Jimei (deregistered on 19 February 2008)
	<u>Other companies</u>	<u>Other companies</u>
	None	None
Lin Xiujin	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	Fuzhou Jimei Fujian Jiamei	Fuqing Jimei (deregistered on 19 February 2008)
	<u>Other companies</u>	<u>Other companies</u>
	None	None
Teo Moh Gin	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	China Sun Bio-Chem Technology Company Group Ltd Yangzijiang Shipbuilding (Holdings) Ltd. Sinostar PEC Holdings Ltd Fortuna Capital Management Pte Ltd Vive Capital Pte. Ltd Sifon Environmental Technologies Pte. Ltd.	Abecha Pte. Ltd. Mercu Learning Point Pte Ltd Richland Capital Pte. Ltd. Richland Fuyang (S) Pte. Ltd. Sesami (Singapore) Pte Ltd

## GENERAL AND STATUTORY INFORMATION

Name	Present Directorship	Past Directorship
Soh Chun Bin	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	Sino-Organic Food Holdings Pte. Ltd. Stamford Corporate Services Pte. Ltd.	Ariane Investments Mezzanine Pte. Ltd. Winjaya Investments Pte. Ltd. Rachsing Holdings Pte. Ltd. Saluno Investments Pte. Ltd. Rachpore Investments Pte. Ltd. Cee Tech And Management Pte. Ltd.
Lin Guohua	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	None	None

4. The present and past directorships of each of our Executive Officers held in the five years preceding the date of this Prospectus, excluding that held in our Company, are set out below:-

Name	Present Directorship	Past Directorship
Lau Tze Cheung, Stanley	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	None	Gainmint Signal Ltd Global Sun Apparel Ltd Splash Designs Ltd Splash Global Ltd STL Corporate Services Ltd STR Consultants Ltd STR Development Ltd STR Management Ltd Murle Group Ltd
Chang Fong-chin	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	None	None
Lu Chao-ho	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	None	None



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## GENERAL AND STATUTORY INFORMATION

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Name	Present Directorship	Past Directorship
He Sanzhuo	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	None	None
Deng Shihong	<u>Companies within our Group</u>	<u>Companies within our Group</u>
	None	None
	<u>Other companies</u>	<u>Other companies</u>
	None	None

5. Save as disclosed in the section entitled “General Information on Our Group – Shareholders” of this Prospectus, none of our Directors or Executive Officers has any shareholding interests in our Company or any of our subsidiaries as at the date of this Prospectus.
6. None of our Directors and Executive Officers:
  - (a) has at any time during the last ten years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
  - (b) has at any time during the last ten years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business on the ground of insolvency;
  - (c) has any unsatisfied judgement against him;
  - (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
  - (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
  - (f) has at any time during the last ten years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
  - (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

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## GENERAL AND STATUTORY INFORMATION

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- (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
  - (i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
  - (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
    - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
    - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
    - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
    - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
  - (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.
7. Save as disclosed in this Prospectus, none of our Directors and Executive Officers is related by blood or marriage to one another nor are they so related to any of our Substantial Shareholders.
8. None of our Directors and Executive Officers was appointed pursuant to an arrangement or understanding with any of our customers or suppliers.
9. Save as disclosed in the Prospectus, no option to subscribe for shares in, or debentures of, our Company or our subsidiaries has been granted to, or was exercised by, any Director or Executive Officer within the two financial years preceding the date of this Prospectus.
10. Under his service agreement, our CFO has been granted a call option by our Company, to subscribe for shares amounting to 0.75% of the Company's post-Invitation issued share capital for a consideration equivalent to the Invitation Price per Share. The call option is exercisable between the 1<sup>st</sup> day of the 25<sup>th</sup> month to the 60<sup>th</sup> month following the admission of our Company to the Official List of the Main Board of the SGX-ST, subject to the terms and conditions of the Call Option Agreement dated 20 February 2008. Save as disclosed, no person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or any of our subsidiaries.
11. Save as disclosed in the section entitled "Directors, Management and Staff – Service Agreements" of this Prospectus, there are no existing or proposed service contracts between our Directors and our Company or any of our subsidiaries.
12. There is no shareholding qualification for our Directors in our Bye-laws.

## GENERAL AND STATUTORY INFORMATION

13. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or in shares or otherwise, by any person to induce him to become, or qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.

### SHARE CAPITAL

14. Save as disclosed below and set out in the section entitled “General Information on Our Group – Share Capital” of this Prospectus, there were no changes in the issued and paid-up ordinary share capital of our Company or our subsidiaries within the three years preceding the Latest Practicable Date:

#### Mega-Gain

Date of issue	Number of shares issued	Issue price per share	Purpose of issue	Resultant issued share capital
27 June 2008	341,256	US\$1	Capitalisation	US\$4,841,256

#### Fuzhou Jimei

Date of contribution	Purpose of contribution	Amount of capital contributed	Resultant registered capital contributed
15 September 2005	Working capital	US\$1,486,312	US\$5,000,000

#### Fujian Jiamei

Date of contribution	Purpose of contribution	Amount of capital contributed	Resultant registered capital contributed
22 March 2005	Incorporation	US\$355,078	US\$355,078
31 January 2007	Working capital	US\$1,743,704	US\$2,098,782
7 September 2007	Increase in registered capital	US\$280,627	US\$2,379,409
18 February 2008	Working capital	US\$1,020,591	US\$3,400,000

### MATERIAL CONTRACTS

15. The following contracts, not being contracts entered into in the ordinary course of business of our Company and our subsidiaries (as the case may be), have been entered into by our Company and our subsidiaries (as the case may be) within the two years immediately preceding the date of lodgement of this Prospectus and are or may be material:
- (a) Share sale agreement dated 8 January 2008 entered into between our Company of the one part and Mdm Lin Xiujin of the other part, pursuant to which our Company acquired the entire equity of Fujian Jiamei, from Mdm Lin Xiujin at an aggregate consideration of US\$2,379,000.
  - (b) Sale and purchase agreement dated 5 May 2008 between our Company of the one part and Mr Lin Daoqin and Mr Su Chi-ho of the other part, pursuant to which our Company acquired the entire issued share capital of Mega-Gain, from Mr Lin Daoqin and Mr Su Chi-ho at an aggregate consideration of US\$14,928,000.
  - (c) Asset transfer agreement dated 1 August 2007 entered into between Fuqing Jimei and Fuzhou Jimei, pursuant to which Fuqing Jimei transferred its assets to Fuzhou Jimei for a consideration of RMB1,735,966.

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## GENERAL AND STATUTORY INFORMATION

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- (d) Asset transfer agreement dated 1 January 2008 entered into between Fuzhou Jimei and Fujian Jiamei, pursuant to which Fuzhou Jimei transferred its loom-state fabric production facilities to Fujian Jiamei for a consideration of RMB17,000,788.
- (e) Dividend distribution agreements dated 30 December 2005 and 28 December 2006 between Mr Lin Daoqin, Mr Su Chi-ho, Tsai Te-tsan, Wu Chin-liang, Lucky Dragon Industries Limited, Mega-Gain, Fuzhou Jimei and San Hao.
- (f) Dividend distribution agreement dated 31 December 2007 between Mr Lin Daoqin, Mr Su Chi-ho, Mega-Gain, Fuzhou Jimei and San Hao.
- (g) Dividend distribution agreement dated 30 December 2005 between Mr Lin Daoqin, Mr Su Chi-ho, Mdm Su Wu Su-yu, Fuqing Jimei and San Hao.
- (h) Liquidation distribution agreement dated 4 February 2008 between Mr Lin Daoqin, Mr Su Chi-ho, Mdm Su Wu Su-yu, Mega-Gain, Fuqing Jimei, Fuzhou Jimei and San Hao.
- (i) Investment agreements dated 18 December 2007 and 18 January 2008 and a supplemental agreement dated 18 January 2008 entered into between our Company and the Pre-IPO Investors, pursuant to which the Pre-IPO Investors subscribed for redeemable convertible bonds issued by our Company for an aggregate consideration of S\$6.0 million.

### LITIGATION

- 16. Neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings either as plaintiff or defendant in respect of any claims or amounts which may have or have had during the last 12 months immediately preceding the date of lodgement of this Prospectus a significant effect on our Group's financial position. Our Directors have no knowledge and are not aware of any proceedings, litigation or claim of material importance which are pending or threatened against our Company or any of our subsidiaries or of any facts likely to give rise to any such litigation, arbitration or claim. Our Directors are also not aware of any legal or arbitration proceedings involving third parties which may have or have had in the last 12 months any material adverse effects on the financial position or profitability of our Group.

### MISCELLANEOUS

- 17. The nature of the business of our Group is stated in the section entitled "History and Business – Business Overview" of this Prospectus. As at the date of this Prospectus, all the corporations which are, by virtue of Section 6 of the Singapore Companies Act, deemed to be related to our Company, are set out in the section entitled "General Information on Our Group – Group Structure" of this Prospectus.
- 18. The time of opening of the Application List is set out in the section entitled "Details of the Invitation" of this Prospectus.
- 19. The amount payable on application is S\$0.20 for each Invitation Share. There has been no previous issue of Shares by our Company or offer for sale of its Shares to the public within the two years preceding the date of this Prospectus.
- 20. Application monies received by our Company in respect of all successful applications (including successfully balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with HL Bank (the "Receiving Bank"). There is no sharing arrangement between the Receiving Bank and our Company in respect of interest or revenue or any other benefit in respect of the deployment of application monies in the inter-bank monies market, if any. Any refund of the application monies to unsuccessful or partially successful applicants will be made without any interest or share of such revenue or other benefit arising therefrom.

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## GENERAL AND STATUTORY INFORMATION

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21. No property has been purchased or acquired or proposed to be purchased or acquired by our Group which is to be paid for, wholly or partly, out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of this Prospectus, other than property the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Company or our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
22. In the opinion of our Directors, there are no minimum amounts which must be raised by the issue of the New Shares.
23. In December 2007 and January 2008, we paid HL Bank an aggregate of S\$180,000, being commissions payable to HL Bank in connection with the private placement of our redeemable convertible bonds which were converted to Shares on 7 May 2008. Save as disclosed above, no amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.
24. Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since the end of the financial year covered by the audited financial statements of our Group, that is, 31 December 2007 and up to the Latest Practicable Date which may have a material effect on the financial position and results of our Group.
25. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:
  - (i) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;
  - (ii) material commitments for capital expenditures;
  - (iii) unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and
  - (iv) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on revenues or operating income.
26. We currently have no intention of changing the auditors of our Group after the listing of our Company on the SGX-ST.

Details, including the names, addresses and professional qualifications (including membership in a professional body) of the auditors of our Group for the last three financial years from FY2005 to FY2007 are as follows:-

Name and address	Partner-in-charge / Professional Qualification	Membership in professional body
Foo Kon Tan Grant Thornton 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365	Wong Kian Kok / CPA	Institute of Certified Public Accountants of Singapore

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## GENERAL AND STATUTORY INFORMATION

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### CONSENTS

27. The Reporting Accountants and Auditors have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of Annex G – “Audited Combined Financial Statements of the Group for the Financial Years Ended 31 December 2005, 2006 and 2007” and Annex H – “Unaudited Pro Forma Combined Financial Statements of the Group for the Financial Year Ended 31 December 2007” of this Prospectus.
28. The Issue Manager, Underwriter and Placement Agent has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its name and references thereto in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
29. Grandall Legal Group (Guangzhou), the Legal Adviser to our Company on PRC Law, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its statement under the section entitled “General Information on Our Group – Restructuring Exercise (Acquisition of Domestic Enterprises by Foreign Investors)” of this Prospectus in the form and context in which it is included and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
30. Each of the Placement Agent, the Solicitors to the Invitation and Legal Adviser to our Company on Singapore Law, the Legal Adviser to our Company on Bermuda Law, the Bermuda Share Registrar, the Registrar for the Invitation and Singapore Share Transfer Agent, the Principal Bankers and the Receiving Banker does not make or purport to make any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and each of them makes no representation (express or implied) regarding any statement in or omission from this Prospectus and to the maximum extent permitted by law, expressly disclaim and take no responsibility for any statement in or omission from this Prospectus.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND VENDORS

31. This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no other material facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company and our subsidiaries.

### DOCUMENTS AVAILABLE FOR INSPECTION

32. Copies of the following documents may be inspected at the office of Messrs KhattarWong at 80 Raffles Place #25-01 UOB Plaza 1, Singapore 048624, during normal business hours for a period of six months from the date of registration by the Authority of this Prospectus:
  - (a) the Memorandum of Association and Bye-laws of our Company;
  - (b) the material contracts referred to in the section entitled “General and Statutory Information – Material Contracts” of this Prospectus;
  - (c) the letters of consent referred to in the section entitled “General and Statutory Information – Consents” of this Prospectus;
  - (d) the Service Agreements referred to in the section entitled “Directors, Management and Staff – Service Agreements” of this Prospectus;



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## GENERAL AND STATUTORY INFORMATION

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- (e) the “Audited Combined Financial Statements of the Group for the Financial Years Ended 31 December 2005, 2006 and 2007” as set out in Annex G of this Prospectus; and
- (f) the “Unaudited Pro Forma Combined Financial Statements of the Group for the Financial Year Ended 31 December 2007” as set out in Annex H of this Prospectus.

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## **ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS**

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You are invited to apply for the Invitation Shares at the Invitation Price for each Offer Share and each Placement Share subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of printed Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks ("ATM Electronic Applications") or through the Internet Banking ("IB") websites of the relevant Participating Banks ("IB Applications").

Your application for the Placement Shares may only be made by way of Placement Shares Application Forms.

Your application for Reserved Shares may only be made by way of Reserved Shares Application Forms.

**YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.**

3. You (being other than an approved nominee company) are allowed to submit **ONLY one application in your own name for:-**
  - (a) the Offer Shares by any one of the following:
    - (i) Offer Shares Application Form; or
    - (ii) ATM Electronic Application; or
    - (iii) IB Application,

**OR**

- (b) the Placement Shares (other than Reserved Shares) by Placement Shares Application Form.

If more than one application is submitted for either the Offer Shares or the Placement Shares, such separate applications submitted by you shall be deemed to be multiple applications and shall be rejected.

If you have made an application for Placement Shares (other than Reserved Shares), you should not make any application for Offer Shares and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

If you have made an application for Reserved Shares using the Reserved Shares Application Form, you may submit one separate application for the Offer Shares in your own name either by way of an Application Form or by way of an Electronic Application or submit one separate application for Placement Shares (other than Reserved Shares) provided that you adhere to the terms and conditions of the Prospectus. Such separate applications shall not be treated as multiple applications.

**JOINT OR MULTIPLE APPLICATIONS SHALL BE REJECTED.** If you submit or procure submissions of multiple applications, you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the Securities and Futures Act (Chapter 289) of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of our Company and the Vendors.

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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4. Our Company and the Vendors will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. Our Company and the Vendors will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **OUR COMPANY AND THE VENDORS WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars, such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.**
9. Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or the instructions for Electronic Applications and in this Prospectus or with the terms and conditions of this Prospectus, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Our Company and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.
10. Our Company and the Vendors reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefore, and we will not entertain any enquiry and/or correspondence on our decision. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation, our Company and the Vendors will give due consideration to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application received and is not an acknowledgement by our Company or the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

12. In the event of an under-subscription for the Offer Shares as at the close of the Application List, we and the Vendors will make available that number of Offer Shares not subscribed for and/or purchased to satisfy excess applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for the Placement Shares (including the Reserved Shares) as at the close of the Application List, we and the Vendors will make available that number of Placement Shares not subscribed for and/or purchased to satisfy excess applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List. Any Reserved Shares not taken up will be made available first to satisfy applications for the Placement Shares and then to satisfy applications for the Offer Shares to the extent that there is an over-subscription for Offer Shares at the close of the Application List.

In the event of an over-subscription for Offer Shares and/or Placement Shares as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Directors and approved by the SGX-ST.

In all of the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided upon by our Company and the Vendors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as is practicable, via an announcement through the SGX-ST and through a paid advertisement in a local newspaper.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent and any other parties so authorised as the foregoing persons.
14. Any reference to the “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Offer Shares Application Form, an ATM Application or an IB Application, or an individual, a corporation, an approved nominee and trustee applying for the Placement Shares through the Placement Agent by way of a Placement Shares Application Form, or an individual, a corporation, an approved nominee and trustee applying for the Reserved Shares by way of a Reserved Shares Application Form.
15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” on the IB website screen in accordance with the provisions of this Prospectus, you:-
  - (a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of this Prospectus and on the terms of the conditions set out in this Prospectus and the Memorandum of Association and Bye-laws of our Company; and
  - (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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- (c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company and the Vendors forthwith;
  - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, provided in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendors in determining whether to accept your application and/or whether to allot and/or allocate any Invitation Shares to you; and
  - (e) agree and warrant that if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendors being satisfied that:-
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares (including the Vendor Shares), the New Shares and the Option Shares on a “when issued” basis on the SGX-ST;
  - (b) the Management and Underwriting Agreement and the Placement Agreement referred to in the section “Management, Underwriting and Placement Arrangements” of this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company and the Vendors may determine; and
  - (c) the Authority has not served a stop order which directs that no further shares to which this Prospectus relates be allotted and/or allocated.
17. Our Company and the Vendors will not hold any applications in reserve.
18. Our Company and the Vendors will not allot or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
19. Additional terms and conditions for applications by way of printed Application Forms are set out on pages A-4 to A-7 of this Prospectus.
20. Additional terms and conditions for applications by way of Electronic Applications are set out on pages A-7 to A-12 of this Prospectus.

### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of Application Forms made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out in Annex A- “Terms and Conditions and Procedures for Applications”, as well as the Memorandum of Association and Bye-laws of our Company.

1. Your application for the Offer Shares must be made using the **WHITE** Application Forms and **WHITE** official envelopes “A” and “B” accompanying and forming part of this Prospectus.

Your application for the Placement Shares (other than the Reserved Shares) must be made using the **BLUE** Application Forms accompanying and forming part of this Prospectus.

Your application for the Reserved Shares must be made using the **PINK** Application Forms accompanying and forming part of this Prospectus.

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendors reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading **“FOR OFFICIAL USE ONLY”** must be completed and the words **“NOT APPLICABLE”** or **“N.A.”** should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are a non-individual completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your memorandum and articles of association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your memorandum and articles of association or equivalent constitutive documents must be lodged with our Share Registrar and Share Transfer Office. We and the Vendors reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign Page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual and corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted), will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT OR CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "QIAN FENG SHARE ISSUE ACCOUNT" crossed "A/C PAYEE ONLY", and with the name and address of the applicant written clearly on the reverse side. APPLICATIONS NOT ACCOMPANIED BY ANY PAYMENT OR ACCOMPANIED BY ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. Remittances bearing the "Not Transferable" or "Non Transferable" crossings will be rejected. No acknowledgement of receipt will be issued by us or the Issue Manager for applications and application monies received.



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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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8. Unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of the balloting after the close of the Application List at your own risk. Where your application is accepted in part only, the full amount or the balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk in the shortest possible time.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form in accordance with the provisions of this Prospectus, you agree that:
  - (a) in consideration of us having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 25 August 2008** or such other time or date as our Directors may, in consultation with the Issue Manager, decide and by completing and delivering the Application Form, you agree that:
    - (i) your application is irrevocable; and
    - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
  - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on our behalf;
  - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
  - (e) in making your application, reliance is placed solely on the information contained in this Prospectus and none on our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or any other person involved in the Invitation, shall have any liability for any information not so contained.

### Applications for Offer Shares

1. Your applications for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
  - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your remittance in the **WHITE** envelope "A" provided;
  - (b) in the appropriate spaces on **WHITE** envelope "A":
    - (i) write your name and address;
    - (ii) state the number of Offer Shares applied for;
    - (iii) tick the relevant box to indicate the form of payment; and

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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- (iv) affix adequate Singapore postage;
  - (c) seal **WHITE** envelope "A";
  - (d) write, in the appropriate box provided on the larger **WHITE** envelope "B" addressed to **QIAN FENG FABRIC TECH LIMITED C/O BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD., 3 CHURCH STREET, #08-01 SAMSUNG HUB, SINGAPORE 049483**, the number of Offer Shares you have applied for; and insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at your own risk to **QIAN FENG FABRIC TECH LIMITED C/O BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD., 3 CHURCH STREET, #08-01 SAMSUNG HUB, SINGAPORE 049483**, to arrive by **12.00 noon on 25 August 2008 or such other time as our Company and the Vendors may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

### Applications for Placement Shares (other than Reserved Shares)

1. Your application for Placement Shares (other than Reserved Shares) **MUST** be made using the **BLUE** Placement Shares Application Forms.
2. The completed and signed **BLUE** Placement Shares Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, for the full amount payable in respect of the Placement Shares applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **QIAN FENG FABRIC TECH LIMITED C/O BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD., 3 CHURCH STREET, #08-01 SAMSUNG HUB, SINGAPORE 049483**, to arrive by **12.00 noon on 25 August 2008 or such other time as our Company and the Vendors may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used. ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

### Application for Reserved Shares

1. Applications for Reserved Shares **MUST** be made using the **PINK** Reserved Shares Application Forms.
2. The complete **PINK** Reserved Shares Application Form and your remittance with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at the applicant's own risk to **QIAN FENG FABRIC TECH LIMITED C/O BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD., 3 CHURCH STREET, #08-01 SAMSUNG HUB, SINGAPORE 049483**, to arrive by **12:00 noon on 25 August 2008 or such later date and time as our Company and the Vendors may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used. ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible and incorrectly completed or accompanied by improperly drawn remittance are liable to be rejected.

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## **ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS**

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### **ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS**

The procedures for Electronic Applications at ATMs are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of IB Applications) of the relevant Participating Banks.

Currently, DBS Bank and the UOB group are the only Participating Banks through which an IB Application can be made on the respective IB websites of DBS and the UOB Group.

For illustration purposes, the procedures for Electronic Applications through the ATMs and the IB website of DBS are set out respectively in the “Steps for An Electronic Application for Offer Shares through ATMs of DBS Bank (including POSBank)” and the “Steps for Applications for Offer Shares through the IB website of DBS Bank” (collectively the “Steps”) appearing on pages A-12 to A-14. The Steps set out the actions that you must take at an ATM or the IB website of DBS Bank to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

Any reference to “you” in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for the Offer Shares through an ATM or the IB website of a relevant Participating Bank.

To make an ATM Application:-

- (a) You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for the Offer Shares at an ATM belonging to other Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your ATM Electronic Application. The Transaction Record is for your retention and should not be submitted with any Application Form.
- (b) You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

To make an IB Application, you must have an existing bank account with and an IB User Identification (“User ID”) and a Personal Identification Number/Password (“PIN”) given by the relevant Participating Bank. Upon completion of your IB Application, there will be an on-screen confirmation (“Confirmation Screen”) of the application which can be printed out by you for your record. This printed record of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.

Further, you must ensure, when making an IB Application that:-

- (a) **you are currently in Singapore at the time of making such application;**
- (b) **your mailing address is in Singapore;**
- (c) **you are not a US person <sup>(1)</sup> (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended from time to time),**

**and you will be asked to declare the above accordingly. Otherwise, your application is liable to be rejected.**

**Note:-**

- (1) For details, please refer to the definition of “US person” on the IB Website.

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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Your Electronic Application shall be made on terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out in Annex A-“Terms and Conditions and Procedures for Applications” as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for the Invitation Shares, you are required to confirm statements to the following effect in the course of activating the Electronic Application:
  - (a) **that you have received a copy of this Prospectus and have read, understood and agreed to all the terms and conditions of application for the Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
  - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount (the “Relevant Particulars”) from your account with that Participating Bank to the Share Registrar, CDP, SCCS, our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent (the “Relevant Parties”); and**
  - (c) **that this is your only application and it is made in your own name and at your own risk.**

Your Electronic Application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless you press the “Enter” or “OK” or “Confirm” or “Yes” key. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR THE INVITATION SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

**YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR INVITATION SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR THE INVITATION SHARES, WHETHER AT THE ATM OR THE IB WEBSITES OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR THE INVITATION SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR THE OFFER SHARES AND VICE VERSA.**

3. For an Electronic Application, you must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application or IB Application which does not conform strictly to the instructions set out on the screens of the ATM or IB website through which your Electronic Application is being made shall be rejected.**
4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Invitation Shares applied for as stated on the Transaction Record, Confirmation Screen or Provisional Allocation Screen. You also irrevocably agree and undertake to subscribe for and/or purchase, and to accept any lesser number of Invitation Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that we and the Vendors decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final.

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If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM or clicking “Confirm” or “OK” on the IB website screen) of the number of Invitation Shares applied for shall signify and shall be treated as your acceptance of the number of Invitation Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum of Association and Bye-laws of our Company.

5. **Our Company and the Vendors will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours after balloting. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank, at your own risk, within 14 Market Days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated share issue account.

Responsibility for timely refund of application monies arising from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Invitation Shares allotted and/or allocated to you before trading the Invitation Shares on the SGX-ST. Neither the SGX-ST, CDP, SCCS, the Participating Banks, our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or ourselves assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is made through the ATMs of DBS Bank, OCBC, or the UOB Group and is unsuccessful, no notification will be sent by such Participating Bank.

If your Electronic Application made through the IB Website of DBS Bank or UOB Group is unsuccessful, no notification will be sent by such Participating Bank.

If you make Electronic Applications through the following Participating Banks, you may check the provisional results of your Electronic Applications as follows :-

Bank	Telephone	Available at ATM / Internet	Operating Hours	Service Expected from
DBS Bank	1 800 339 6666 (for POSB Account holders)  1 800 111 1111 (for DBS Account holders)	Internet Banking or Internet Kiosk  <a href="http://www.dbs.com">http://www.dbs.com</a> <sup>(1)</sup>	24 hours a day	Evening of the balloting day
UOB Group	1 800 222 2121	ATM (Other Transactions – “IPO Enquiry”) <sup>(1)</sup>  <a href="http://www.uobgroup.com">http://www.uobgroup.com</a> <sup>(1)(2)</sup>	ATM / Phone Banking – 24 hours a day  Internet Banking 24 hours a day	Evening of the balloting day  Evening of the balloting day
OCBC	1 800 363 3333	ATM / Internet banking / Phone Banking <a href="http://www.ocbc.com">www.ocbc.com</a> <sup>(3)</sup>	24 hours a day	Evening of the balloting day

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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### Notes :-

- (1) If you have made your Internet Electronic Applications through the IB website of DBS Bank or UOB Group, you may check the results through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS Bank or UOB Group.
- (2) If you have made your Electronic Application through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB PhoneBanking Services.
- (3) If you have made your Electronic Application through the ATMs of OCBC, you may check the results of your application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking Services.

7. **Electronic Applications shall close at 12.00 noon on 25 August 2008 or such other time as our Company and the Vendors may, in consultation with the Issue Manager, decide.**
8. You are deemed to have requested and authorised us to:
  - (a) register the Offer Shares or Placement Shares, as the case may be, allotted and/or allocated to you in the name of CDP for deposit into your Securities Account as entered by you;
  - (b) send the relevant Share certificate(s) to CDP;
  - (c) (for Electronic Applications) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of the balloting after the close of the Application List; and
  - (d) (for Electronic Applications) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant within amount the shortest possible time after the close of the Application List.
9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks and if, in any such event, our Company, the Vendors, the Issue Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendors, the Issue Manager and/or the relevant Participating Bank for the Invitation Shares applied for or for any compensation, loss or damage.
10. We and the Vendors do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. We will reject any application by any person acting as nominee.
11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.



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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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13. By making and completing an Electronic Application, you are deemed to have agreed that:
- (a) in consideration of us making available the Electronic Application facility, through the Participating Banks, acting as our agents, at the ATMs and the IB websites:-
    - (i) your Electronic Application is irrevocable; and
    - (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (b) none of our Company, the Vendors, the Issue Manager, Underwriter, Placement Agent, the Participating Banks or CDP shall be liable for any delay, failure or inaccuracy in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
  - (c) in respect of the Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on our behalf and not otherwise, notwithstanding any payment received by or on our behalf;
  - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
  - (e) reliance is placed solely on information contained in this Prospectus and that none of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained.

### **Steps For An Electronic Application for Offer Shares through ATMs of DBS Bank (including POSBank)**

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank or POSBank ATM are shown below. Certain words appearing on the screen are in abbreviated form ("A/C", "amt", "appln", "&", "I/C", "Max", "No." and "SGX" refer to "Account", "amount", "application", "and", "NRIC", "Maximum", "Number" and "SGX-ST" respectively. Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB)), may differ slightly from those represented below.

- Step 1 : Insert your personal DBS or POSBank ATM Card
- 2 : Enter your personal Identification Number
- 3 : Select "CASHCARD & MORE SERVICES"
- 4 : Select "ESA-IPO SHARE/INVESTMENTS"
- 5 : Select "ELECTRONIC SECURITY APPLN (IPOs/BONDS/ST-NOTES/SECURITIES)"

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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- 6 : Read and understand the following statements which will appear on the screen:-

THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.

ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.

Press the "ENTER" key to confirm that you have read and understood.

- 7 : Select "QIANFENG" to display details.

- 8 : Press the "ENTER" key to acknowledge:-

**You have read, understood and agreed to all terms of the application and Prospectus/Document or Profile Statement, and if applicable, the Replacement or Supplementary Prospectus/Document or Profile Statement.**

**You consent to disclose your name, NRIC/Passport No., Address, Nationality, CDP Securities Appln amount from your bank A/C(s) to share registrars, SGX, SCCS, CDP, CPF and the Issuer(s).**

**For FIXED and MAX price securities application, this is your only application and it is made in your own name and at your own risk.**

**The maximum price for each share is payable in full on application and subject to refund if the final price is lower.**

**For TENDER price securities application, this is your only application at the selected TENDER price and it is made in your own name and at your own risk.**

**You are not a US person as referred to in the Prospectus/Document or Profile Statement and if applicable, the Replacement or Supplementary Prospectus/Document or Profile Statement**

- 9 : Select your nationality.

- 10 : Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSB account (current/savings) from which to debit your application .

- 11 : Enter the number of securities you wish to apply for using cash.

- 12 : Enter your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in DBS Bank's records).

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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- 13 : Check the details of your share application, your NRIC or passport number and CDP Securities Account number and number of securities on the screen and press the “ENTER” key to confirm your application.
- 14 : Remove the Transaction Record for your reference and retention only.

### Steps for Internet Electronic Applications for Offer Shares through the IB website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website is shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “amt”, “&”, “I/C”, “SGX” and “No.” refer to “Account”, “amount”, “and”, “NRIC”, “SGX-ST” and “Number” respectively).

- Step 1 : Click on to DBS Bank website (www.dbs.com)
- 2 : Login to Internet Banking
- 3 : Enter your User ID and PIN
- 4 : Select “Electronic Security Application (ESA)”
- 5 : Click “Yes” to proceed and to warrant, *inter alia*, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore and that you are not a U.S. person (as such term is defined in Regulation S under the United States Securities Act of 1933, amended)
- 6 : Select your country of residence
- 7 : Click on “QIANFENG” and click the “Submit” button
- 8 : Click “Confirm” to confirm:-
- (a) **You have read, understood and agreed to all terms of this application and the Prospectus/Document or Profile Statement and if applicable, the Supplemental or Replacement Prospectus/Document or Profile Statement.**
  - (b) **You consent to disclose your name, I/C or Passport No., address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable) and securities application amount from your DBS/POSB Account(S) to registrars of securities, SGX, SCCS, CDP, CPF board and issuer/vendor(s).**
  - (c) **You are not a US Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).**
  - (d) **You understand that the securities mentioned herein have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the “U.S. Securities Act”) or the securities laws of any State of the United States and may not be offered or sold in the United States or to, or for the account or benefit of any “U.S. person” (as defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from or in a transaction subject to, the registration requirements of the U.S. Securities Act and applicable state security laws. There will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of the United States securities laws.**
  - (e) **This application is made in your name and at your own risk.**

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## ANNEX A: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

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- (f) For FIXED/MAX price securities application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price.
- (g) FOR FOREIGN CURRENCY Securities, subject to the terms of the issue, please note the following: the application monies will be debited from your bank account in S\$, based on the Bank's prevailing board rates at time of application. Any refund monies will be credited in S\$ based on the Bank's prevailing board rates at the time of refund. The different prevailing board rates at the time of application and the time of refund of application monies may result in either a foreign exchange profit or loss or application monies may be debited and refunds credited in S\$ at the same exchange rate.

**FOR 1ST-COME-1ST-SERVE securities, the number of securities applied for may be reduced, subject to availability at the point of application.**

- 9 : Fill in details in share application and click "Submit".
- 10 : Check the details of your share application, your NRIC or passport number and click "OK" to confirm your application.
- 11 : Print Confirmation Screen (optional) for your reference and retention only.

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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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Our Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. We have been designated by the Bermuda Monetary Authority as non-resident for Bermuda exchange control purposes. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

### **(a) Share capital**

The Companies Act 1981 of Bermuda (the “Bermuda Companies Act”) provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares must be transferred to an account, to be called the “share premium account”, to which the provisions of the Bermuda Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Bermuda Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Bermuda Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws of a company authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required. The holders of not less in the aggregate than ten per cent. (10%) of the issued shares of that class may apply to a Bermuda court to have the variation cancelled and, where such application is made, the variation shall not have effect unless and until it is confirmed by the court. Where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the rights attached to any class of shares may, unless otherwise provided by the terms of issue of that class, may be varied with the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid.

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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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### **(b) Membership**

Under the Bermuda Companies Act, only those persons who agree to become members of a Bermuda company and whose names are entered on the register of members of such a company are considered members. A Bermuda company is also not bound to see to the execution of any trust, whether express, implied or constructive, to which any of its shares are subject and whether or not the company had notice of such trust. Accordingly, persons holding shares through a trustee, nominee or depository will not be recognised as members of a Bermuda company under Bermuda law and may only have the benefit of rights attaching to the shares or remedies conferred by law on members through or with the assistance of the trustee, nominee or depository.

### **(c) Financial assistance to purchase shares of a company or its holding company**

A company is prohibited from providing financial assistance directly or indirectly for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition against giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose of the company or the assistance is of an insignificant amount such as the payment of minor costs. In addition, the Bermuda Companies Act expressly permits the grant of financial assistance where (i) the financial assistance does not reduce the company's net assets or, to the extent the net assets are reduced, such financial assistance is provided for out of funds of the company which would otherwise be available for dividend or distribution; (ii) an affidavit of solvency is sworn by the directors of the company; and (iii) the financial assistance is approved by resolution of shareholders of the company.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Shares repurchased may be cancelled or held as treasury shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled (in which event, the company's issued, but not its authorised, capital will be diminished accordingly) or may be held as treasury shares. Under the laws of Bermuda, if a company holds shares as treasury shares, the company shall be entered in the register of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares and no dividend or other distribution (whether in cash or otherwise) shall be paid or made to the company in respect of such shares.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.



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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Bermuda Companies Act. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its memorandum of association or byelaws pursuant to Section 42A of the Bermuda Companies Act.

### **(e) Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of Section 54 of the Bermuda Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

### **(f) Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than what was actually used to approve that act.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the Bermuda court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the Bermuda court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of loss or damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

The Bermuda Companies Act also provides that the Minister of Finance of Bermuda may at any time appoint one or more inspectors to investigate the affairs of an exempted company and to report on them in such manner as the Minister may direct. The inspector shall, on the completion of his investigation, report to the Minister and shall send copies of such reports to the company. However, no other person shall be informed of the nature or contents of the report save at the

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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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request of the company or on the direction of the Minister. Upon receiving the inspector's report, the Minister may require the company to take such measures as he may consider necessary in relation to its affairs or direct the Registrar of Companies in Bermuda to petition the Bermuda court for the winding up of the company.

### **(g) Management**

The Bermuda Companies Act contains no specific restriction on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Bermuda Companies Act requires that every officer should comply with the Bermuda Companies Act, regulations passed pursuant to the Bermuda Companies Act and the bye-laws of the company.

The Bermuda Companies Act contains no specific provision in respect of the establishment or composition of audit committees or similar committees of the board of directors of a company.

### **(h) Accounting and auditing requirements**

The Bermuda Companies Act requires a company to cause proper records of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records must at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there must be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange (as defined in the Bermuda Companies Act), there must be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Bermuda Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period signed on the balance sheet page by two directors of the company. However, this requirement may be waived if all of the members and all of the directors, either in writing or at a general meeting, agree that in respect of a particular interval no financial statements or auditor's report thereon need be laid before a general meeting. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Bermuda Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor must identify the generally accepted auditing standards used. Subject to certain exceptions provided in the Bermuda Companies Act, the company must send to every member a copy of financial statements, prepared in accordance with generally accepted accounting principles and containing all such information and documents as required by the Bermuda Companies Act ("Financial Statements"), at least five days before the general meeting of the company at which the Financial Statements are to be tabled.

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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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A company listed on an appointed stock exchange may send to its members summarised financial statements derived from the Financial Statements for the relevant period instead of the Financial Statements. The summarised financial statements must include a summarised report of the Financial Statements and be accompanied by the auditor's report. The summarised financial statements must be sent to members not less than 21 days before the general meeting at which the Financial Statements are to be tabled, and a copy of the summarised financial statements must be made available for inspection by the public at the company's registered office in Bermuda. The company must also make a copy of the full Financial Statements available for inspection by the public at the company's registered office. Summarised financial statements must be accompanied by a notice informing members how they may elect to receive the company's Financial Statements.

### **(i) Auditors**

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the members and all of the directors, either in writing or at the general meeting, agree that no auditor shall be appointed to the close of the next annual general meeting.

A person, other than an incumbent auditor, is not capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than 21 days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the foregoing requirements.

An auditor appointed to replace another auditor must, before accepting the appointment or consenting to be appointed, seek from the former auditor a written statement as to the circumstances of the latter's replacement. If the former auditor does not respond within 15 days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the former auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned or been removed, or whose term of office has expired or is about to expire, or who has vacated office, is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

### **(j) Exchange control**

Exchange control is operated under the Exchange Control Act 1972 of Bermuda (and the regulations made thereunder) and is administered by the Bermuda Monetary Authority. Generally, any payment by a person resident in Bermuda to or for the credit of a person resident outside Bermuda will require prior approval from the Bermuda Monetary Authority.

Exempted companies are normally designated non-resident for exchange control purposes and are able to conduct their day-to-day operations free of exchange control formalities. Such companies are able to pay dividends, distribute capital, open and maintain bank accounts in any foreign currency and to acquire assets and meet all liabilities without reference to the Bermuda Monetary Authority.

Issues and transfers of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the Bermuda Monetary Authority. However, the Bermuda Monetary Authority has granted to all Bermuda companies with voting shares listed on an appointed stock exchange a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.

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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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### **(k) Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, or any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

### **(l) Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

### **(m) Loans to directors**

Bermuda law prohibits a company from (i) making loans to any of its directors (or any directors of its holding company) or to their spouse or children or to companies (other than a company which is a holding company or a subsidiary of the company making the loan) in which they own or control directly or indirectly more than a twenty per cent. (20%) interest, or (ii) entering into any guarantee or providing any security in connection with a loan made to such persons as aforesaid by any other person, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan, guarantee or security is made or given on condition that it will be repaid or discharged, as the case may be, within six months from the conclusion of the next following annual general meeting if the loan, guarantee or security is not approved at or before such meeting. If the approval of the company is not given for the loan, guarantee or security as aforesaid, the directors who authorised it will be jointly and severally liable to indemnify the company for any loss arising therefrom.

### **(n) Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two hours during business hours each day.

Except when the register of members is closed under the provisions of the Bermuda Companies Act, the register of members of a company shall during business hours (subject to such reasonable restrictions as the company may impose so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the general public without charge. A company may on giving notice by advertisement in an appointed newspaper close the register of members for any time or times not exceeding in the whole thirty days in a year. A company is required to maintain its register of members in Bermuda but may, subject to the provisions of the Bermuda Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of

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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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members of the company in Bermuda. Any member of the public may require a copy of the register of members or any part thereof which must be provided within 14 days of a request on payment of the appropriate fee prescribed in the Bermuda Companies Act. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office in Bermuda and such register must during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge. Any member of the public may require a copy of the register of directors and officers, or any part of it, on payment of the appropriate fee prescribed in the Bermuda Companies Act.

Where a company, the shares of which are listed on a appointed stock exchange, sends its summarised financial statements its members pursuant to Section 87A of the Bermuda Companies Act, a copy of the full financial statements (as well as the summarised financial statements) must be made available for inspection by the public at the company's registered office in Bermuda.

### **(o) Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributories. The Bermuda court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Bermuda Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full in the period stated in the directors' declaration of solvency, he is obliged to summon a meeting of creditors and lay before the meeting a statement of the assets and liabilities of the company.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned for the day, or the next day following the day, on which the meeting of the members at which the resolution for voluntary winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

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## **ANNEX B: SUMMARY OF BERMUDA COMPANY LAW**

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The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors and the members nominate different persons, the person nominated by the creditors shall be the liquidator. If no person is nominated by the creditors, the person (if any) nominated by the company shall be liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year and must lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purpose of laying the account before such meetings and giving an explanation thereof. This meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

Within one week after the date of the meetings, or if the meetings are not held on the same date, after the date of the later meeting, the liquidator is required to send to the Registrar of Companies in Bermuda a copy of the account and make a return in accordance with the Bermuda Companies Act. The company will be deemed to be dissolved on the expiration of three months from the registration by the Registrar of Companies in Bermuda of the account and the return. However, a Bermuda court may, on the application of the liquidator or of some other person who appears to the court to be interested, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court thinks fit.



## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

The following table sets out a summary of certain differences between the provisions of the laws of Bermuda applicable to our Company (including the Companies Act 1981 of Bermuda (the “Act”) and Bye-laws of the Company) (“Bermuda Company Law”) and the laws applicable to Singapore companies (“Singapore Company Law”) (including the Companies Act (Chapter 50) of Singapore) (the “Singapore Companies Act”) and their shareholders. The summaries below are not to be regarded as advice on Bermuda Company Law or the differences between it and the laws of any jurisdiction, including, without limitation, Singapore Company Law. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by Bermuda Company Law as compared to Singapore Company Law that may be relevant to prospective investors. In addition, it should also be noted that the laws applicable to Singapore companies and Bermuda exempted companies may change, whether as a result of proposed legislative reforms to Singapore Company Law or Bermuda Company Law, as the case may be, or otherwise. In addition, the summaries below do not describe the regulations and requirements prescribed by the Listing Manual of the SGX-ST.

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<b>DIRECTORS’ POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED; CONFLICTS OF INTEREST AND OTHER TRANSACTIONS WITH DIRECTORS</b>	
<i>Directors’ Disclosure of Interest in Contracts with the Issuer</i>	
<p>Every director of a company who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with the company shall, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of the directors of the company.</p> <p>Every director of a company who holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as director shall declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict.</p> <p>An interest of a member of a director’s family shall be treated as an interest of the director and the words “member of a director’s family” shall include his spouse, sons, adopted son, step-son, daughter, adopted daughter and step-daughter</p>	<p>Section 97(4) of the Act: Without in any way limiting the generality of subsection (1) an officer of a company shall be deemed not to be acting honestly and in good faith if:-</p> <p>(a) -</p> <p>(b) he fails to disclose at the first opportunity at a meeting of directors or by writing to the directors:-</p> <p style="padding-left: 40px;">(i) his interest in any material contract or proposed material contract with the company or any of its subsidiaries;</p> <p style="padding-left: 40px;">(ii) his material interest in any person that is a party to a material contract or proposed material contract with the company or any of its subsidiaries.</p> <p>Bye-law 101: A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Bye-law, a general Notice to the Board by a Director to the effect that:-</p> <p>(a) he is a member or officer of a specified company or firm and is to be regarded as</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>interested in any contract or arrangement which may after the date of the Notice be made with that company or firm; or</p> <p>(b) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him;</p> <p>shall be deemed to be a sufficient declaration of interest under this Bye-law in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.</p>
<i>Interested Director Not to Participate or Vote in Board's Proceedings</i>	
No such provisions.	<p>Not provided in the Act.</p> <p>Bye-law 102(1): A Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest.</p>
<i>Director's Fiduciary Duties and Conflicts of Interest</i>	
<p>Every director by virtue of his office occupies a fiduciary position with respect to the company. The fiduciary relationship is similar to that of a principal and agent relationship. This relationship arises from the fact that a company being an artificial person can only act through the agency of natural persons. Such being the case, a company can only act through agents, i.e., its individual directors and its board of directors, and it is the duty of the "agents" to act in the best interest of the company. Accordingly, a director is not permitted to place himself in a situation where his interests conflict with his duty. Duties are imposed upon any person who becomes a director of a company and breaches of these duties may lead to criminal or civil liabilities. Such duties are governed by statute and common law. Such duties include (without limitation) duties of care and skill and duties to act in good faith in the best interest of the company, as well as the statutory duty under the Singapore Companies Act to act honestly and to use reasonable diligence in the discharge of the duties of his office at all times.</p>	<p>Section 97(1) of the Act: Every officer of a company in exercising his powers and discharging his duties shall:-</p> <p>(a) act honestly and in good faith with a view to the best interests of the company; and</p> <p>(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<i>Related Party Transactions</i>	Not provided for in the Act.
The Singapore Companies Act does not impose compliance requirements relating to transactions with interested persons, which include directors of the issuer. The compliance requirements imposed on a company listed on the SGX-ST under the Listing Manual of the SGX-ST, insofar as transactions with interested persons are concerned, apply to that company regardless of whether such company is incorporated in Singapore or elsewhere.	
<i>Loans to Directors</i>	
<p>A company (other than an exempt private company) is prohibited from making a loan to a director of the company or a director of a related company (and to the spouse or natural, step or adopted children of any such director), and from giving a guarantee or providing any security in connection with such a loan, except in the following circumstances:-</p> <p>(a) (subject to, <i>inter alia</i>, the approval of the company in a general meeting) the provision of funds to such a director to meet expenditure incurred or to be incurred for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(b) (subject to, <i>inter alia</i>, the approval of the company in a general meeting) a loan to a director in full time employment of the company or a related company for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director; however, not more than one such loan may be outstanding from the director at any one time;</p> <p>(c) any loan to a director in full time employment of the company or a related company pursuant to an employee loan scheme approved in a general meeting, provided the loan is in accordance with that scheme; and</p>	<p>Section 96(1) to (5) of the Act:</p> <p>(1) Without the consent of any member or members holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any meeting of the members of the company it shall not be lawful for a company to make a loan to any person who is its director or a director of its holding company, or to enter into any guarantee or provide any security in connection with a loan made to such person as aforesaid by any other person:</p> <p>Provided that nothing in this section shall apply:-</p> <p>(a) subject to the next following subsection, to anything done to provide any such person as aforesaid with funds to meet expenditure incurred or to be incurred by him for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business; or</p> <p>(c) to any advance of moneys by a company to an officer or auditor under section 98(2)(c) of the Act.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>(d) a loan made in the ordinary course of business by a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Monetary Authority of Singapore ("MAS").</p> <p>For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company.</p> <p>A company (the "first mentioned company") (other than an exempt private company) is also prohibited from making loans to connected persons or entering into any guarantee or providing any security in connection with a loan made to connected persons by a third-party. Connected persons of the first mentioned company include companies in which the director(s) (and his spouse or natural, step or adopted children) of the first mentioned company, individually or collectively, have an interest in 20% or more of the total number of equity shares in the other company (excluding treasury shares) (as determined in accordance with the Singapore Companies Act). This prohibition does not apply to:-</p> <p>(a) anything done by a company where the other company is its subsidiary, holding company or a subsidiary of its holding company; or</p> <p>(b) a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS.</p>	<p>(2) Proviso (a) to the foregoing subsection shall not authorise the making of any loan, or the entering into any guarantee, or the provision of any security, except either:-</p> <p>(a) with the prior approval of the company given at a general meeting at which the purposes of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed; or</p> <p>(b) on condition that, if the approval of the company is not given as aforesaid at or before the next following annual general meeting, the loan shall be repaid or the liability under the guarantee or security shall be discharged, as the case may be, within six months from the conclusion of that meeting.</p> <p>(3) Where the approval of the company is not given as required by any such condition, the directors authorizing the making of the loan, or the entering into the guarantee, or the provision of the security, shall be jointly and severally liable to indemnify the company against any loss arising therefrom.</p> <p>(4) A loan shall be deemed to be a loan to a director if it is made to:-</p> <p>(a) the spouse or children of a director; or</p> <p>(b) to a company (other than a company which is a holding company or a subsidiary of the company making the loan) which a director, his spouse or children own or control directly or indirectly more than twenty per cent of the capital or loan debt.</p> <p>(5) For the purposes of this section a loan shall not be deemed to have been made in the ordinary course of business of a company if it has not been made on normal commercial terms in respect of interest rates, repayment terms and security.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<b>DIRECTORS' POWER TO VOTE ON REMUNERATION (INCLUDING PENSION OR OTHER BENEFITS) FOR HIMSELF OR FOR ANY OTHER DIRECTOR; AND WHETHER THE QUORUM AT A MEETING OF THE BOARD OF DIRECTORS MAY INCLUDE THE DIRECTOR WHOSE REMUNERATION IS THE SUBJECT OF THE VOTE</b>	
<i>Remuneration of Directors</i>	
<p>A company shall not provide emoluments or improve emoluments for a director in respect of his office unless the provision has been approved by a resolution that is not related to other matters, and any resolution passed in breach of this provision is void.</p> <p>For this purpose, the term “emoluments” in relation to a director includes fees and percentages, expenses allowance in so far as those sums are charged to income tax in Singapore, contributions paid under a pension scheme, and any benefits received otherwise than in cash in respect of his services as a director.</p> <p>Generally, it is not lawful for a company to make any payment to a director by way of compensation for loss of office as an officer of the company or of a subsidiary of the company or as consideration for or in connection with his retirement from any such office unless particulars with respect to the proposed payment have been disclosed to and approved by shareholders of the company. Any unlawful payment shall be deemed to have been received by the director on trust for the company.</p>	<p>Not provided for in the Act.</p> <p>Bye-law 95: The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.</p> <p>Bye-law 96: Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.</p> <p>Bye-law 97(1) &amp; (2):</p> <p>(1) Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.</p>

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**ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA  
COMPANY LAW**

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>(2) The remuneration (including any remuneration under Bye-law 97(1) above) in the case of a Director other than an executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.</p> <p>Bye-law 98: The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).</p> <p>Bye-law 90: Notwithstanding Bye-laws 95, 96, 97 and 98, an executive director appointed to an office under Bye-law 89 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.</p>
<b>BORROWING POWERS EXERCISABLE BY DIRECTORS AND HOW SUCH POWERS MAY BE VARIED</b>	
<p>No such provisions save that the business of a company shall be managed by or under the direction of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the memorandum and articles of the company require the company to exercise in general meeting.</p>	<p>Not provided for in the Act.</p> <p>Bye-law 109: The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.</p>



## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<b>QUALIFICATION, APPOINTMENT AND RETIREMENT OR NON-RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT</b>	
<p>Every company must have at least one director who is ordinarily resident in Singapore. Where the company has only one member, that sole director may also be the sole member of the company.</p> <p>No person other than a natural person of full age and capacity can be a director of a company.</p> <p>In the case of a public company, the appointment of directors at a general meeting must generally be voted on individually. This provision does not apply to election of two or more directors by ballot or poll.</p> <p>In addition, notwithstanding anything in the memorandum or articles of association, no person of or over the age of 70 years shall be appointed as a director of a public company or of a subsidiary of a public company, unless he has been appointed, re-appointed or authorised to continue in office as a director by an ordinary resolution passed at an annual general meeting of the company until the next annual general meeting of the company. The office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of 70 years.</p> <p>Subject to the provisions of the Singapore Companies Act, the articles of association of a company may also empower the board of directors to appoint any director to fill a casual vacancy or as an additional director.</p>	<p>Section 91(1) of the Act: The affairs of the company shall be managed by not less than two directors who shall be individuals elected in the first place at the statutory meeting and thereafter at each annual general meeting of the company or elected or appointed by the members in such other manner and for such term as may be provided in the bye-laws.</p> <p>Section 91(1A) of the Act: A maximum number of directors may be determined by the members at a general meeting of the company or in such other manner as may be provided in the bye-laws.</p> <p>Section 91(2) of the Act: Where a maximum number of directors has been determined in accordance with subsection (1A), a general meeting of a company may authorise the directors of the company to elect or appoint on their behalf an individual or individuals to act as additional directors up to such maximum.</p> <p>Section 91(3) of the Act: So long as a quorum of directors remains in office, unless the bye-laws of a company otherwise provide, any vacancy occurring in the board of directors may be filled by such directors as remain in office. If no quorum of directors remains the vacancy shall be filled by a general meeting of members.</p> <p>Section 130(1) of the Act: Subject to subsection (2), every exempted company shall:-</p> <ol style="list-style-type: none"> <li>(a) have a minimum of two directors, other than alternate directors, ordinarily resident in Bermuda; or</li> <li>(b) have a secretary who is ordinarily resident in Bermuda and a director, other than an alternate director, who is ordinarily resident in Bermuda; or</li> <li>(c) have a secretary who is ordinarily resident in Bermuda and a resident representative; or</li> <li>(d) in the case of a company the shares of which are listed on an appointed stock exchange, have a resident representative.</li> </ol>

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**ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA  
COMPANY LAW**

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Bye-law 85:</p> <p>(1) The Company may from time to time by ordinary resolution, determine the maximum number of directors and increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2). All Directors shall be natural persons. The Directors shall be elected or appointed in the first place at the statutory meeting of Members and thereafter the Company may by ordinary resolution appoint any person to be a Director either as an additional Director or to fill a casual vacancy.</p> <p>(2) The Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or, where a maximum number of Directors has been determined by the Members and the Members have authorised the Board to appoint additional Directors, as an additional Director.</p> <p>(3) Neither a Director nor an alternate Director shall be required to hold any shares of the Company by way of qualification and a Director or alternate Director (as the case may be) who is not a Member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.</p> <p>(4) Subject to any provision to the contrary in these Bye-laws the Members may, at any general meeting convened and held in accordance with these Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>(5) A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (4) above may be filled by the election or appointment by the Members at the meeting at which such Director is removed or, in the absence of such election or appointment, such general meeting may authorise the Board to appoint a Director to fill any vacancy in the number left unfilled.</p> <p>(6) Any Director appointed by the Board shall retire at the next annual general meeting of the Company and shall then be eligible for reelection at that meeting.</p> <p>Bye-law 86(1): Each Director shall retire at least once every three (3) years.</p> <p>Bye-law 86(2): A retiring Director shall be eligible for re-election.</p>
<b>NUMBER OF SHARES, IF ANY, REQUIRED FOR THE QUALIFICATION OF DIRECTOR</b>	
<p>Every director, who is by the articles of association required to hold a specified share qualification and who is not already qualified, must obtain his qualification within two months after his appointment or such shorter period as is fixed by the articles of association. A director shall vacate his office if he has not within such period obtained such qualification or if after so obtaining it he ceases at any time to hold his qualification. Save as set out above, there is no specific provisions under the Singapore Companies Act which requires a director to hold a specified share qualification.</p>	<p>Not provided for in the Act.</p> <p>Bye-law 85(3): Neither a Director nor an alternate Director shall be required to hold any shares of the Company by way of qualification and a Director or alternate Director (as the case may be) who is not a Member shall be entitled to receive notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<b>DISQUALIFICATION, RESIGNATION AND REMOVAL OF DIRECTORS</b>	
<i>Disqualification of Directors</i>	
<p>A person may not act as a director of any corporation if he is an undischarged bankrupt unless he has the leave of the Singapore courts or the written permission of the Official Assignee to do so.</p> <p>A person may be disqualified from acting as a director of a company by the Singapore courts for a period not exceeding five years if (a) he is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or within three years of his ceasing to be a director) and was insolvent at that time and (b) his conduct as a director of that company either taken alone or taken together with his conduct as a director of any other company or companies makes him unfit to be a director of or in any way, whether directly or indirectly, be concerned in, or take part in, the management of a company.</p> <p>A person may, subject to certain exceptions, also be disqualified from acting as a director by the Singapore courts for a period of three years if he is a director of a company which is ordered to be wound up by the Singapore courts on the ground that it is being used for purposes against national security or interest.</p> <p>A person could also be disqualified on other grounds, such as conviction of any offence (whether in Singapore or elsewhere) involving fraud or dishonesty which is punishable with imprisonment for three months or more.</p>	<p>Section 94 of the Act:</p> <p>(1) If any person being an undischarged bankrupt in any country acts as director of, or directly or indirectly takes part in or is concerned in the management of, any company except with the leave of the Court, he shall be liable on conviction on indictment to imprisonment for a term of two years, or on summary conviction to imprisonment for a term of six months or to a fine of five hundred dollars or to both such imprisonment and fine.</p> <p>Provided that a person shall not be guilty of an offence under this section by reason that he, being an undischarged bankrupt, has acted as director of, or taken part or been concerned in the management of, a company, if he was on the appointed day acting as a director of that company or taking part or being concerned in its management.</p> <p>(2) The leave of the Court for the purposes of this section shall not be given unless notice of intention to apply therefor has been served on the Official Receiver, and it shall be the duty of the Official Receiver, if he is of opinion that it is contrary to the public interest that any such application should be granted, to attend on the hearing of and oppose the granting of the application.</p> <p>Section 95 of the Act:</p> <p>(1) Where any court convicts any person of an offence relating to the affairs of a company which, in the opinion of such court, involves dishonesty it may order that such person shall not directly or indirectly take part in or be concerned in the management of any company without leave of the Supreme Court.</p> <p>(2) Section 94(2) shall apply to any application for leave under subsection (1).</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>(3) The same right of appeal shall lie in respect of an order made under subsection (1) as it does from a sentence of imprisonment.</p> <p>(4) Any person who contravenes an order of a court made under subsection (1) shall be liable to the punishments set out in section 94(1).</p> <p>Bye-law 88: The office of a Director shall be vacated if the Director:-</p> <p>(1) resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board;</p> <p>(2) becomes of unsound mind or dies;</p> <p>(3) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated; or</p> <p>(4) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;</p> <p>(5) is prohibited by law from being a Director; or</p> <p>(6) ceases to be a Director by virtue of any provision of the Statutes or is removed from office pursuant to these Bye-laws.</p>
<i>Resignation of Directors</i>	
<p>A director of a company cannot resign or vacate his office unless there is remaining in the company at least one director who is ordinarily resident in Singapore, and any purported resignation or vacation of office in breach of this provision is deemed to be invalid.</p> <p>Subject to the provisions of the Singapore Companies Act, the articles of association of a company may provide that a director's resignation is effective by giving written notice to the company, unless the director's contract or the articles of association provide otherwise.</p>	<p>Not provided for in the Act.</p> <p>Bye-law 88(1): The office of a Director shall be vacated if the Director resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<i>Removal of Directors</i>	
<p>A director of a public company may be removed before the expiration of his period of office by an ordinary resolution (which requires special notice to be given in accordance with the provisions of the Singapore Companies Act) of the shareholders, notwithstanding anything in the memorandum or articles of association of that company or in any agreement between that company and the director, but where the director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove him shall not take effect until his successor has been appointed.</p> <p>Subject to the provisions of the Singapore Companies Act, the articles of association of a company may prescribe the manner in which a director may be removed from office before the expiration of his term of office.</p>	<p>Section 93 of the Act:</p> <p>(1) Subject to its bye-laws the members of a company may at a special general meeting called for that purpose remove a director:</p> <p style="padding-left: 40px;">Provided that notice of any such meeting shall be served on the director concerned not less than fourteen days before the meeting and he shall be entitled to be heard at such meeting:</p> <p style="padding-left: 40px;">Provided further that nothing in this section shall have effect to deprive any person of any compensation or damages which may be payable to him in respect of the termination of his appointment as a director or of any other appointment with the company.</p> <p>(2) A vacancy created by the removal of a director at a special general meeting may be filled at that meeting by the election of another director in his place or in the absence of any such election by the other directors.</p> <p>Bye-law 85(4): Subject to any provision to the contrary in these Bye-laws the Members may, at any general meeting convened and held in accordance with these Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director 14 days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.</p> <p>Bye-law 85(5): A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (4) above may be filled by the election or appointment by the Members at the meeting at which such Director is removed or, in</p>



## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	the absence of such election or appointment, such general meeting may authorise the Board to appoint a Director to fill any vacancy in the number left unfilled.
<b>RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHING TO EACH CLASS OF SHARES</b>	
<i>Notice of Meetings and Business to be Concluded Thereat</i>	
<p>Unless the articles of association provide for a longer period of notice, at least 14 days' notice of each meeting must be given to every member entitled to attend and speak at the meetings, and 21 days' notice for any meeting to pass a special resolution.</p> <p>An annual general meeting may be called at short notice with unanimous consent of all members entitled to attend and vote, and for any other meeting, with consent of a majority holding at least 95% in nominal value of the shares giving a right to attend and vote thereat.</p> <p>The method of service of notice is set out in the articles of association but in the event that the articles of association do not so provide, notice shall be served in the manner provided in Section 177(4) and in the Fourth Schedule of the Singapore Companies Act (i.e. sent personally or by post) and in the case of special business, the general nature of that business shall be given to such persons as are entitled to receive such notices from the company.</p> <p>All such notices must state member's right to appoint a proxy.</p>	<p>Section 75 of the Act:</p> <p>(1) Notwithstanding any provision in the bye-laws of a company at least five days notice shall be given of a meeting of a company, other than an adjourned meeting.</p> <p>(2) A meeting of a company shall, notwithstanding that it is called by shorter notice than that specified in subsection (1) be deemed to have been duly called if it is so agreed:-</p> <p>(a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and</p> <p>(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent in nominal value of the shares giving a right to attend and vote at the meeting, or, in the case of a company not having a share capital, together representing not less than ninety-five per cent of the total voting rights at that meeting of all the members.</p> <p>Bye-law 58:</p> <p>(1) At least 14 days' Notice of a general meeting shall be given to each Member entitled to attend and vote thereat. A general meeting at which the passing of a special resolution is to be considered shall be called by not less than 21 days' Notice. A general meeting, whether or not a special resolution will be considered at such meeting, may be called by shorter notice if it is so agreed:-</p>

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**ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA  
COMPANY LAW**

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and</p> <p>(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.</p> <p>(2) For so long as the shares of the Company are listed on the Designated Stock Exchange, 14 days' notice of any general meeting shall be given by advertisement in an English daily newspaper in circulation in Singapore and in writing to the Designated Stock Exchange.</p> <p>(3) The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the Notice shall specify the day, time and place of the meeting and, in case of special business, the general nature of the business. Any Notice of a general meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business. The Notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.</p> <p>(4) The Secretary may postpone any general meeting called in accordance with the provisions of these Bye-laws (other than a meeting requisitioned under these Bye-laws) provided that notice of postponement is given to each Member before the time for</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>such meeting. Fresh notice of the date, time and place for the postponed meeting shall be given to each Member in accordance with the provisions of these Bye-laws.</p> <p>Bye-law 59: The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.</p> <p>Bye-law 60(2): All business shall be deemed special that is transacted at a special general meeting, and also all business that is transacted at an annual general meeting, with the exception of declaring a dividend, the reading, considering and adopting of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet, the election of Directors and appointment of Auditors and other officers in the place of those retiring, the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors.</p>
<i>Resolutions requiring Special Notice</i>	
<p>Where by the Singapore Companies Act special notice is required of a resolution, the resolution shall not be effective unless notice of the intention to move it has been given to the company not less than 28 days before the meeting at which it is moved, and the company shall give its members notice of any such resolution at the same time and in the same manner as it gives notice of the meeting or, if that is not practicable, in any manner allowed by the articles of association not less than 14 days before the meeting, but if after notice of the intention to move such a resolution has been given to the company, a meeting is called for a date 28 days or less after the notice has been given, the notice, although not given to the company within the time required, shall be deemed to be properly given.</p>	<p>Not provided for in the Act.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<i>Quorum for Meetings</i>	
<p>Subject to the articles of association, two members personally present constitute a quorum for any shareholders' meeting.</p> <p>The quorum necessary for a directors meeting shall be determined by the articles of association.</p>	<p>Section 13(2)(f) of the Act: A company limited by shares, or other company having a share capital, shall in its bye-laws make provision for the number of members required to constitute a quorum at any general meeting of the members of the company.</p> <p>Section 70(5) of the Act: The quorum for the (first general) meeting called under this section shall be a majority of the members of the company present in person or by proxy.</p> <p>Bye-law 60(3): No business, other than the appointment of a chairman of a meeting, shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Except as herein otherwise provided, two Members present in person shall form a quorum, provided that if the Company shall at any time have only one Member, one Member present in person or by proxy, or being a corporation by its representative duly authorised, shall form a quorum for the transaction of business at any general meeting of the Company held during such time. For the purposes of this Bye-law Member includes a person attending as a proxy or as a duly authorised representative of a corporation which is a Member.</p>
<i>Annual General Meetings</i>	
<p>Annual general meetings are required to be held (in addition to any other meeting) once in every calendar year and not more than 15 months after the holding of the last preceding annual general meeting. The Registrar may, on application of company, extend the time limit for special reasons.</p> <p>There is no provision for signed written resolutions in lieu of a general meeting for a public company.</p>	<p>Section 71(1) of the Act: A meeting of members of a company shall be convened at least once in every calendar year; this meeting shall be referred to as the annual general meeting.</p> <p>Bye-law 55: An annual general meeting of the Company shall be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules or regulations of the Designated Stock Exchange, if any) and place as may be determined by the Board. In addition, for so long as the shares of the Company are listed on the Designated Stock Exchange, the interval between the close of the Company's financial year and the date of the</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Company's annual general meeting shall not exceed four months or such other period as may be prescribed or permitted by the Designated Stock Exchange.</p> <p>Section 75A of the Act: Unless the bye laws otherwise provide, a meeting of directors or of a committee of directors or of the members or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.</p> <p>Bye-law 60(1): Members may participate in any general meeting by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.</p>
<i>Special Resolutions</i>	
<p>A resolution shall be a special resolution when it has been passed by a majority of not less than <math>\frac{3}{4}</math> of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy present at a general meeting of which:-</p> <p>(a) in the case of a private company, not less than 14 days' written notice; or</p> <p>(b) in the case of a public company, not less than 21 days' written notice,</p> <p>If it is so agreed by a majority in number of the members having the right to attend and vote at the meeting, being a majority which together holds not less than 95% of the total voting rights of the members having a right to vote at that meeting, a resolution may be proposed and passed as a special resolution at a meeting of which written notice of a period less than that required above has been given.</p>	<p>Not provided for in the Act.</p> <p>Bye-law 2(h): In these Bye-laws, unless there be something within the subject or context inconsistent with such construction a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by Members, being entitled so to do, voting in person or, in the case of Members being corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<i>Convening of General Meetings on Requisition</i>	
<p>(a) Any number of members representing not less than 5% of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates or (b) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S\$500, may requisition the company to give to members notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting, and circulate to members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.</p> <p>Members holding not less than 10% of the paid-up capital of a company may requisition for an extraordinary general meeting in accordance with the provisions of the Singapore Companies Act. The directors must convene the meeting to be held as soon as practicable, but in any case not later than two months, after the receipt by the company of the requisition.</p> <p>Two or more members holding not less than 10% of the total number of issued shares of a company (excluding treasury shares) may also call a meeting of the company in accordance with the provisions of the Singapore Companies Act.</p>	<p>Section 74 of the Act:</p> <p>(1) The directors of a company, notwithstanding anything in its bye-laws shall, on the requisition of members of the company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the company, or, in the case of a company not having a share capital, members of the company representing not less than one-tenth of the total voting rights of all the members having at the said date a right to vote at general meetings of the company, forthwith proceed duly to convene a special general meeting of the company.</p> <p>(2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the company, and may consist of several documents in like form each signed by one or more requisitionists.</p> <p>(3) If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.</p> <p>(4) A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.</p> <p>(5) Any reasonable expenses incurred by the requisitionists by reason of the failure of the directors duly to convene a meeting shall be repaid to the requisitionists by the company, and any sum so repaid shall be retained by the company out of any sums due or to become due from the company by way of fees or other remuneration in respect of their services to such directors as were in default.</p>



## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Bye-law 57: The Board may whenever it thinks fit call special general meetings, and, subject to the Act, Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.</p>
<i>Right to Attend Meeting and Vote</i>	
<p>Every member shall, notwithstanding any provision in the memorandum or articles of association, have a right to attend any general meeting of the company and to speak and vote on any resolution before the meeting.</p> <p>So far as the articles of association do not make other provision in that behalf, generally, in the case of a company having a share capital:-</p> <p>(a) on a show of hands, each member who is personally present and entitled to vote shall have one vote; and</p> <p>(b) on a poll, each member shall have one vote in respect of each share held by him and where all or part of the share capital consists of stock or units of stock each member shall have one vote in respect of the stock or units of stock held by him which is or are or were originally equivalent to one share.</p>	<p>Section 77(1) of the Act: Subject to the provisions of this section, the bye-laws of the company and to any rights or restrictions lawfully attached to any class of shares, at any general meeting each member of the company shall be entitled in the case of a company limited by shares, or other company having a share capital, to one vote for each share held by him and in the case of a company limited by guarantee one vote; such votes may be given in person or by proxy.</p> <p>Section 77(3) of the Act: Subject to subsection (5), it shall be lawful for any question proposed for consideration at a general meeting of a company to be decided on a show of hands or by a count of votes received in the form of electronic records and in any such case, and subject to any rights or restrictions for the time being lawfully attached to any class of shares, every member present in person or by proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his hand or by communicating their vote in the form of an electronic record.</p> <p>Section 77(6) of the Act: Where, in accordance with subsection (5), a poll is demanded, and subject to any rights or restrictions for the time being lawfully attached to any class of shares, every member present in person or by proxy at such meeting shall have one vote for each share of which he is the holder or for which he holds a proxy or in the case of a company limited by guarantee he shall have one vote for himself and</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>one vote for each member for whom he holds a proxy and such votes shall be counted in such manner as the bye-laws of the company may provide or, in default of such provision, as the chairman may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands.</p> <p>Bye-law 65: Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting (i) on a show of hands every Member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Act), or by proxy shall have one vote and the chairman of the meeting shall determine which proxy shall be entitled to vote where a Member (other than the Depository) is represented by two proxies, and (ii) on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder or which he represents and in respect of which all calls due to the Company have been paid, but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. In the event that a Member participates in a general meeting by telephone or electronic means or other communication facilities, the chairman of the meeting shall direct the manner in which such Member may cast his vote on a show of hands or by poll, as the case may be.</p>
<i>Shareholders' Action by Written Consent</i>	
<p>Notwithstanding any other provision of the Singapore Companies Act, a private company may pass any resolution by written means in accordance with the provisions of the Singapore Companies Act. There is no corresponding provision in the Singapore Companies Act which applies to a public company.</p>	<p>Section 77A(1) of the Act: Subject to subsection (6) and the bye-laws of the company, anything which may be done by resolution of a company in general meeting or by resolution of a meeting of any class of the members of a company, may be done by resolution in writing.</p> <p>Section 77A(1A) of the Act: Subject to the bye-laws of the company, notice of any resolution to be made under subsection (1) shall be given, and a copy of the resolution shall be circulated, to all members who would be entitled to attend a</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>meeting and vote on the resolution in the same manner as that required for a notice of a meeting of members at which the resolution could have been considered, except that any requirement in this Act or in the bye-laws as to the length of the period of notice shall not apply.</p> <p>Section 77A(1B) of the Act: Subject to subsection (1C), a resolution in writing is passed when it is signed by, or, in the case of a member that is a corporation whether or not a company within the meaning of this Act, on behalf of-</p> <ul style="list-style-type: none"> <li>(a) the members of the company who at the date of the notice represent such majority of votes as would be required if the resolution had been voted on at a meeting of members; or</li> <li>(b) all the members of the company or such other majority of members as may be provided by the bye-laws of the company.</li> </ul> <p>Section 77A(1C) of the Act: The accidental omission to give notice to, or the non-receipt of a notice by, any person entitled to receive notice of a resolution does not invalidate the passing of a resolution.</p> <p>Bye-law 84(1): Subject to these Bye-laws, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may, without a meeting be done by written resolution in accordance with this Bye-law.</p>
<i>Proxies</i>	
<p>A member of a company entitled to attend and vote at a meeting of the company (or at a meeting of any class of members of the company) shall be entitled to appoint another person or persons, whether a member or not, as his proxy to attend and vote in his stead at the meeting and a proxy appointed to attend and vote instead of a member shall also have the same right as the member to speak at the meeting, but unless the articles of association otherwise provide:-</p> <ul style="list-style-type: none"> <li>(a) a proxy shall not be entitled to vote except on a poll;</li> </ul>	<p>Section 77(1) of the Act: Subject to the provisions of this section, the bye-laws of the company and to any rights or restrictions lawfully attached to any class of shares, at any general meeting each member of the company shall be entitled in the case of a company limited by shares, or other company having a share capital, to one vote for each share held by him and in the case of a company limited by guarantee one vote; such votes may be given in person or by proxy.</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>(b) a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting; and</p> <p>where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.</p>	<p>Section 77(3) of the Act: Subject to subsection (5), it shall be lawful for any question proposed for consideration at a general meeting of a company to be decided on a show of hands or by a count of votes received in the form of electronic records and in any such case, and subject to any rights or restrictions for the time being lawfully attached to any class of shares, every member present in person or by proxy at such meeting shall be entitled to one vote and shall cast such vote by raising his hand or by communicating their vote in the form of an electronic record.</p> <p>Section 77(9) of the Act: Nothing contained in this section shall be construed as prohibiting a member who is the holder of two or more shares from appointing more than one proxy to represent him and vote on his behalf, whether on a show of hands or by a count of votes received in the form of electronic records or on a poll, at a general meeting of the company or at a class meeting.</p> <p>Bye-law 77(1): Any Member entitled to attend and vote at a meeting of the Company who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote instead of him at the same general meeting provided that if the Member is the Depository:-</p> <p>(a) the Depository may appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of the Depository as the Depository could exercise, including, notwithstanding Bye-law 65, the right to vote individually on a show of hands;</p> <p>(b) unless the Depository specifies otherwise in a written notice to the Company, the Depository shall be deemed to have appointed as the Depository's proxies to vote on behalf of the Depository at a general meeting of the Company each of the Depositors who are individuals and whose names are shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company and notwithstanding any other provisions in these</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Bye-laws, the appointment of proxies by virtue of this Bye-law 77(1)(b) shall not require an instrument of proxy or the lodgement of any instrument of proxy;</p> <p>(c) the Company shall accept as valid in all respects the form of instrument of proxy approved by the Depository (the “CDP Proxy Form”) for use at the date relevant to the general meeting in question naming a Depositor (the “Nominating Depositor”) and permitting that Nominating Depositor to nominate a person or persons other than himself as the proxy or proxies appointed by the Depository. The Company shall, in determining rights to vote and other matters in respect of a completed CDP Proxy Form submitted to it, have regard to the instructions given by and the notes (if any) set out in the CDP Proxy Form. The submission of any CDP Proxy Form shall not affect the operation of Bye-law 77(1)(b) and shall not preclude a Depositor appointed as a proxy by virtue of Bye-law 77(1)(b) from attending and voting at the relevant meeting but in the event of attendance by such Depositor the CDP Proxy Form submitted bearing his name as the Nominating Depositor shall be deemed to be revoked;</p> <p>(d) the Company shall reject any CDP Proxy Form of a Nominating Depositor if his name is not shown in the records of the Depository as at a time not earlier than 48 hours prior to the time of the relevant general meeting supplied by the Depository to the Company; and</p> <p>(e) on a poll the maximum number of votes which a Depositor, or proxies appointed pursuant to a CDP Proxy Form in respect of that Depositor, is able to cast shall be the number of shares credited to the Securities Account of that Depositor as shown in the records of the Depository as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting supplied by the Depository to the Company, whether that number is greater or smaller than the number specified in any CDP Proxy Form or instrument of proxy executed by or on behalf of the Depository.</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Bye-law 77(2): In any case where an instrument of proxy appoints more than one proxy (including the case when a CDP Proxy Form is used), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the instrument of proxy.</p> <p>Bye-law 77(3): A proxy need not be a Member. In addition, subject to Bye-law 77(1), a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise, including, notwithstanding Bye-law 65, the right to vote individually on a show of hands. On a poll, a proxy need not use all the votes he is entitled to cast or cast all such votes in the same way.</p> <p>Bye-law 80: Instruments of proxy shall be in any usual or common form (including any form approved from time to time by the Depository) or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates</p>
<i>Transfer of Shares</i>	
<p>Shares are transferred by the execution and delivery of a proper instrument of transfer to the company, which will be registered by the company.</p> <p>On the request in writing of the transferor of any share, the company shall enter in the appropriate register the name of the transferee in the same manner and subject to the same conditions as if the application for the entry were made by the transferee.</p>	<p>Section 48(2) of the Act: Notwithstanding anything in the bye-laws of a company, it shall not be lawful for the company to register a transfer of shares in or debentures of the company unless a proper instrument of transfer has been delivered to the company:</p> <p>Provided that nothing in this section shall prejudice any power of the company to register as shareholder or debenture holder any person to whom the right to any shares in or debentures of the company has been transmitted by operation of law.</p>



## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>On the request in writing of the transferor of a share, the company shall by notice in writing require the person having possession, custody or control of the share certificate and the instrument of transfer thereof or either of them to bring it or them into the office of the company within a stated period, being not less than seven and not more than 28 days after the date of the notice, to have the share certificate cancelled or rectified and the transfer registered or otherwise dealt with.</p>	<p>Bye-law 46: Subject to these Bye-laws, any Member may transfer all or any of his shares by an instrument of transfer in the form acceptable to the Board provided always that the Company shall accept for registration an instrument of transfer in a form approved by the Designated Stock Exchange.</p>
<i>Refusal to Register Transfer</i>	
<p>If a company refuses to register a transfer of any shares, it shall within one month after the date on which the transfer was lodged with it, send to the transferor and the transferee notice of the refusal.</p> <p>Where an application is made to a company for a person to be registered as a member in respect of shares which have been transferred or transmitted to him by act of parties or operation of law, the company shall not refuse registration by virtue of any discretion in that behalf conferred by the articles of association unless it has served on the applicant, within one month beginning with the day on which the application was made, a notice in writing stating the facts which are considered to justify refusal in the exercise of that discretion.</p>	<p>Section 50(1) of the Act: If a company refuses to register a transfer of any shares or debentures, the company shall, within three months after the date on which the transfer was lodged with the company, send to the transferor and transferee notice of the refusal.</p> <p>Bye-law 48(1): The Board may, in its absolute discretion and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share (not being a fully paid up share) on which the Company has a lien or, except in the case of a transfer to executors, administrators or trustees of the estate of a deceased Member, a transfer of any share to more than three joint holders.</p> <p>Bye-law 48(2): No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.</p> <p>Bye-law 48(5): Save as provided in the Bye-laws, there shall be no restriction on the transfer of fully paid up shares (except where required by law or the rules or regulations of the Designated Stock Exchange).</p> <p>Bye-law 49: Without limiting the generality of the last preceding Bye-law, the Board may decline to recognise any instrument of transfer unless:</p> <p>(a) a fee of such sum (not exceeding two Singapore dollars (S\$2.00) or such other maximum sum as the Designated Stock</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Exchange may determine to be payable) as the Board may from time to time require is paid to the Company in respect thereof;</p> <p>(b) the instrument of transfer is in respect of only one class of share;</p> <p>(c) the instrument of transfer is lodged at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and</p> <p>(d) if applicable, the instrument of transfer is duly and properly stamped.</p> <p>Bye-law 50: If the Board refuses to register a transfer of any share, it shall, within one month after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.</p>
<i>Issue of Certificates</i>	
<p>Every company shall within two months after allotment of any of its shares, and within one month after the date on which a transfer (other than a transfer which it is entitled to refuse to register and does not register) of any of its shares is lodged with it, complete and have ready for delivery the appropriate certificates in connection with the allotment or transfer.</p>	<p>Section 51(1) of the Act: Every company shall, so soon as practicable after the allotment of any of its shares, or debentures and in any case within two months after a demand for a certificate of such shares or debentures has been made by the person to whom they have been allotted, complete and have ready for delivery such certificates unless the conditions of issue of the shares or debentures otherwise provide.</p> <p>Bye-law 20: Subject to the payment of all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Board in its absolute discretion may require, every person whose name is entered as a Member in the Register shall be entitled to receive within ten market days of the date of allotment (or such other period as may be approved by the Designated Stock Exchange) or within ten market days after the date of lodgement of a registrable transfer (or such other period as</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	may be approved by the Designated Stock Exchange) share certificates in reasonable denominations for the shares so allotted or transferred.
<i>Power of Directors to Dispose of the Issuer's or any of its Subsidiaries' Assets</i>	
<p>The business of a company is to be managed by or under the direction of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the memorandum and articles of association of the company require the company to exercise in general meeting.</p> <p>However, notwithstanding the above and anything in a company's memorandum or articles of association, the directors shall not carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property unless those proposals have been approved by the company in general meeting.</p>	Not provided for in the Act.
<i>Alterations of Memorandum and Articles of Association/Constituent Documents</i>	
<p>Unless otherwise provided in the Singapore Companies Act, a company's memorandum of association may be altered by way of special resolution, except that any entrenching provision in the memorandum of association and any provision contained in the memorandum of association before 1 April 2004 which could not be altered before that date may be removed or altered only if all members of the company agree. For these purposes, the term "entrenching provision" means a provision of the memorandum or articles of association of a company to the effect that other provisions of the memorandum or articles of association (a) may not be altered in the manner provided by the Singapore Companies Act, or (b) may not be so altered except by a resolution passed by a specified majority greater than 75%, or where other specified conditions are met.</p> <p>Subject to the Singapore Companies Act and to any conditions in its memorandum, a company's articles of association may be altered by way of special resolution except that any entrenching provision in the articles of association may be removed or altered only if all members of the company agree.</p>	<p>Section 12(1) of the Act: Subject to the provisions of this section, a company may, by resolution passed at a general meeting of members of which due notice has been given, alter the provisions of its memorandum.</p> <p>Section 13(5) of the Act: The directors of a company may after its registration amend the bye-laws but any such amendment shall be submitted to a general meeting of the company, and shall become operative only to such extent as they are approved at such meeting.</p> <p>Bye-law 165: No Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made without the prior written approval of the Designated Stock Exchange and until the same has been approved by a resolution of the Board and confirmed by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
Any alteration to the articles of association takes effect on and from the date of the special resolution approving such alteration or such later date as is specified in the resolution.	
<i>Giving of Financial Assistance to Purchase the Issuer's or its Holding Company's Shares</i>	
<p>Except as provided in the Singapore Companies Act, a company may not:-</p> <ul style="list-style-type: none"> <li>(a) directly or indirectly give any financial assistance for the purpose of, or in connection with the (proposed) acquisition by any person, whether before or at the same time as the giving of financial assistance, of shares or units of shares in the company or a holding company of the company; or</li> <li>(b) directly or indirectly, in any way acquire shares or units of shares in the company or purport to acquire shares or units of shares in a holding company of the company; or</li> <li>(c) whether directly or indirectly, in any way, lend money on the security of shares or units of shares in the company or a holding company.</li> </ul> <p><b>Financial assistance</b> includes the giving of financial assistance by means of the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise.</p> <p>Certain transactions are specifically provided by the Singapore Companies Act not to be prohibited. These include the payment of a dividend in good faith and in the ordinary course of commercial dealing, the payment by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act, the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares in the company, and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments.</p>	<p>Section 39(1) of the Act: Subject to sections 39A to 39C (inclusive), where a person is acquiring or is proposing to acquire shares in a company, it shall not be lawful for the company or any of its subsidiaries to give financial assistance directly or indirectly for the purpose of that acquisition before or at the same time as the acquisition takes place.</p> <p>Bye-law 3(3): Neither the Company nor any of its subsidiaries shall give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Act.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances:- (i) where the amount of financial assistance does not exceed 10.0% of the aggregate of the total paid-up capital and reserves of the company as disclosed in the most recent financial statements of the company and the company receives fair value in connection with the financial assistance; and (ii) where the financial assistance is approved unanimously by the shareholders of the company, if certain conditions and procedures under the Singapore Companies Act are complied with.</p> <p>Where the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation or the ultimate holding company, as the case may be, is also required to pass a special resolution to approve the giving of the financial assistance.</p>	
<i>Accounts and Audit</i>	
<p>Members must be sent copies of last audited profit and loss account, balance sheet and consolidated accounts (if the company is a holding company) accompanied by a copy of the auditor's report, not less than 14 days before the general meeting at which such accounts to be presented or not less than 28 days if, in the case of a private company, where the holding of an annual general meeting is dispensed with.</p> <p>The directors of all companies must appoint auditors within three months of incorporation to be the company's auditor until the conclusion of the first annual general meeting. Thereafter auditors are appointed at each annual general meeting.</p>	<p>Section 87(1) of the Act: Subject to sections 87A and 87B, a copy of the financial statements of a company, including every document required by law or the bye-laws of the company shall be made available to every member of the company and if such financial statements and other documents are not sent to each member five days before the general meeting any member may move a resolution at the general meeting that it be adjourned for five days.</p> <p>Provided that this subsection shall not require the making available of the financial statements and other documents to:-</p> <ul style="list-style-type: none"> <li>(a) any person not entitled to receive notices of general meetings;</li> <li>(b) more than one of the joint holders of any shares or debentures;</li> <li>(c) any person whose address is not known to the company.</li> </ul>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Section 87A(1) of the Act: A company, the shares of which are listed on an appointed stock exchange need not send financial statements as required by section 87(1) to members, but may instead send them summarised financial statements.</p> <p>Section 87A(2) of the Act: The company shall make a copy of the summarised financial statements available for inspection by the public at the company's registered office in Bermuda.</p> <p>Section 89(1) of the Act: The members of a company at the statutory meeting shall subject to section 88 appoint one or more auditors to hold office until the close of the next annual general meeting, and, if the members fail to do so, the directors shall forthwith make such appointment or appointments.</p> <p>Section 89(2) of the Act: The members of a company at each annual general meeting shall appoint one or more auditors to hold office until the close of the next annual general meeting, and, if an appointment is not so made, the auditor in office shall continue in office until a successor is appointed.</p> <p>Bye-law 150:</p> <p>(1) Subject to Sections 87A and 88 of the Act, a copy of the financial statements which is to be laid before a general meeting of the Company, made up to the end of the applicable financial year and including every document and all information as required by the Act and the rules or regulations of the Designated Stock Exchange ("Financial Statements"), together with a copy of the Auditors' report, shall be sent to each person entitled thereto (the "Entitled Persons") at least 14 days before the date of the general meeting provided that this Bye-law shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.</p> <p>(2) Subject to compliance with Sections 87A and 87B of the Act and the rules or regulations of the Designated Stock Exchange, the Company may send to</p>



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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Entitled Persons summarised financial statements, derived from the Financial Statements for the relevant period, instead of the Financial Statements. The summarised financial statements shall be accompanied by the Auditors' report and shall be sent to Entitled Persons not less than 21 days before the general meeting at which the Financial Statements are to be laid. Entitled Persons who receive the summarised financial statements may elect, by notice in writing to the Company, to receive the Financial Statements. Financial Statements shall be sent within seven days of receipt of the Entitled Person's election to receive the Financial Statements.</p> <p>Bye-law 151(1): Subject to Section 88 of the Act, at each annual general meeting, the Members shall appoint an auditor to hold office until the close of the next annual general meeting, and if an appointment is not so made, the Auditor in office shall continue in office until a successor is appointed. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.</p>
<i>Inspection of Register of Members and Minute Books</i>	
<p>A member has the right to inspect the register of members free of charge. Inspection of the register of members is open to public on payment of \$1.00 or such lesser sum as the company requires.</p> <p>A member is entitled to inspect the minute books of the company without any charge and to be furnished with a copy of any minutes at a charge not exceeding \$1.00 for every page thereof.</p>	<p>Section 66(1) of the Act: Except when the register of members is closed under the provisions of this Act, the register of the members of a company shall during business hours (subject to such reasonable restrictions as the company may impose, so that not less than two hours in each day be allowed for inspection) be open for inspection by members of the public without charge.</p> <p>Section 66(2) of the Act: Any member of the public may require a copy of the register, or of any part thereof, on payment of the appropriate fee prescribed in the Fourth Schedule of the Act.</p> <p>Bye-law 44: The Register and branch register of Members, as the case may be, shall be open to inspection between 10.00 a.m. and 12.00 noon on every business day by members of the public without charge at the Office or such other place in Bermuda at which the Register is kept in</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>accordance with the Act or, if appropriate, at the Registration Office or at the office of a share transfer agent of the Company.</p> <p>The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper and in accordance with the requirements of the Designated Stock Exchange or by any electronic means as may be accepted by the Designated Stock Exchange, be closed at such times or for such periods not exceeding in the whole 30 days in each year as the Board may determine and either generally or in respect of any class of shares.</p> <p>Section 82(1) of the Act: Minutes of general meetings of a company shall be open for inspection by any member or director of the company without charge for not less than two hours during business hours each day subject to such reasonable restrictions as the company may impose.</p> <p>Section 82(2) of the Act: Any member or director shall be entitled to be furnished within seven days after he has made a request in that behalf to the company with a copy of any such minutes on the payment of a reasonable charge.</p>
<i>Power to Require Disclosure of Directors' Emoluments</i>	
<p>If a company is served with a notice by or on behalf of (a) at least 10% of the total number of members of the company (excluding the company itself if it is registered as a member); or (b) a member or members with at least 5% of the total number of issued shares of the company (excluding treasury shares), requiring the emoluments and other benefits received by the directors of the company or of a subsidiary to be disclosed, the company shall:-</p> <p>(a) within 14 days or such longer period as the Registrar may allow, prepare or cause to be prepared and cause to be audited a statement showing the total amount of emoluments and other benefits paid to or received by each of the directors of the company and each director of a subsidiary; including any amount paid by way of salary, for the financial year immediately preceding the service of the notice;</p>	<p>Not provided for in the Act.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>(b) when the statement has been audited, within 14 days send a copy of the statement to all persons entitled to receive notice of general meetings of the company; and</p> <p>(c) lay the statement before the next general meeting of the company held after the statement is audited.</p>	
<i>Power to Require Disclosure of Auditors' Remuneration</i>	
<p>If a company is served with a notice by or on behalf of (a) at least 5% of the total number of members of the company (excluding the company itself if it is registered as a member); or (b) a member or members with at least 5% of the total number of issued shares of the company (excluding treasury shares), requiring particulars of all emoluments paid to or receivable by the auditor of the company or any person who is a partner or employer or employee of the auditor; by or from the company or any subsidiary in respect of services other than auditing services rendered to the company, the company shall forthwith:-</p> <p>(a) prepare or cause to be prepared a statement showing particulars of all emoluments paid to the auditor or other person and of the services in respect of which the payments have been made for the financial year immediately preceding the service of such notice;</p> <p>(b) forward a copy of the statement to all persons entitled to receive notice of general meetings of the company; and</p> <p>(c) lay such statement before the company in general meeting.</p>	<p>Not provided for in the Act.</p>
<i>Mergers and Similar Arrangements</i>	
<p>The courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies and that under the scheme, the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order the transfer to the transferee company of the whole or any part of the undertaking or the property of the transferor company.</p>	<p>Section 99 of the Act:</p> <p>(1) Where a compromise or arrangement is proposed between a company and its creditors or any class of them or between a company and its members or any class of them, the Court may, on the application of the company or of any creditor or member of the company, or, in the case of a company being wound up, of the liquidator, order a meeting of the creditors or class of</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>Such power only exists in relation to companies incorporated in Singapore.</p> <p>A voluntary amalgamation process may be carried out without the need for a court order. Under this voluntary amalgamation process, two or more companies may amalgamate and continue as one company, which may be one of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, the board of directors of each of the amalgamating company must take a solvency statement in relation to both the amalgamating company and the amalgamated company.</p>	<p>creditors, or of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.</p> <p>(2) If a majority in number representing three-fourths in value of the creditors or class of creditors or members or class of members, as the case may be, present and voting either in person or by proxy at the meeting, agree to any compromise or arrangement, the compromise or arrangement shall if sanctioned by the Court, be binding on all the creditors or the class of creditors, or on the members or class of members, as the case may be, and also on the company or, in the case of a company in the course of being wound up, on the liquidator and contributories of the company.</p> <p>(3) An order made under subsection (2) shall have no effect until a copy of the order has been delivered to the Registrar for registration, and a copy of every such order shall be annexed to every copy of the memorandum of association of the company issued after the order has been made.</p> <p>(4) If a company makes default in complying with subsection (3), the company and every officer of the company who knowingly or wilfully authorises or permits the default shall be liable to a fine of ten dollars for each copy in respect of which default is made.</p>
<i>Shareholders' Suits and Protection of Minority Shareholders</i>	
<p>A member or a holder of a debenture of a company may apply to the Singapore courts for an order under section 216 of the Singapore Companies Act to remedy situations where:-</p> <p>(a) a company's affairs are being conducted or the powers of the company's directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the members, shareholders or holders of debentures of the company, including the applicant; or</p>	<p>Section 111 of the Act:</p> <p>(1) Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under section 110, the Registrar on behalf of the Minister, may make an application to the Court by petition for an order under this section.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>(b) a company has done an act, or threatens to do an act, or the members or holders of debentures have passed some resolution, or propose to pass some resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the company's members or holders of debentures, including the applicant.</p> <p>The Court may make such order as it thinks fit, including an order to:-</p> <p>(a) direct or prohibit any act or cancel or vary any transaction or resolution;</p> <p>(b) regulate the conduct of the affairs of the company in future;</p> <p>(c) authorise civil proceedings to be brought in the name of or on behalf of the company by such person or persons and on such terms as the Court may direct;</p> <p>(d) provide for the purchase of the shares or debentures by other members or debenture holders or by the company itself;</p> <p>(e) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital; or</p> <p>(f) provide that the company be wound up.</p> <p>In addition, a member of a company who is seeking relief for damage done to the company may bring a common law derivative action in certain circumstances against the persons who have done wrong to the company.</p> <p>Further, Section 216A of the Singapore Companies Act prescribes a procedure to bring a statutory derivative action. The statutory procedure is available to, <i>inter alia</i>, a member of a company not listed on the SGX-ST and any other person who, in the discretion of the Singapore courts, is a proper person to make an application under Section 216A of the Singapore Companies Act.</p>	<p>(2) If on any such petition the Court is of opinion:-</p> <p>(a) that the company's affairs are being conducted or have been conducted as aforesaid; and</p> <p>(b) that to wind up the company would unfairly prejudice that part of the members, but otherwise the facts would justify the making of a winding up order on the ground that it was just and equitable that the company should be wound up,</p> <p>the Court may, with a view to bringing to an end the matters complained of, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future, or for the purchase of the shares of any members of the company by other members of the company or by the company and, in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.</p> <p>(3) Where an order under this section makes an alteration in or addition to any company's memorandum or bye-laws, then, notwithstanding anything in any other provision but subject to the provisions of the order, the company concerned shall not have power without the leave of the Court to make further alteration in or addition to the memorandum or bye-laws as so altered or added to accordingly.</p> <p>(4) An office copy of any order under this section altering or adding to, or giving leave to alter or add to, a company's memorandum or bye-laws shall, within fourteen days after the making thereof, be delivered by the company to the Registrar for registration; and if a company makes default in complying with this subsection, the company and every officer of the company who is in default shall be liable to a default fine.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<b>CHANGES IN CAPITAL</b>	
<i>Power of Directors to Allot and Issue Shares</i>	
<p>Notwithstanding anything in a company's memorandum or articles of association, the directors shall not, without the prior approval of the company in general meeting, exercise any power of the company to issue shares.</p> <p>Approval for this purpose may be confined to a particular exercise of that power or may apply to the exercise of that power generally and any such approval may be unconditional or subject to conditions.</p> <p>Such approval shall continue in force until:-</p> <ol style="list-style-type: none"> <li>(a) the conclusion of the annual general meeting commencing next after the date on which the approval was given; or</li> <li>(b) the expiration of the period within which the next annual general meeting after that date is required by law to be held,</li> </ol> <p>whichever is the earlier, but approval may be previously revoked or varied by the company in general meeting.</p> <p>The directors may issue shares notwithstanding that an approval for such purpose has ceased to be in force if the shares are issued in pursuance of an offer, agreement or option made or granted by them while the approval was in force and they were authorised by the approval to make or grant an offer, agreement or option which would or might require shares to be issued after the expiration of the approval.</p>	<p>Not provided for in the Act.</p> <p>Bye-law 12:</p> <ol style="list-style-type: none"> <li>(1) Subject to the Act and to the rules or regulations of the Designated Stock Exchange (if applicable), no shares may be issued by the Board without the prior approval of the Company in general meeting but subject thereto and to these Bye-laws and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount.</li> </ol> <p>Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.</p> <ol style="list-style-type: none"> <li>(2) Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the rules or regulations of the Designated Stock Exchange, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of general</li> </ol>



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**ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA  
COMPANY LAW**

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Board may dispose of those shares in such manner as it thinks most beneficial to the Company. The Board may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Board, be conveniently offered under this Bye-law 12(2).</p> <p>(3) Notwithstanding Bye-law 12(2) above but subject to the Statutes and the rules or regulations of the Designated Stock Exchange (if applicable), the Company in general meeting may by ordinary resolution grant to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the said ordinary resolution (including but not limited to the aggregate number of Shares which may be issued and the duration of the general authority), to issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares;</p> <p>Provided that unless otherwise specified in the ordinary resolution or required by any applicable rules or regulations of the Designated Stock Exchange, such general authority will continue (notwithstanding the authority conferred by the said ordinary resolution may have ceased to be in force) in relation to the issue of shares pursuant to any Instrument made or granted by the Directors while the said ordinary resolution was in force.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>(4) The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine, Provided that such issue must be specifically approved by the Company in general meeting if required by the rules or regulations of the Designated Stock Exchange.</p> <p>(5) Subject to the rules or regulations of the Designated Stock Exchange (if applicable), the Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.</p>
<i>Powers of Issuer to Purchase its Own Shares</i>	
<p>There is a general prohibition against the acquisition (whether directly or indirectly) by a company of its own shares, or shares in its holding company.</p> <p>Exceptions include purchase under sanction of court order, redemption of redeemable preference shares and shareholder repurchases in accordance with Section 76B to Section 76E of the Singapore Companies Act.</p>	<p>Section 42A(1) of the Act: Subject to the following provisions of this section, a company limited by shares, or other company having a share capital, may, if authorised to do so by its memorandum or bye-laws, purchase its own shares.</p> <p>Bye-law 3(2): The Company may purchase its own shares for cancellation or to acquire them as Treasury Shares in accordance with the Act on such terms as the Board shall think fit. Any power of the Company to purchase or otherwise acquire its own shares shall be exercisable by the Board in accordance with and subject to the Act, the Company's memorandum of association and, for so long as the shares of the Company are listed on the Designated Stock Exchange, the limits, if any, for the time being imposed by the rules and regulations of the Designated Stock Exchange, and the prior approval of the Members in general meeting for such purchase or acquisition. Such approval of the Members shall remain in force until (i) the conclusion of the annual general meeting of the Company following the passing of the resolution granting the said authority or (ii) the date by which such annual general meeting is required to be held or (iii) it is revoked or varied by ordinary resolution of the</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	Company in general meeting, whichever is the earliest, and may thereafter be renewed by the Members in general meeting. For so long as the shares of the Company are listed on the Designated Stock Exchange, the Company shall make an announcement to the Designated Stock Exchange of any purchase or acquisition by the Company of its own shares on the market day following the day of such purchase or acquisition.
<i>Power for any Subsidiary of the Issuer to own shares in its Parent Company</i>	
Generally there is a prohibition on the purchase of shares in a holding company by its subsidiary and a prohibition on a subsidiary being a member of its holding company.	There is no prohibition against a subsidiary holding shares in its own parent company.
<i>Power to Issue Shares at a Discount</i>	
No such provision.	Bermuda law does not permit a company to issue shares at a discount to the par value of the said shares.
<i>Power to Issue Shares at a Premium</i>	
No similar provisions.	<p>Section 40(1) of the Act: Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called "the share premium account", and the provisions of this Act relating to the reduction of the share capital of a company shall, except as provided in this section, apply as if the share premium account were paid-up share capital of the company:</p> <p>Provided that in the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.</p>
<i>Redeemable preference shares</i>	
<p>The redemption shall not be taken as reducing the amount of share capital of the company.</p> <p>The shares shall not be redeemed unless they are fully paid up. The shares shall not be redeemed out of the capital of the company unless:-</p> <p>(a) all the directors have made a solvency statement in relation to such redemption; and</p>	<p>Section 42(1) of the Act: Subject to this section, a company limited by shares, or other company having a share capital, may issue preference shares which:-</p> <p>(i) if so authorised by its bye-laws, are, or at the option of the company are, liable to be redeemed;</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
(b) the company has lodged a copy of the statement with the Registrar.	<p>(ii) if so authorised by its memorandum at the option of the holder are to be liable to be redeemed:</p> <p>Provided that:-</p> <p>(a) no such shares shall be redeemed except out of the capital paid up thereon or out of the funds of the company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purposes of the redemption; and</p> <p>(b) the premium, if any, payable on redemption, is provided for out of funds of the company which would otherwise be available for dividend or distribution or out of the company's share premium account before the shares are redeemed.</p> <p>Section 42(3) of the Act: The redemption of preference shares under this section shall not be taken as reducing the amount of the company's authorised share capital.</p>
<i>Power of company to alter its share capital</i>	
<p>A company, if so authorised by its articles of association, may in general meeting alter its share capital in any one or more of the following ways:-</p> <p>(a) consolidate and divide all or any of its share capital;</p> <p>(b) convert all or any of its paid-up shares into stock and reconvert that stock into paid-up shares;</p> <p>(c) subdivide its shares or any of them, so however that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share was derived;</p> <p>(d) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled.</p>	<p>Section 45 of the Act:</p> <p>(1) A company limited by shares, or other company having a share capital, if authorized by a general meeting and by its bye-laws, may alter the conditions of its memorandum as follows, that is to say, it may:-</p> <p>(a) increase its share capital by new shares of such amount as it thinks expedient;</p> <p>(b) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;</p> <p>(c) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>(e) subdivide its shares or any of them, so however that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share was derived; and/or</p> <p>(f) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled.</p>	<p>(d) subdivide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;</p> <p>(dd) change the currency denomination of its share capital;</p> <p>(e) make provision for the issue and allotment of shares which do not carry any voting rights; and</p> <p>(f) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.</p> <p>(2) A cancellation of shares in pursuance of this section shall not be deemed to be a reduction of share capital within the meaning of this Act.</p> <p>(3) Whenever a company alters the conditions of its memorandum under subsection (1)(a), (dd) or (f), then within thirty days thereafter the company shall file a memorandum with the Registrar setting out the altered conditions.</p> <p>(4) If any company fails to file a memorandum in accordance with subsection (3) it shall be liable to a default fine.</p> <p>Bye-law 4: The Company may from time to time by ordinary resolution in accordance with Section 45 of the Act and, for so long as the shares of the Company are listed on the Designated Stock Exchange, subject to the limits, if any, for the time being imposed by the rules and regulations of the Designated Stock Exchange:-</p> <p>(a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;</p>

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**ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA  
COMPANY LAW**

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>(b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;</p> <p>(c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;</p> <p>(d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;</p> <p>(e) change the currency denomination of its share capital;</p> <p>(f) make provision for the issue and allotment of shares which do not carry any voting rights; and</p> <p>(g) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.</p>



## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<i>Reduction of capital</i>	
<p>A company may reduce its share capital under the provisions of the Singapore Companies Act in any way and in particular, do all or any of the following:-</p> <ul style="list-style-type: none"> <li>(a) extinguish or reduce the liability on any of its shares in respect of share capital not paid-up;</li> <li>(b) cancel any paid-up capital which is lost or unrepresented by available assets; and/or</li> <li>(c) return to shareholders any paid-up share capital which is more than it needs.</li> </ul> <p>A company may not reduce its share capital in any way except by a procedure provided for it by the provisions of the Singapore Companies Act.</p> <p>A company's memorandum or articles of association may exclude or restrict any power to reduce share capital conferred on the company by the Singapore Companies Act.</p>	<p>Section 46(1) of the Act: A company having share capital if authorised in a general meeting may subject to any order made by the Minister under section 6(4) and to its memorandum and bye-laws on such terms as it may decide reduce its share capital in any way, and in particular, without prejudice to the generality of the foregoing power, by:-</p> <ul style="list-style-type: none"> <li>(a) extinguishing or reducing the liability on any of its shares in respect of capital not paid up; or</li> <li>(b) either with or without extinguishing or reducing liability on any of its shares cancel any paid up capital that is lost or unrepresented by available assets; or</li> <li>(c) either with or without extinguishing or reducing liability of any of its shares and either with or without reducing the number of such shares pay off any paid up capital that is in excess of the requirements of the company.</li> </ul> <p>Section 46(2) of the Act: No company shall reduce the amount of its share capital:-</p> <ul style="list-style-type: none"> <li>(a) unless, at a date not more than thirty days and not less than fifteen days before the date on which the reduction of the share capital is to have effect, the company causes a notice to be published in an appointed newspaper stating:- <ul style="list-style-type: none"> <li>(i) the amount of the share capital as last determined by the company;</li> <li>(ii) the amount to which the share capital is to be reduced; and</li> <li>(iii) the date on which the reduction is to have effect; and</li> </ul> </li> <li>(b) if, on the date the reduction is to be effected, there are reasonable grounds for believing that the company is, or after the reduction would be, unable to pay its liabilities as they become due.</li> </ul>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Bye-law 6: The Company may from time to time by special resolution, subject to any confirmation or consent required by law and, for so long as the shares of the Company are listed on the Designated Stock Exchange, the limits, if any, for the time being imposed by the rules and regulations of the Designated Stock Exchange, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.</p>
<b>CHANGES IN THE RESPECTIVE RIGHTS OF THE VARIOUS CLASSES OF SHARES INCLUDING THE ACTION NECESSARY TO CHANGE THE RIGHTS</b>	
<p>If, in the case of a company the share capital of which is divided into different classes of shares, provision is made in the memorandum or articles of association for authorising the variation or abrogation of the rights attached to any class of shares, subject to the consent of any specified proportion of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares, and in pursuance of that provision the rights attached to any such class of shares are at any time varied or abrogated the holders of not less than 5% in the aggregate of the issued shares of that class (excluding treasury shares) may apply to the Court to have the variation or abrogation cancelled. If such an application is made, the variation or abrogation will not have any effect until it is confirmed by the Court.</p> <p>The Singapore courts may, if satisfied that the variation or abrogation would unfairly prejudice the shareholders of the class represented by the applicant, disallow the variation or abrogation, and shall, if not so satisfied, confirm it.</p> <p>The issue of preference shares ranking <i>pari passu</i> with existing preference shares will be deemed to be a variation of rights of the existing preference shareholders unless the issue of the first-mentioned preference shares was authorised by the terms of issue of the existing preference shares or the articles of association.</p>	<p>Section 47(1) of the Act: If in the case of a company the share capital of which is divided into different classes of shares, provision is made by the memorandum or bye-laws for authorising the variation of rights attached to any class of shares in the company, subject to the consent of any specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares, and in pursuance of the said provision the rights attached to any such class of shares are at any time varied, the holders of not less in the aggregate than ten percent of the issued shares of that class, may apply to the Court to have the variation cancelled, and, where any such application is made, the variation shall not have effect unless and until it is confirmed by the Court.</p> <p>Section 47(2) of the Act: An application under this section must be made within twenty-eight days after the date on which the consent was given or the resolution was passed, as the case may be, and may be made on behalf of the shareholders entitled to make the application by such one or more of their number as they may appoint in writing for the purpose.</p> <p>Section 47(3) of the Act: On any such application the Court, after hearing the applicant and any other persons who apply to the Court to be heard and appear to the Court to be interested in the application, may, if it is satisfied, having regard to all the circumstances of the case, that the variation would unfairly prejudice the shareholders of the class represented by the applicant, disallow the variation and shall, if not so satisfied, confirm the variation.</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<p>The alteration of any provision in the memorandum or articles of association of a company which affects or relates to the manner in which the rights attaching to the shares of any class may be varied or abrogated shall be deemed to be a variation or abrogation of the rights attached to the shares of that class.</p>	<p>Section 47 (4) of the Act: The decision of the Court on any such application shall be final.</p> <p>Section 47(7) of the Act: If the memorandum or bye-laws of a company with share capital which is divided into different classes of shares makes no provision for varying the rights attached to any class of share and nothing in the memorandum or bye-laws precludes a variation of such rights, the rights attached to any class, unless otherwise provided by the terms of issue of the shares of that class may, whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate general meeting of the holders of the shares of the class.</p> <p>To every such separate general meeting the provisions of the bye-laws or other rules of the company relating to general meetings shall apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll; however, in the case of a company having only one member, one member present in person or by proxy constitutes the necessary quorum.</p> <p>Section 48(8) of the Act: The expression “variation” in this section includes abrogation and the expression “varied” shall be construed accordingly.</p> <p>Bye-law 10: Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes, preference capital other than redeemable preference capital may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of these Bye-laws relating to general meetings of the Company and to the proceedings thereat shall <i>mutatis mutandis</i> apply,</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>except that the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters in nominal value of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this Bye-law shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.</p> <p>Bye-law 11: The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking <i>pari passu</i> therewith.</p>
<b>DIVIDENDS</b>	
<i>Dividends and Other Methods of Distribution</i>	
<p>Subject to the company's articles of association, dividends may be payable in cash, shares or by way of distribution of specific assets.</p> <p>No dividends are payable except out of profits.</p> <p>There is no unconditional right of members to receive dividends, unless specified in the articles of association, and how and when dividends are to be declared is determined by the articles of association.</p>	<p>Section 54 of the Act:</p> <p>(1) A company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:-</p> <p>(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or</p> <p>(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.</p>

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## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

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<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>(2) For the purposes of this section, “contributed surplus” includes proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.</p> <p>Bye-law 135: The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend in any currency to be paid to the Members and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. The Company in general meeting may also, subject to these Bye-laws and in accordance with the Act, declare a dividend or such other distribution to be paid to the Members but no dividend or distribution shall be declared by the Company in general meeting in excess of the amount recommended by the Board.</p>
<i>Time limit after which a dividend entitlement will lapse and an indication of the party in whose favour this entitlement then operates</i>	
No such provision.	<p>Not provided for in the Act.</p> <p>Bye-law 142: All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.</p>

## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
<b>WINDING-UP</b>	
<p>The winding up of a company may be done in the following ways:-</p> <ul style="list-style-type: none"> <li>(a) members' voluntary winding up;</li> <li>(b) creditors' voluntary winding up;</li> <li>(c) court compulsory winding up; and</li> <li>(d) an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company.</li> </ul> <p>The type of winding up depends, inter alia, on whether the company is solvent or insolvent.</p> <p>The directors of the company must make a statutory declaration of solvency (i.e. that the company is able to pay its debts within 12 months of the winding up) for a members' voluntary winding up and lodge it with the Registrar. After that, a shareholders' meeting to approve a resolution winding up the company will have to be convened where at least 75% of the shareholders present and voting must approve the special resolution for winding up. A copy of this resolution will have to be lodged with the Registrar of Companies.</p>	<p>Section 157 of the Act: The winding up of a company may be either by the Court or voluntary and this Act, subject to any other Act, shall be applied to the winding up of a company by either of these modes.</p> <p>Section 163(1) of the Act: An application to the Court for the winding up of a company shall be by petition, presented either by the company or by any creditor or creditors, including any contingent or prospective creditor or creditors, contributory or contributories, or by all of those parties, together or separately:</p> <p>Provided that:-</p> <ul style="list-style-type: none"> <li>(a) a contributory shall not be entitled to present a winding up petition unless the shares in respect of which he is a contributory, or some of them, either were allotted to him or have been held by him and registered in his name, for at least six months during the eighteen months before the commencement of the winding up, or have devolved on him though the death of a former holder; and</li> <li>(b) a winding up petition shall not, if the ground of the petition is default in holding the statutory meeting, be presented by any person except a member, nor before the expiration of fourteen days after the last day on which the meeting ought to have been held; and</li> <li>(c) the Court shall not give a hearing to a winding up petition presented by a contingent or prospective creditor until such security for costs has been given as the Court thinks reasonable and until a prima facie case for winding up has been established to the satisfaction of the Court; and</li> <li>(d) in a case falling within paragraph (g) of section 161, the winding up petition may be presented by the Registrar.</li> </ul>



## ANNEX C: COMPARISON OF SINGAPORE COMPANY LAW WITH BERMUDA COMPANY LAW

<u>Singapore Company Law</u>	<u>Bermuda Company Law</u>
	<p>Section 201 of the Act: A company shall be wound up voluntarily:-</p> <ul style="list-style-type: none"> <li>(a) when the company resolves in general meeting that the company be wound up voluntarily; or</li> <li>(b) pursuant to Section 201A of the Act.</li> </ul> <p>Bye-law 162:</p> <ul style="list-style-type: none"> <li>(1) The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.</li> <li>(2) A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.</li> </ul> <p>Bye-law 163: If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.</p>
<i>Limitations on the right to own shares of the company, including limitations on rights of shareholders regarded as non-resident or foreign shareholders to own or vote of their shares</i>	
No such provisions.	There is no limitation, either under Bermuda law or the Bye-laws, on the right of non-Bermuda owners of the Company's shares to hold or vote their shares.

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## **ANNEX D: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS**

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### **1. PRC legal system**

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全国人民代表大会常务委员会关于加强法律解释工作的决议) passed on 10 June 1981, the Supreme People's Court has the power to issue general interpretations on the application of laws in judicial proceedings in addition to its power to issue specific interpretations in specific cases. The State Council and its ministries and commissions are also vested with the power to issue interpretations of the rules and regulations promulgated by itself. At the regional level, the power to issue interpretations of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry the force of law.

### **2. Judicial system**

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution (中华人民共和国宪法) and the Law of Organisation of the People's Courts of the People's Republic of China (中华人民共和国人民法院组织法), the People's Courts comprise the Supreme People's Court, the People's Local Courts, military courts and other special People's Courts. The People's Local Courts are divided into three levels, namely, the basic People's Courts, intermediate People's Courts and higher People's Courts. The basic People's Courts are divided into civil, criminal, administrative and economic divisions. The intermediate People's Courts have divisions similar to those of the basic People's Courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions). The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The People's procuratorates also have the right to exercise legal supervision over the proceedings of People's Courts of the same or lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Court adopts a two-tier appeal system. At first instance a party may, before a judgment or order takes effect, appeal against the judgment or order of a Local People's Court to the People's Court of the next higher level. Judgments or orders at the second instance of the same level of the People's Court or at the next higher level of the People's Court are final and

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## ANNEX D: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

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binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a People's Court of a higher level finds an error in a final and binding judgment of any People's Court of a lower level which has taken effect, or the presiding judge of a People's Court finds an error in a final and binding judgment which has taken effect in a court over which he presides, a retrial of the case may be ordered according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law of the People's Republic of China (中华人民共和国民事诉讼法) (the "Civil Procedure Law") which was adopted on 9 April 1991 and amended on 28 October 2007. The Civil Procedure Law governs the institution of a civil action, the jurisdiction of the People's Courts, the procedures for the conduct of a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's country of domicile. The jurisdiction may also be selected by express agreement of the contractual parties provided that the jurisdiction of the People's Court so selected is connected with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or performed in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. In respect of litigation, a foreign national or foreign enterprise is accorded the same rights and subject to the same obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a People's Court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the People's Court to enforce the judgment, order or award. The time limit on the right to apply for such enforcement is two years.

A party seeking to enforce a judgment or order of a People's Court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the People's Court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

### 3. Arbitration and enforcement of arbitral awards

The Arbitration Law of the PRC (中华人民共和国仲裁法) (the "Arbitration Law") was promulgated by the Standing Committee of the NPC on 31 August 1994 and came into effect on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a People's Court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

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## ANNEX D: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

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In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (i) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and noncontractual merchantile legal relations.

### 4. Foreign exchange control

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The People's Bank of China ("PBOC"), with the authorisation of the State Council, issued on 28th December, 1993 the Notice on the Further Reform of the Foreign Exchange Control System (关于进一步改革外汇管理体制的通知) and on 26 March 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理暂行规定) which came into effect on 1 April 1994 respectively. On 29 January 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations (中华人民共和国外汇管理条例) which took effect on 1 April 1996 and was revised on 14 January 1997 and 1 August 2008 respectively. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理规定), which took effect on 1 July 1996. On 25 October 1998, the People's Bank of China and the State Administration of Foreign Exchange issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business (关于停办外汇调剂业务的通知) which stated that from 1 December 1998, all foreign exchange transactions for FIEs may only be conducted through authorised banks.

These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

Under the new regulations, the previous dual exchange rate system for Renminbi was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The People's Bank of China, having regard to the trading prices between Renminbi and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the Renminbi exchange rates against major foreign currencies. According to the Notice on Retaining the Foreign Exchange Incomes under Current Account by Domestic Insititutions (关于境内机构保留经常项目外汇收入的通知) issued by the State Administration of Foreign Exchange on 12 August 2007, domestic entities, including domestic enterprises and FIEs, may retain their foreign exchange income under the current account in accordance with their operational needs. Foreign exchange income under the capital account must be deposited into foreign exchange bank accounts maintained with designated banks and can generally be retained in such accounts.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the State Administration of Foreign Exchange.

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## ANNEX D: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

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In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a foreign investment enterprise to its foreign investment party, then, subject to the due payment of income tax and the retention of statutory reserves the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks upon the presentation of the resolutions of the board of directors on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval of the foreign exchange administration authority is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the People's Bank of China and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre ("CFETC") was formally established and came into operation in April 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through swap centre or through designated PRC banks. From 1 December 1998 onwards, exchange transactions will have to be conducted through designated banks. Swap centres became restricted to conducting foreign exchange transactions between authorised banks and inter-bank lending between PRC banks.

### 5. Taxation

The applicable income tax laws, regulations, notices and decisions (collectively referred to as "Applicable Foreign Enterprises Tax Law") related to FIEs and their investors include the following:

- (a) Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法》) adopted by the NPC on 16 March 2007 which came into effect on 1 January 2008.
- (b) Implementing Rules of the Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法实施条例》) promulgated by the State Council on 6 December 2007 which came into effect on 1 January 2008.
- (c) Notice on Implementing of Transition Period Policy of Enterprise Income Tax (《国务院关于实施企业所得税过渡优惠政策的通知》) promulgated by the State Council on 26 December 2007 which came into effect on the same date.
- (d) Notice Relating to taxes Applicable to Foreign Investment Enterprises / Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from Holding and Transferring of Shares (《国家税务总局关于外商投资企业/外国企业和外籍个人取得股票(股权)转让收益和股息所得税收问题的通知》) promulgated by State Tax Bureau on 21 July 1993.



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## ANNEX D: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

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- (e) Notice on Relevant Policies Concerning Individual Income Tax (关于个人所得税若干政策问题的通知) issued by Ministry of Finance and the State Tax Bureau on 13 May 1994

(i) *Income tax on foreign investment enterprises*

According to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises adopted by NPC on 9 April 1991, FIEs (including sino-foreign equity joint ventures, sino-foreign co-operative joint ventures and wholly foreign owned enterprises established in the territory of the PRC) were required to pay a national income tax at a rate of 30.0% of their taxable income and a local income tax at a rate of three per cent (3%) of their taxable income.

FIEs engaged in production having a period of operation of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50.0% reduction in the income tax payable for the next three years. The income tax concession for foreign investment enterprises engaged in the exploitation of resources such as petroleum, natural gas, rare metals and precious metals are regulated separately by the State Council.

FIEs established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and FIEs engaged in production in economic and technological zones may pay income tax at a reduced rate of 15.0%. FIEs engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income tax at a reduced rate of 24.0%.

Losses incurred in a tax year may be carried forward for not more than five years.

The people's governments of provinces, autonomous regions and municipalities directly under the central government may grant exemptions from or reduced local income tax for a foreign investment enterprise engaged in an industry or a project encouraged by the State.

According to the PRC Enterprise Income Tax Law (中华人民共和国企业所得税法) which was promulgated on 16 March 2007 and went into effect on 1 January 2008, the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises was abolished and the income tax for both domestic and foreign-invested enterprise will be unified at 25.0% effective from 1 January 2008. However, there will be a transition period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to an enterprise income tax rate lower than 25.0% may continue to enjoy the lower rate and gradually transfer to the new tax rate within five years after the effective date of the new Enterprise Income Tax law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires. If such an enterprise has not recorded profits prior to 2008, the tax exemption and reduction period will be deemed to commence in 2008, regardless of whether such an enterprise is actually profit-making in 2008 or not.

In accordance with the Notice concerning Implementation of Preference Policy of Enterprise Income Tax in Transition Period (国务院关于实施企业所得税过渡优惠政策的通知) issued by the State Council on 26 December 2007, for enterprises enjoying the reduced Enterprise Income Tax rate of 15%, the applicable Enterprise Income Tax rates in 2008, 2009, 2010, 2011 and 2012 will be 18%, 20%, 22%, 24% and 25%, respectively.



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## ANNEX D: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

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(ii) VAT

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例) promulgated by the State Council came into effect on 1 January 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中华人民共和国增值税暂行条例实施细则), VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

VAT payable in the PRC is charged on an aggregated basis at a rate of 13.0% or 17.0% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17.0% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of VAT included in the price or charges, and less any deductible VAT already paid by the taxpayer on purchases of goods and services in the same financial year.

(iii) Business tax

With effect from 1 January 1994, business that provide services (except entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from three to five per cent. of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

(iv) Tax on dividends from PRC enterprise with foreign investment

According to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprise income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 20% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises. The profit derived by a foreign investor from a PRC enterprise with foreign investment is exempted from PRC tax according to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises. However, following the enforcement of the PRC Enterprise Income Tax Law from 1 January 2008, dividends of the year 2008 and the years afterwards distributed from FIEs to foreign investors shall be subject to the PRC Enterprise Income Tax. Profits accumulated by FIEs before 2008 but distributed to foreign investors after 1 January 2008 are exempted from the PRC enterprise Income Tax.

- (f) Pursuant to the Notice on Reduction of Income Tax of Interest within Mainland China for Foreign Enterprises (关于外国企业来源于我国境内的利息等所得减征所得税问题的通知) issued by the State Council on 18 November 2000, from 1 January 2000 onwards, the interest, rent, franchise fee or other incomes obtained by foreign enterprises without any setups or worksites within Mainland China or with some setups or worksites within Mainland China that are not related with the aforesaid incomes at all shall be levied enterprise income tax at the reduced rate of 10.0%.
- (g) The Second Amendment to the Income Tax Law Applicable to Individuals of the PRC (修改中华人民共和国个人所得税法的决定) promulgated by Standing Committee of NPC on 30 August 1999.

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## ANNEX D: SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

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- (h) The Third Amendment to the Income Tax Law Applicable to Individuals of the PRC (修改中华人民共和国个人所得税法的决定) promulgated by Standing Committee of NPC on 27 October 2005 and which came into effect on 1 January 2006.
- (i) The Fourth Amendment to the Income Tax Law Applicable to Individuals of the PRC (修改中华人民共和国个人所得税法的决定) promulgated by Standing Committee of NPC on 29 June 2007 which came into effect on the same date.

### 6. Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

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## ANNEX E: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF THE COMPANY

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This Annex provides information about certain provisions of our Memorandum of Association and Bye-laws and Bermuda company law. The description below is only a summary and is qualified in its entirety by reference to our Memorandum of Association and Bye-laws and the Companies Act 1981 of Bermuda (the “Bermuda Companies Act”).

### 1. Registration number and Memorandum of Association

The registration number with which our Company was incorporated is 41195.

Our Memorandum of Association states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that our Company is an exempted company as defined in the Bermuda Companies Act. Paragraph 6 of the Memorandum of Association states that the objects for which our Company was formed and incorporated are unrestricted. Paragraph 7 of the Memorandum of Association provides that our Company may do all such things as are incidental or conducive to the attainment of its objects and shall have the capacity, rights, powers and privileges of a natural person.

In accordance with and subject to Section 42A of the Bermuda Companies Act, the Memorandum of Association of our Company empowers it to purchase its own shares and this power is exercisable by the Board of Directors upon such terms and subject to such conditions as it thinks fit in accordance with the Bye-laws.

### 2. Directors

#### (a) *Ability of interested directors to vote (Bye-laws 101 and 102)*

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest. However, the interested Director need not be excluded from being counted in the quorum for the meeting at which such contract or arrangement or proposed contract or arrangement is considered.

A Director, whose remuneration (including pension or other benefits) for himself is the subject of a resolution tabled at a meeting of the Board, shall not be entitled to vote on the resolution as he shall be taken to have a personal material interest in the matter. Other Directors of our Company will not be prohibited by the Bye-laws from voting on that resolution so long as they do not have any direct or indirect personal material interest in the subject matter of the said resolution.

#### (b) *Remuneration (Bye-laws 90, 95, 97(1) and 98)*

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

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## ANNEX E: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF THE COMPANY

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Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(c) *Borrowing powers (Bye-law 109)*

The Board may exercise all the powers of our Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Bermuda Companies Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

These powers conferred on the Board may be varied by amending the relevant Bye-laws of our Company.

(d) *Retirement age limit*

There are no provisions relating to retirement of Directors upon reaching any age limit.

(e) *Shareholding qualification (Bye-law 85(3))*

Neither a Director nor an alternate Director is required to hold any shares of our Company by way of qualification.

### 3. Share rights and restrictions

Our Company currently has only one class of shares, namely ordinary shares.

(a) *Dividends and distribution (Bye-laws 136, 137, 138, 139, 140 and 143)*

Holders of shares shall be entitled to share in our Company's profits by way of dividends declared or distribution approved by the Board or our Company in general meeting in accordance with the Bye-laws and the Bermuda Companies Act.

Subject to the Bermuda Companies Act, the Board may from time to time declare a dividend or other distribution in any currency to be paid to the members and such dividend or distribution may be in cash or wholly or partly in specie. Subject to the Bermuda Companies Act, our Company in general meeting may also from time to time declare dividend or other distribution to be paid to the members but no dividend or distribution shall be declared in excess of the amount recommended by the Board.

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## ANNEX E: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF THE COMPANY

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If at any time the share capital of our Company is divided into different classes, the Board may pay such dividends in respect of those shares in the capital of our Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividends.

No dividend shall be paid or distribution made if to do so would render our Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to a member by our Company on or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to our Company.

(b) *Voting rights (Bye-laws 65 and 77(1))*

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting (i) on a show of hands every member present in person (or being a corporation, is present by a representative duly authorised under Section 78 of the Bermuda Companies Act) or by proxy shall have one vote and the chairman of the meeting shall determine which proxy shall be entitled to vote where a member (other than CDP) is represented by two proxies, and (ii) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder or which he represents and in respect of which all calls due to our Company have been paid, but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. If the member is CDP, CDP may appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of CDP as CDP could exercise, including the right to vote individually on a show of hands.

The Bye-laws do not provide for cumulative voting in relation to election or re-election of Directors.

(c) *Share in surplus upon liquidation (Bye-law 163)*

Shareholders are entitled to the surplus assets of our Company in the event that it is wound up. If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Bermuda Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as

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## ANNEX E: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF THE COMPANY

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between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator with the like authority shall think fit, and the liquidation of our Company may be closed and our Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(d) *Redemption provisions*

The shares do not have redemption rights.

(e) *Sinking fund*

The Bye-laws do not contain sinking fund provisions.

(f) *Calls on shares (Bye-laws 25, 26, 28 and 33)*

Subject to the Bye-laws and to the terms of allotment, the Board may from time to time make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding 20.0% per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the monies so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide.

The Memorandum of Association states that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them.

(g) *Discriminatory provisions against substantial shareholder (Bye-law 167)*

The Bye-laws do not contain any provisions discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares save that for so long as the shares of our Company are listed on the Designated Stock Exchange (which includes the SGX-ST), substantial shareholders (having the meaning ascribed to it in the Singapore Companies Act) have to disclose particulars of their interest in our Company and of any change in the percentage level of such interest. Such requirement to disclose does not apply to CDP.

(h) *Transfer of shares (Bye-laws 46 to 51)*

Transfers of securities in exempted companies involving non-residents of Bermuda for exchange control purposes must receive prior approval from the Bermuda Monetary Authority. However, the Bermuda Monetary Authority has granted to all Bermuda companies with voting shares listed on an appointed stock exchange (which includes the SGX-ST) a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.



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## **ANNEX E: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF THE COMPANY**

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A Shareholder may transfer all or any of his shares by an instrument of transfer in the form acceptable to the Board provided always that our Company shall accept for registration an instrument of transfer in a form approved by the Designated Stock Exchange (as defined in the Bye-laws to include the SGX-ST). The instrument of transfer of any Share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, except that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.

Save as provided in the Bye-laws, there shall be no restriction on the transfer of fully paid up shares (except where required by law or the rules or regulations of the Designated Stock Exchange).

The Bye-laws provide that no transfer shall be made to an infant or to a person of unsound mind or under other legal disability. Further, under the Bye-laws, the Board may decline to recognise any instrument of transfer unless: (i) a fee of such sum (not exceeding S\$2.00 or such other maximum sum as the Designated Stock Exchange which it may determine to be payable) as the Board may from time to time require is paid to our Company in respect thereof; (ii) the instrument of transfer is in respect of only one class of share; (iii) the instrument of transfer is presented to our Company together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and (iv) if applicable, the instrument of transfer is duly and properly stamped.

If the Board refuses to register a transfer of any share, it shall, within one month after the date on which the transfer was lodged with our Company, send to each of the transferor and transferee notice of the refusal.

The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper and in accordance with the requirements of the Designated Stock Exchange, be suspended at such times and for such periods (not exceeding in the whole thirty days in any year) as the Board may determine.

#### **4. Variation of rights of existing shares or classes of shares (Bye-law 10)**

Subject to the Bermuda Companies Act, the special rights attached to any class of shares may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst our Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of the Bye-laws relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.

The Memorandum of Association and Bye-laws do not impose more significant conditions than the Bermuda Companies Act in this regard.

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## **ANNEX E: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF THE COMPANY**

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### **5. General meetings (Bye-laws 55, 56, 57, 79 and 126)**

Under Bermuda law, an annual general meeting of members must be convened every calendar year. All general meetings other than the annual general meeting shall be called special general meetings.

Bye-law 55 provides that an annual general meeting of our Company shall be held in each year (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules or regulations of the Designated Stock Exchange, if any). In addition, for so long as the shares of our Company are listed on the Designated Stock Exchange (which includes the SGX-ST), the interval between the close of our Company's financial year and the date of our Company's annual general meeting shall not exceed such period as may be prescribed or permitted by the Designated Stock Exchange.

The Directors may, whenever they think fit, convene a general meeting. In addition, subject to Section 74 of the Bermuda Companies Act, in certain circumstances, members of our Company may requisition a special general meeting. Under that section, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the rights of voting at general meetings of our Company shall at all times have the right, by written requisition to the Board or the secretary of our Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may do so but any meeting so convened shall not be held after the expiration of three months from the said date.

All registered shareholders of our Company are entitled to attend general meetings of our Company. Further, Bye-law 126 (in accordance with the Bermuda Companies Act) provides that the resident representative is also entitled to attend and be heard at all general meetings of our Company. The Bermuda Companies Act does not contain provisions as to any documentary evidence to be produced by proxies and corporate representatives. However, such provisions may be contained in the Bye-laws. Where, for example, it is stated that the instrument of proxies must be deposited a specified number of hours before the meeting (see Bye-law 79), proxies deposited after that time cannot be admitted.

Corporate representatives are different from proxies and unless specifically required by the Bye-laws, a letter of appointment does not need to be lodged before the meeting. There are currently no such provisions in the Bye-laws.

### **6. Limitations on non-Bermuda shareholders**

There are no limitations, either under Bermuda law or the Bye-laws, on the rights of non-Bermuda owners of our Company's shares to hold or vote with their shares.

### **7. Shareholding disclosure requirement (Bye-law 167)**

The Bermuda Companies Act does not require disclosure of shareholder ownership beyond any specified threshold. However, Bye-law 167 contains provisions to the effect that for so long as the shares of our Company are listed on the Designated Stock Exchange (which includes the SGX-ST), Directors and members who are Substantial Shareholders (having the meaning ascribed to it in the Singapore Companies Act) of our Company will have to disclose particulars of their interest in our Company and any change in the percentage level of such interest. Bye-law 167 does not apply to CDP.

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## **ANNEX E: SUMMARY OF MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS OF THE COMPANY**

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### **8. Changes in capital (Bye-laws 2, 4 and 6)**

Under the Bermuda Companies Act, changes in the capital structure of our Company require shareholder approval at general meetings.

The Bye-laws contain a distinction between a “special resolution” and an “ordinary resolution”, a distinction which is not made in the Bermuda Companies Act. Under Bye-law 4, an ordinary resolution is required for certain changes to our Company’s share capital such as an increase, consolidation or sub-division. An ordinary resolution is passed by a simple majority of votes cast by members at general meetings.

With regard to a reduction of share capital or share premium account, Bye-law 6 requires a special resolution. A special resolution is one which has been passed by a majority of not less than 75.0% of votes cast by members present and voting at a general meeting.

The changes in capital referred to in Bye-laws 4 and 6 are also subject to the limits, if any, for the time being imposed by the rules and regulations of the Designated Stock Exchange (which includes the SGX-ST).

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## ANNEX F: TAXATION

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The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of our Shares. Prospective purchasers of our Shares should consult their own tax advisors concerning the tax consequences of their particular situations. This description is based on laws, regulations and interpretations now in effect and available in Bermuda and Singapore as of the date of this Prospectus. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. It is emphasised that neither our Company, our Directors nor any other persons involved in this Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, holding or disposal of our Shares.

### BERMUDA TAXATION

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 28 March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

### SINGAPORE TAXATION

#### Scope of Tax

The following discussion describes the material Singapore income tax, capital gains tax, stamp duty, estate duty and Goods and Services Tax ("GST") consequences of the subscription for, ownership and disposal of our Shares.

#### Income Tax

##### *General*

Singapore resident and non-resident corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed received in Singapore.

However, foreign income in the form of branch profits, dividends and service income received or deemed received in Singapore by a resident corporate taxpayer shall be tax exempt provided the following conditions are met:

- (i) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;
- (ii) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15.0%; and
- (iii) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign income.

Non-resident corporate taxpayers are subject to income tax on income that is accrued in or derived from Singapore, and on foreign income received in Singapore, subject to certain exceptions.

All individuals, resident and non-resident, subject to certain exceptions, are subject to income tax on income accrued in or derived from Singapore. With effect from year of assessment 2005 (i.e. for calendar year ended in 2004), all foreign sourced income received in Singapore by all individuals will be exempt from Singapore tax. The latter exemption will not apply to such income received from a partnership in Singapore.

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## ANNEX F: TAXATION

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A corporate entity is regarded as a tax resident in Singapore if its business is controlled and managed in Singapore (for example, if the board of directors meets and conducts the company's business in Singapore). An individual is regarded as a tax resident in Singapore if, in the calendar year preceding the year of assessment, the individual was physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more in a calendar year, or if the individual ordinarily resides in Singapore.

The corporate tax rate in Singapore is 20 per cent with effect from the year of assessment 2005 i.e. the financial year ended in 2004 and 18 per cent from the year of assessment 2008 i.e. financial year ended 2007. Further, from the year of assessment 2005, corporate tax exemption will apply to the first S\$100,000 of a company's chargeable income as follows:

- (i) 75 per cent of up to the first S\$10,000 of a company's chargeable income (excluding Singapore dividends); and
- (ii) 50 per cent of up to the next S\$90,000 of a company's chargeable income (excluding Singapore dividends).

The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate. The partial tax exemption does not apply to Singapore dividends received by companies.

As from Year of Assessment 2008, 75 per cent of up to the first S\$10,000 of a company's normal chargeable income and 50 per cent of the next S\$290,000 of the company's normal chargeable income tax are exempt from corporate tax. The remaining chargeable income (after the partial tax exemption) will be taxed at the applicable corporate tax rate. The above partial tax exemption will not apply to Singapore dividends received by companies.

A tax exemption scheme for qualifying newly incorporated Singapore companies is applicable for years of assessment 2005 – 2009. Under this exemption scheme, the first S\$100,000 of their normal chargeable income (excluding Singapore dividends) for each of their first three consecutive years of assessment that falls within years of assessment 2005 – 2009 would be exempt from tax.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's circumstance but is subject to a maximum marginal rate of 20 per cent for the year of assessment 2007 (i.e. calendar year 2006).

Non-Singapore resident person who derive certain types of income from Singapore are subject to the withholding tax currently at 20 per cent or generally 15 per cent in case of interest, royalty and rental of movable equipment income, unless reduced or exempted by any applicable tax incentive or double tax treaty. Withholding tax rate on payments (other than those subject to the 10 per cent or 15 per cent final withholding tax) to non-resident persons (other than non-resident individuals and non Hindu joint family) will be reduced to 18% with effect from the year of assessment 2008 (i.e. financial year ended 2007).

### ***Dividend Distributions***

As our Company is incorporated in Bermuda and will be a non-Singapore tax resident, dividends paid by our Company would be considered as sourced from outside Singapore. Such foreign-sourced dividends paid to a non-resident individual will generally not be subject to tax in Singapore. In addition, following the 2004 Budget announcements on 27 February 2004, foreign-sourced dividends received in Singapore by a resident individual will also be exempted from tax in Singapore, with effect from year of assessment 2005.

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## ANNEX F: TAXATION

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Dividends paid by a company which is resident outside Singapore to corporate taxpayers in Singapore will only be subject to tax to the extent that they are received or deemed received in Singapore. Where companies which are not resident in Singapore have activities in Singapore, dividends received in Singapore through the CDP by such investors may be subject to tax in Singapore if the dividends are in respect of investments made through their Singapore-based activities or the dividends are otherwise connected with their Singapore-based activities.

The foreign income exemption provisions, as stated in the foregoing paragraph, are not applicable to dividend distributions from our Shares made to resident corporate taxpayers, unless the dividend distributions are made out of specific income that have been subjected to tax in Bermuda (see “Bermuda Taxation” Section above).

### ***Bonus Issues and Scrip Dividends***

Under current Singapore tax law and practice, a capitalisation of profits followed by the issue of new shares, credited as fully paid, pro-rate to shareholders (“bonus issue”) does not represent a distribution of dividends by a company to its shareholders. Therefore, a Singapore resident shareholder receiving shares by way of a bonus issue should not have a liability to Singapore tax.

When a dividend is to be satisfied wholly or in part in the form of an allotment of ordinary shares credited as fully paid, the dividend declared will be treated as income to its shareholder.

### ***Gains on Disposal of our Shares***

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains, hence, gains may be construed to be of an income nature and subject to tax especially if they arise from activities which the Inland Revenue Authority of Singapore (“IRAS”) regards as the carrying on of a trade in Singapore.

Any profits from the disposal of our Shares are not taxable in Singapore unless the seller is regarded as having derived these gains of an income nature, in which case, the disposal profits would be taxable.

### ***Stamp Duty***

There is no stamp duty payable on the issuance and subscription of our Shares.

In the event that a register of Shares is kept in Singapore and where an instrument of transfer is executed in respect of Shares registered in such register, stamp duty may be payable on such instrument of transfer at the rate of S\$2.00 for every S\$1,000 computed based on the value of consideration or the market value of the Shares registered in Singapore, whichever is higher.

The subscriber is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

The above stamp duty is not applicable to electronic transfers of our Shares through the CDP. Please refer to the section entitled “Clearance and Settlement” of this Prospectus for further details.

### ***Estate Duty***

With effect from 15 February 2008, no estate duty will be leviable in respect of deaths occurring on or after 15 February 2008.



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## **ANNEX F: TAXATION**

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### ***GST***

The sale of our Shares to Singapore investors or through SGX-ST is an exempt supply not subject to GST. Any GST directly or indirectly incurred by an investor in respect of this exempt supply will become an additional cost to the investor.

Where our Shares are sold by the investor belonging outside of Singapore, the sale is a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course of furtherance of a business is claimable as a refund from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST registered broker to an investor belonging to Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7.0%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate.

### **PRC TAXATION**

Please refer to the Annex D – “Summary of Relevant PRC Laws and Regulations” of this Prospectus.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **REPORT FROM THE REPORTING AUDITORS ON THE COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

18 August 2008

The Board of Directors  
Qian Feng Fabric Tech Limited  
Claredon House, 2 Church Street  
Hamilton HM 11  
Bermuda

Dear Sirs

#### Introduction

This report has been prepared for inclusion in the prospectus dated 18 August 2008 (the "Prospectus") in connection with the invitation in respect of offer of shares of Qian Feng Fabric Tech Limited (the "Company").

We have audited the accompanying combined financial statements of the Company and its subsidiaries (collectively the "Group"), as set out in Annex G on pages G-3 to G-37, which comprises the combined balance sheets of the Group as at 31 December 2005, 2006 and 2007, the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for each of the years ended 31 December 2005, 2006 and 2007 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Combined Financial Statements").

#### Management's responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these Combined Financial Statements in accordance with Singapore Financial Reporting Standards ("FRS"). This responsibility include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Combined Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' responsibility

Our responsibility is to express an opinion on the Combined Financial Statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Combined Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Combined Financial Statements.

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**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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**REPORT FROM THE REPORTING AUDITORS ON THE COMBINED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Combined Financial Statements, for the purpose of this report and prepared on the basis set out in Note 4 of this report, presents fairly, in all material respects, the Group's combined results, combined statements of changes in equity and combined cash flow statements for the Relevant Periods, and of the Group's financial positions as at 31 December 2005, 2006 and 2007 and have been properly prepared in accordance with FRS.

Yours faithfully

**Foo Kon Tan Grant Thornton**  
Certified Public Accountants  
Singapore

Partner: Wong Kian Kok

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**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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**COMBINED INCOME STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

	Notes	Year ended 31 December		
		2005 RMB'000	2006 RMB'000	2007 RMB'000
<b>Revenue</b>	5	139,465	202,124	325,632
Cost of sales		(99,137)	(141,671)	(220,346)
<b>Gross profit</b>		40,328	60,453	105,286
Other income	5	153	241	316
Selling and distribution expenses		(2,216)	(3,372)	(5,008)
Administrative expenses		(3,830)	(5,377)	(6,381)
Finance costs	6	(292)	(612)	(899)
<b>Profit before taxation</b>	7	34,143	51,333	93,314
Income tax expense	8	(712)	(493)	(7,175)
<b>Profit attributable to shareholders</b>		33,431	50,840	86,139
<b>Earnings per share – basic (RMB cents)</b>	9	8.58	13.05	22.12

The accompanying notes form an integral part of and  
should be read in conjunction with these combined financial statements

# ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

## COMBINED BALANCE SHEETS AS AT 31 DECEMBER 2005, 2006 AND 2007

	Notes	As at 31 December		
		2005 RMB'000	2006 RMB'000	2007 RMB'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	67,503	78,355	73,247
Land use rights	11	5,385	5,273	5,162
		72,888	83,628	78,409
<b>Current assets</b>				
Inventories, at cost	12	9,339	11,434	21,258
Trade receivables	13	14,616	22,376	34,001
Prepayments and other receivables	14	57	25	7,779
Cash and bank balances	15	5,030	12,269	43,976
		29,042	46,104	107,014
<b>Current liabilities</b>				
Trade payables	16	13,515	21,784	26,109
Accrued liabilities and other payables	17	24,966	12,869	6,578
Interest-bearing bank borrowings	18	608	5,026	12,519
Convertible bonds	19	—	—	15,182
Income tax payable		121	118	1,985
		39,210	39,797	62,373
<b>Net current (liabilities)/assets</b>		(10,168)	6,307	44,641
<b>Non-current liabilities</b>				
Interest-bearing bank borrowings	18	964	2,832	262
<b>Net assets</b>		61,756	87,103	122,788
<b>EQUITY</b>				
Share capital	20	42,032	51,539	56,085
Reserves		19,724	35,564	66,703
<b>Total equity</b>		61,756	87,103	122,788

The accompanying notes form an integral part of and should be read in conjunction with these combined financial statements

## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

### COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

	Attributable to equity holders of the Company				
	Share Capital (Note 20) RMB'000	Merger Reserve (Note 21(a)) RMB'000	Statutory Reserve (Note 21(b)) RMB'000	Retained Profits RMB'000	Total Equity RMB'000
Balance at 1 January 2005	33,623	450	1,875	5,735	41,683
Net profit for the year	—	—	—	33,431	33,431
Increase in paid-up capital	8,409	—	—	—	8,409
Dividends (Note 22)	—	—	—	(21,767)	(21,767)
Transfer to statutory reserve	—	—	3,295	(3,295)	—
<b>Balance at 31 December 2005</b>	<b>42,032</b>	<b>450</b>	<b>5,170</b>	<b>14,104</b>	<b>61,756</b>
Net profit for the year	—	—	—	50,840	50,840
Increase in paid-up capital	9,507	—	—	—	9,507
Dividends (Note 22)	—	—	—	(35,000)	(35,000)
Transfer to statutory reserve	—	—	7,240	(7,240)	—
<b>Balance at 31 December 2006</b>	<b>51,539</b>	<b>450</b>	<b>12,410</b>	<b>22,704</b>	<b>87,103</b>
Net profit for the year	—	—	—	86,139	86,139
Increase in paid-up capital	4,546	—	—	—	4,546
Dividends (Note 22)	—	—	—	(55,000)	(55,000)
Transfer to statutory reserve	—	—	8,238	(8,238)	—
<b>Balance at 31 December 2007</b>	<b>56,085</b>	<b>450</b>	<b>20,648</b>	<b>45,605</b>	<b>122,788</b>

The accompanying notes form an integral part of and  
should be read in conjunction with these combined financial statements



## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

### COMBINED CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

		Year ended 31 December		
	Notes	2005 RMB'000	2006 RMB'000	2007 RMB'000
<b>Cash flows from operating activities</b>				
Profit before taxation		34,143	51,333	93,314
Adjustments for:				
Amortisation of land use rights	7	96	112	111
Depreciation of property, plant and equipment	7	4,423	6,018	6,948
Interest income	5	(58)	(137)	(221)
Interest expenses	6	292	612	899
Operating profit before working capital changes		38,896	57,938	101,051
Increase in inventories		(3,546)	(2,095)	(9,824)
Increase in trade receivables		(1,435)	(7,760)	(11,625)
Decrease/(increase) in prepayments and other receivables		1,163	32	(2,943)
Increase in trade payables		7,358	8,269	4,325
(Decrease)/increase in accrued liabilities and other payables		(4,488)	(8,121)	1,016
Cash generated from operations		37,948	48,263	82,000
Interest received		58	137	221
Interest paid		(292)	(612)	(899)
Income tax paid		(1,762)	(496)	(5,308)
<i>Net cash generated from operating activities</i>		35,952	47,292	76,014
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(19,515)	(16,870)	(1,840)
Acquisition of land use rights		(2,976)	—	—
<i>Cash used in investing activities</i>		(22,491)	(16,870)	(1,840)
<b>Cash flows from financing activities</b>				
Bank loans obtained		1,904	8,914	10,000
Repayment of bank loans		(5,332)	(2,628)	(5,077)
Proceeds from convertible bonds		—	—	12,648
Proceeds from increase in paid-up capital		8,409	9,507	4,546
Amount owing to shareholders cum directors		6,779	(3,976)	(9,584)
Dividend paid		(21,767)	(35,000)	(55,000)
<i>Net cash used in financing activities</i>		(10,007)	(23,183)	(42,467)
<b>Net increase in cash and cash equivalents</b>		3,454	7,239	31,707
<b>Cash and cash equivalents at 1 January</b>		1,576	5,030	12,269
<b>Cash and cash equivalents at 31 December</b>	15	5,030	12,269	43,976

The accompanying notes form an integral part of and  
should be read in conjunction with these combined financial statements

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **1. INTRODUCTION**

The Combined Financial Statements of the Group have been prepared for inclusion in the Prospectus of the Company issued for the invitation (the "Invitation") by the Company in respect of the offer of 123,000,000 shares of US\$0.05 each comprising 100,565,208 New Shares and 22,434,792 Vendor Shares at S\$0.20 each in the Company for cash.

#### **2. THE COMPANY**

The Company (Registration No. 41195) was incorporated in Bermuda on 10 December 2007 under the Companies Act 1981 of Bermuda as an exempted company with limited liability under the name of Qian Feng Fabric Tech Limited as an investment holding company for the purposes of acquiring the subsidiaries pursuant to the Restructuring Exercise.

The registered office of the Company is located at Claredon House, 2 Church Street, Hamilton HM, 11, Bermuda. The principal place of business of the Company is located at Jimei Textile Park, Rongqiao Economic Technology Development Zone (Fuxia Road), Fuqing City, Fujian Province 350301, the People's Republic of China ("PRC"). The Company does not have a place of business in Singapore as at the date of this report.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 3 to the Combined Financial Statements.

Pursuant to written resolutions passed on 5 May 2008, the sole Shareholder, Qian Feng Group Limited, approved and/or ratified, inter alia, the following:-

- (a) the increase in the authorised share capital of the Company from US\$10,000 to US\$27,000,000;
- (b) the acquisition of 100% share equity in Fujian Jiamei from Mdm Lin Xiujin and the capitalisation of advances by Mdm Lin Xiujin;
- (c) the acquisition of 100% share equity in Mega-Gain from Mr Lin Daoqin and Mr Su Chi-ho and the issue of 1,492,800,000 shares of US\$0.01 each to Qian Feng Group Limited, Lin Daoqin, Hong Kong Investments Group Limited and Lin Xiujin at the direction of Lin Daoqin and Su Chi-ho;
- (d) the adoption of the Employee Share Option Scheme (the "ESOS") and the option granted to the chief financial officer (the "CFO Option");
- (e) the consolidation of every five ordinary shares of US\$0.01 each in the authorised and issued share capital of the Company into one ordinary share of US\$0.05 each;
- (f) the allotment and issue of an aggregate of 48,076,920 shares of US\$0.05 each to the Pre-IPO Investors pursuant to the exercise of the Conversion Rights.

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**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**2. THE COMPANY (CONTINUED)**

- (g) the adoption of a new set of Bye-laws of the Company;
- (h) the service agreements between the Company and the Executive Chairman and Chief Executive Officer, Mr Lin Daoqin, the Executive Director and Chief Operating Officer, Mr Su Chi-ho and the Executive Director and Chief Administration and Human Resources Officer, Mdm Lin Xiujin;
- (i) the allotment and issue of New Shares pursuant to the Invitation. The New Shares when allotted, issued and fully-paid, will rank pari passu in all respects with the existing issued and fully paid Shares;
- (j) the listing and quotation of the issued Shares (including the New Shares to be issued pursuant to Resolution (c) above) on the Official List of the SGX-ST; and
- (k) that the directors be authorised to:-
  - (i) allot and issue shares in the Company; and
  - (ii) issue convertible securities and any shares in the Company pursuant to the conversion of such convertible securities (whether by way of rights, bonus or otherwise) at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the directors may think fit for the benefit of the Company,

provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority shall not exceed 50.0% of the post-Invitation issued share capital of the Company and that the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20.0% of the post-Invitation issued share capital of the Company (the percentage of issued shares being based on the post-Invitation issued shares of the Company after adjusting for new Shares arising from the conversion or exercise of any convertible securities or employee share options in issue at the time such authority is given and any subsequent consolidation or sub-division of shares), and, unless revoked or varied by the Company in general meeting, such authority continue to be in force until the conclusion of our next annual general meeting of the Company or the date by which the next general annual meeting is required by law or by our Bye-laws to be held, whichever is earlier.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **2. THE COMPANY (CONTINUED)**

As at the date of this Prospectus, the Company has only one class of shares, being ordinary shares of US\$0.05 each. The rights and privileges of the shares are stated in the Bye-laws of the Company. Save for the ESOS shares and the CFO Option shares, there are no founder, management or deferred shares reserved for any purpose. As at the date of this Prospectus, no option to subscribe for shares in the Company has been granted to, or was exercised by any of the Directors. The shares owned by the directors and substantial shareholder are not entitled to any different voting rights from the New Shares.

As at the date of this Prospectus, the issued and paid-up share capital of the Company is US\$19,471,847, comprising 389,436,940 shares of US\$0.05 each. Upon the allotment and issue of the New Shares which are the subject of the Invitation, the resultant issued and paid-up capital of the Company will be increased to US\$24,500,107 comprising 490,002,148 Shares of US\$0.05 each.

#### **3. THE RESTRUCTURING EXERCISE**

A restructuring exercise was undertaken by the Group to rationalise the corporate structure for the Invitation (the "Restructuring Exercise"). The following steps were carried out in the Restructuring Exercise:

##### **(a) Incorporation of the Company**

Qian Feng Fabric Tech Limited was incorporated in Bermuda on 10 December 2007 as an exempted company with limited liability to act as the holding company of the Group with an authorised share capital of US\$10,000 comprising 1,000,000 ordinary shares of US\$0.01 each and an issued capital of US\$1.00 comprising one hundred (100) ordinary share of US\$0.01 each was nil paid on 19 December 2007, of which 50 shares were issued to Mr Lin Daoqin and 50 shares were issued to Mr Su Chi-ho. On 22 February 2008, the one hundred (100) ordinary shares were fully paid up.

##### **(b) Acquisition of 100% equity in Fujian Jiamei**

Pursuant to a share sale agreement dated 8 January 2008 entered into between the Company of the one part and Mdm Lin Xiujin of the other part, the Company acquired the entire equity of Fujian Jiamei from Mdm Lin Xiujin at an aggregate consideration of approximately US\$2,379,000 based on the paid-up capital of Fujian Jiamei as at 31 December 2007. The consideration for the Company's acquisition of Fujian Jiamei was satisfied by (i) the payment of S\$2,918,784 (equivalent to US\$2,062,162) by the Company to Mdm Lin Xiujin and (ii) the payment of S\$448,453 (equivalent to US\$316,838) by the Company to Fujian Jiamei in settlement of an amount of RMB2,276,411 (equivalent to US\$316,838) owing by Mdm Lin Xiujin to Fujian Jiamei. The transfer of 100% equity in Fujian Jiamei to the Company was approved by Fuqing Foreign Trade and Economic Cooperation Bureau on 22 January 2008. The acquisition was completed on 3 February 2008.

Following completion of the acquisition, Fujian Jiamei became the wholly-owned subsidiary of the Company.

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## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

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### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 3. THE RESTRUCTURING EXERCISE (CONTINUED)

##### (c) Liquidation and deregistration of Fuqing Jimei

In the latter half of 2007, the Directors recognised the need for a reorganisation to rationalise the Group's production capabilities and capacities to better position the Group for future growth. In November 2007, Mega-Gain decided to voluntarily wind up Fuqing Jimei and to transfer the business and assets of Fuqing Jimei to Fuzhou Jimei. On 19 February 2008, Fuqing Jimei was deregistered.

##### (d) Capitalisation of amount due from Mega-Gain to Mr Lin Daoqin and Mr Su Chi-ho

Pursuant to resolutions dated 5 May 2008, Mega-Gain capitalised the sum of US\$341,256 (equivalent to approximately RMB2.4 million) owing to Mr Lin Daoqin and Mr Su Chi-ho via the issuance of an aggregate of 341,256 ordinary shares of US\$1.00 each as fully paid in its share capital to Mr Lin Daoqin and Mr Su Chi-ho in the proportion of 50% and 50% respectively.

##### (e) Increase of authorised share capital of the Company

On 5 May 2008, the authorised share capital of the Company was increased from US\$10,000 comprising 1,000,000 shares of US\$0.01 each to US\$27,000,000 comprising 2,700,000,000 shares of US\$0.01 each.

##### (f) Acquisition of 100% equity in Mega-Gain

Pursuant to a sale and purchase agreement dated 5 May 2008 entered into between the Company of the one part and Mr Lin Daoqin and Mr Su Chi-ho of the other part, the Company acquired the entire issued share capital of Mega-Gain, from Mr Lin Daoqin and Mr Su Chi-ho at an aggregate consideration of US\$14,928,000 based on the net asset value of Mega-Gain as at 31 December 2007 as adjusted for the capitalisation as described in paragraph (c) above. The consideration was fully satisfied by the issuance of an aggregate of 1,492,800,000 shares in the Company of US\$0.01 each as fully paid at par, of which (i) 1,276,800,000 shares were issued to Qian Feng Group Limited as directed by Mr Lin Daoqin and Mr Su Chi-ho, (ii) 72,200,000 shares were issued to Mr Lin Daoqin, (iii) 72,200,000 shares were issued to Hong Kong Investments Group Limited as directed by Mr Su Chi-ho and (iv) 72,200,000 shares were issued to Mdm Lin Xiujin as directed by Mr Lin Daoqin and Mr Su Chi-ho.

Following completion of the acquisition, Mega-Gain became the wholly-owned subsidiary of the Company on 30 June 2008.

##### (g) Provision and capitalisation of an advance from Mdm Lin Xiujin

In February 2008, Mdm Lin Xiujin provided an advance of S\$2,918,784 to the Company. Subsequently, we capitalised a sum of US\$2,140,000 (equivalent to S\$2,911,042) from the advance into 214,000,000 ordinary shares of US\$0.01 each in the Company. The capitalisation was completed on 5 May 2008 by the issue of 214,000,000 ordinary shares of US\$0.01 each as fully paid in the Company to Qian Feng Group Limited as directed by Mdm Lin Xiujin. On 24 July 2008, the Company repaid Mdm Lin Xiujin in cash the balance of the advance of S\$7,741.55.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **3. THE RESTRUCTURING EXERCISE (CONTINUED)**

##### **(h) Share consolidation**

On 6 May 2008, the shareholders approved the consolidation of every five (5) ordinary shares of US\$0.01 each in the authorised and issued share capital of the Company into one (1) ordinary share of US\$0.05 each. The then issued share capital of US\$17,068,001 divided into 1,706,800,100 shares of US\$0.01 each was thus consolidated into 341,360,020 ordinary shares of US\$0.05 each.

##### **(i) Subscription and conversion of redeemable convertible bonds by Pre-IPO Investors**

Pursuant to an investment agreement dated 18 December 2007 and a supplemental agreement dated 18 January 2008 entered into between the Company, Mega-Gain, Lin Daoqin, Su Chi-ho, Lin Xiujin and the Tranche 1 Pre-IPO Investors, the Tranche 1 Pre-IPO Investors subscribed for redeemable convertible bonds issued by the Company for an aggregate consideration of S\$3.0 million. The Tranche 1 Pre-IPO Investors were entitled to convert the redeemable convertible bonds into such number of fully paid new ordinary shares in the capital of the Company in accordance with the terms of the agreement ("Conversion Rights").

Pursuant to an investment agreement dated 18 January 2008 entered into between the Company, Mega-Gain International Co Ltd, Lin Daoqin, Su Chi-ho, Lin Xiujin and the Tranche 2 Pre-IPO Investors, the Tranche 2 Pre-IPO Investors subscribed for redeemable convertible bonds issued by the Company for an aggregate consideration of S\$3.0 million. The Tranche 2 Pre-IPO Investors were entitled to convert the redeemable convertible bonds into such number of fully paid new ordinary shares in the capital of the Company in accordance with the terms of the agreement.

Pursuant to the investment agreements, in the event that there is a difference between the Invitation Price and the conversion IPO Price, the Pre-IPO Investors will pay to the Company, or will be paid (as the case may be) the Difference (as defined in the investment agreements).

On 7 May 2008, the Tranche 1 Pre-IPO Investors exercised their conversion rights and 28,846,154 Shares of US\$0.05 each were allotted and issued to the Tranche 1 Pre-IPO Investors at S\$0.104 per Share.

On 7 May 2008, the Tranche 2 Pre-IPO Investors exercised their conversion rights and 19,230,766 shares of US\$0.05 each were allotted and issued to the Tranche 2 Pre-IPO Investors at S\$0.156 per Share.

As at the date of the Prospectus, the Company has paid an aggregate of S\$1,384,615 to the Pre-IPO Investors pursuant to a price adjustment clause following the fixing of the Invitation Price, in accordance with the investment agreements ("Cash Adjustment"). Following the price adjustment, the Pre-IPO Investors paid an average effective price of S\$0.10 per Share. The Shares issued to the Pre-IPO Investors constituted an aggregate of 12.35% of the issued share capital immediately following conversion and prior to the Invitation.

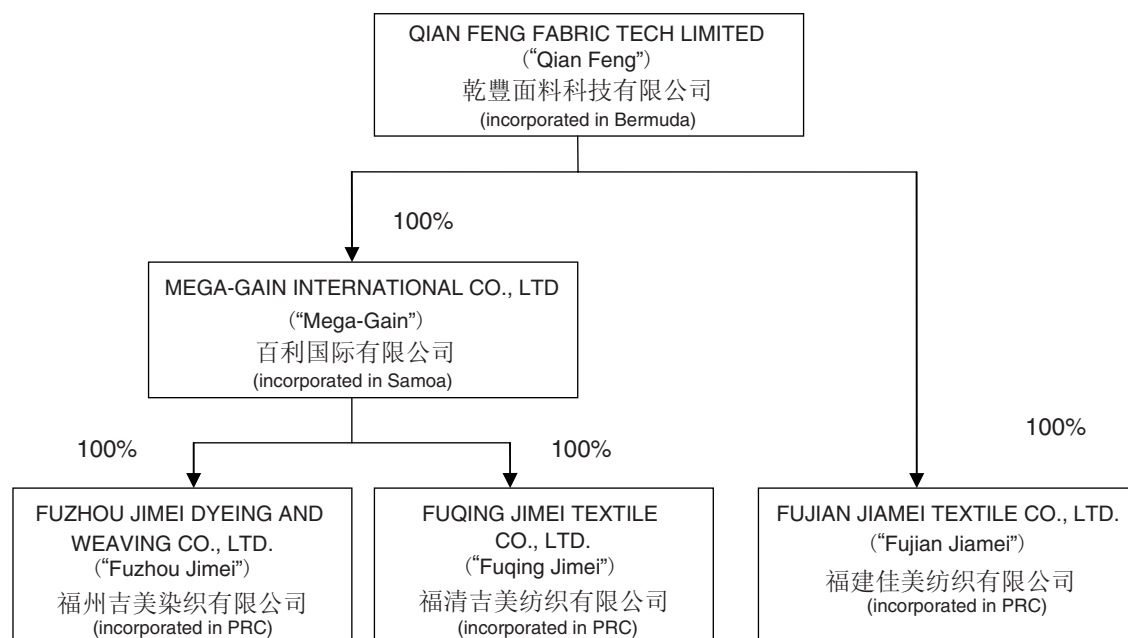


## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 3. THE RESTRUCTURING EXERCISE (CONTINUED)

The Group structure is shown as follows:



As at the date of this report, the Company has direct and indirect interests in the following subsidiaries, which are limited liability companies:

Name of Company	Date and place of incorporation / establishment	Principal activities and place of operation	Paid Up/ Registered capital	Equity interest held	Note
<i>Directly held:</i>					
Mega-Gain	7 August 2003 Samoa	Investment holding, Samoa	USD4,500,000	100%	(a)
Fujian Jiamei	29 April 2004 PRC	Manufacture and sale of fabrics, PRC	USD3,400,000	100%	(b)
<i>Indirectly held:</i>					
Fuzhou Jimei	7 December 2001 PRC	Manufacture and sale of fabrics, PRC	USD5,000,000	100%	(c)
Fuqing Jimei (deregistered on 19 February 2008)	13 October 1997 PRC	Manufacture and sale of fabrics, PRC	RMB13,200,000	100%	(d)

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## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

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### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 3. THE RESTRUCTURING EXERCISE (CONTINUED)

Note:

- (a) No audited financial statements have been prepared for Mega-Gain as they are not subject to any statutory audit requirements in the country of their incorporation.
- (b) The statutory financial statements of Fujian Jiamei for the year ended 31 December 2005 audited by Fuqing Substation Of Fujian Tianlian Certified Public Accountants (福建天联有限责任会计师事务所福清分所) whereas the statutory financial statements of Fujian Jiamei for the years ended 31 December 2006 and 2007 were audited by Fujian Zheng Yuan Certified Public Accountants Co., Ltd, (福建正元会计师事务所有限公司). The statutory audited financial statements for the years ended 31 December 2005, 2006 and 2007 were unqualified.
- (c) The statutory financial statements of Fuzhou Jimei for the year ended 31 December 2005 audited by Fuqing Substation Of Fujian Tianlian Certified Public Accountants (福建天联有限责任会计师事务所福清分所) whereas the statutory financial statements of Fuzhou Jimei for the years ended 31 December 2006 and 2007 were audited by Fujian Zheng Yuan Certified Public Accountants Co., Ltd, (福建正元会计师事务所有限公司). The statutory audited financial statements for the years ended 31 December 2005, 2006 and 2007 were unqualified.
- (d) The statutory financial statements of Fuqing Jimei for the year ended 31 December 2005 audited by Fuqing Substation Of Fujian Tianlian Certified Public Accountants (福建天联有限责任会计师事务所福清分所) whereas the statutory financial statements of Fuqing Jimei for the years ended 31 December 2006 and 2007 were audited by Fujian Zheng Yuan Certified Public Accountants Co., Ltd, (福建正元会计师事务所有限公司). The statutory audited financial statements for the years ended 31 December 2005, 2006 and 2007 were unqualified.

The Group is regarded as a continuing entity resulting from the Restructuring Exercise since all of the entities which took part in the Restructuring were controlled by the same ultimate shareholders before and immediately after the Restructuring Exercise. Consequently, immediately after the Restructuring Exercise, there was a continuation of the control over the entities financial and operating policy decision that existed prior to the Restructuring Exercise. The Restructuring Exercise has been accounted for as a Restructuring Exercise under common control in a manner similar to pooling of interests. Accordingly, the combined financial statements have been prepared on the basis of merger accounting, and comprise the financial statements of the subsidiaries which were under common control of same ultimate shareholders that existed prior to Restructuring Exercise.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **4(a) BASIS OF PREPARATION**

The combined financial statements have been prepared on in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"), and have been consistently applied throughout the financial years ended 31 December 2005, 2006 and 2007.

The Group has early adopted FRSs which are effective for accounting periods beginning on 1 January 2007, issued by the ASC for the preparation of these combined financial statements of the Group since 1 January 2005. FRS 101, First-time Adoption of Financial Reporting Standards, has been applied in preparing these combined financial statements. These combined financial statements are the first set of financial statements prepared in accordance with FRS by the Group.

The accounting policies set out in Note 4(d) below have been applied consistently to all periods presented in these combined financial statements and in preparing an opening FRS balance sheet at 1 January 2005 for the purpose of the first set of FRS financial statements. The accounting policies have been applied consistently by the Group.

#### **4(b) FRS AND INT FRS NOT EFFECTIVE**

The Group has not early adopted the following Standards or interpretations that have been issued but are not yet effective.

		Effective date (Annual periods beginning on or after)
FRS 108	Operating Segments	1 January 2009
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

The directors do not anticipate that the adoption of the FRSs and INT FRSs will result in any material impact to the financial information in the period of initial application, except for FRS 108 as indicated below.

FRS 108 replaces FRS 14 Segment Reporting. In doing so it extends the scope of segment reporting. It requires the identification of operating segments based on internal reports that are regularly reviewed by the entity chief operating decision maker in order to allocate resources to the segment and assess its performance. It requires amongst others, reconciliations of total reportable segment revenues, total profit or loss, total assets, and other amounts disclosed for reportable segments to corresponding amounts in the entity financial statements and an explanation of how segment profit or loss and segment assets are measured for each reportable segment.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **4(c) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the combined financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the application of accounting policies as disclosed in Note 4(d) below, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial years.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Key sources of estimation uncertainty**

###### Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2005, 2006 and 2007 amounted to RMB121,000, RMB118,000 and RMB1,985,000 respectively.

###### Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 20 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2005, 2006 and 2007 were RMB67,503,000, RMB78,355,000 and RMB73,247,000 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 5% difference in the expected useful lives of the property, plant and equipment would not result in a significant variance of profit for the respective years.

##### **Critical judgement made in applying accounting policies**

In the process of applying the Group's accounting policies as described below, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements.

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## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

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### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Subsidiaries and combined financial statements**

(1) Subsidiaries

A subsidiary is defined as an entity in which the investing company has a long-term equity interest of more than 50% or over whose financial and operating policy decisions the Group controls. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are excluded from the date that control ceases.

(2) Combined financial statements

The Restructuring Exercise described in Note 3 to the Combined Financial Statements resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103. A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the Combined Financial Statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs are included in the Combined Financial Statements of the combined entities or businesses as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the Combined Financial Statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such Combined Financial Statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effect of all intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combined entity. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

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### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

##### Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over the lease term of the land of 50 years. Land use rights represent up-front payments to acquire long-term interests in the usage of land.

##### Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Buildings	20 years
Plant and machinery	5 – 10 years
Motor vehicle	5 years
Furniture, fixtures and office equipment	5 years

The residual values and useful lives of the property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress, which represents buildings under construction, and plant and machinery pending installation, is stated at cost less impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.



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## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

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### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Impairment of non-financial assets**

An assessment is made at each balance sheet date of whether there is any indication of impairment of the Group's property, plant and equipment and land use rights, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the combined income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the combined income statement in the period in which it arises.

##### **Financial assets**

Financial assets, other than hedging instruments, can be divided into the followings categories: financial assets at fair value through income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not recoverable.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each of the balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

##### Trade receivables and other receivables

Receivables are measured on initial recognition at fair value, and subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the combined income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Cash and cash equivalents**

For the purpose of the combined cash flow statements, cash and cash equivalents comprise cash on hand and in banks and fixed deposits with short maturity of generally three months or less, less bank overdraft which are repayable on demand.

For the purpose of the balance sheet classification, cash and bank balances comprise cash on hand and fixed deposits repayable on demand with any banks or other financial institutions.

##### **Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost of work-in-progress comprises direct materials computed using the weighted average method and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is calculated as the actual or estimated selling prices less all further costs of completion and the estimated costs necessary to make the sale.

##### **Financial liabilities**

The Group's financial liabilities include trade and other payables, accrued expenses and convertible loan. They are recognised when the Group becomes a party to the contractual provisions of the financial instrument. All interest related charges are recognised as an expense in finance cost in the combined income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

##### **Trade and other payables and accrued liabilities**

Trade and other payables and accrued liabilities are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Borrowing costs are recognised as expenses when incurred.

##### **Convertible bonds**

Convertible bonds which exhibits characteristics of a liability is recognised initially at fair value in the balance sheet, net of issue cost on an amortised cost basis until extinguished on conversion or maturity of the bond.

Interest expense on the loan component is recorded using the effective interest rate method.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Provisions**

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimates.

In those cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the balance sheet, unless assumed in the course of a business combination.

##### **Recognition of revenue**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes on the following bases:

- (i) Sales of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (ii) Interest income, on a time-proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Income tax**

Income tax for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial reporting purpose, adjusted for income and expenses items which are not assessable or deductible for income tax purposes.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

##### **Retirement benefits scheme**

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries of the Company in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

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## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

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### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its subsidiaries is Renminbi. The Group's principal operations are predominantly conducted in the People's Republic of China ("PRC") and thus the financial statements are presented in Renminbi, being the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group.

(ii) Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as the date when the fair value was determined.

(iii) Group companies

The results and financial positions of the Group entities that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- (2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- (3) All resulting exchange differences are recognised as a separate component of equity.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Related parties**

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

- (i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;
- (ii) the party is an associate;
- (iii) the party is a jointly-controlled entity;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party has a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

##### **Key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

##### **Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the combined income statements on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the combined income statements as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the combined income statements in the accounting period in which they are incurred.

##### **Financial instruments**

Financial instruments carried on the balance sheets include cash and cash equivalents, bank borrowings, all receivables and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management are provided in Note 23.



# **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

### **4(d) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Segment reporting**

No separate analysis of segment information by business or geographical segment is presented as the Group's major business comprises the manufacture and sale of dyed fabrics. The Group's revenue, expenses, results, assets and liabilities and capital expenditure are principally attributable to a single geographical region, which is the PRC, including Hong Kong, a Special Administrative Region (SAR).

#### **Equity**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits) to the extent that they are incidental cost directly attributable to the equity transaction.

Retained earnings include all current and prior period results as determined in the combined income statements.

### **5. REVENUE AND OTHER INCOME**

Revenue represents the net invoiced value of goods sold, after allowances for trade discounts. An analysis of the Group's revenue and other income is as follows:

	<b>Year ended 31 December</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<u>Revenue</u>			
Sale of dyed fabrics	139,465	202,124	325,632
<u>Other income</u>			
Sale of scrap materials	49	64	75
Interest income	58	137	221
Foreign exchange gain	46	40	—
Others	—	—	20
	153	241	316

### **6. FINANCE COSTS**

	<b>Year ended 31 December</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank borrowings	228	612	899
Interest on bills receivable discounted	64	—	—
	292	612	899

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**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**7. PROFIT BEFORE TAXATION**

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

	<b>Year ended 31 December</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Amortisation of land use rights	96	112	111
Depreciation of property, plant and equipment*	4,423	6,018	6,948
Cost of inventories recognised as expense	84,161	122,449	197,148
Research costs	410	610	980
Directors' remuneration			
- salaries and related cost	671	791	921
Key management personnel (other than directors)			
- salaries and related cost	312	349	436
- retirement scheme contribution	4	5	8
Other than directors and key management personnel			
- salaries and related cost	4,715	5,755	6,208
- retirement scheme contribution	427	507	659
Foreign exchange (gain)/loss	(46)	(40)	125

\* Depreciation expenses of approximately RMB3,999,000, RMB4,937,000 and RMB5,787,000 have been charged in cost of sales on the face of the combined income statements for the years ended 31 December 2005, 2006 and 2007 respectively.

Depreciation expenses of approximately RMB424,000, RMB1,081,000 and RMB1,161,000 have been charged in administrative expenses on the face of the combined income statements for the years ended 31 December 2005, 2006 and 2007 respectively.

## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 8. INCOME TAX EXPENSE

	Year ended 31 December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Current year provision:			
PRC income tax	712	493	7,175

No deferred tax has been provided as the Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability at 31 December 2005, 2006 and 2007.

Reconciliation between tax expense and accounting profit at applicable tax rate is as follows:

	Year ended 31 December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Profit before taxation	34,143	51,333	93,314
Tax at the applicable tax rate of 15%	5,121	7,700	13,997
Tax exemption	(4,428)	(7,239)	(6,864)
Others	19	32	42
Actual PRC corporate income tax	712	493	7,175

As Fuzhou Jimei, Fuqing Jimei and Fujian Jiamei were registered in Rongqiao Economic and Technology Development District, which is a national development district approved by the State Council, its taxable income is assessed at a preferential income tax rate of 15%.

Fuzhou Jimei, Fuqing Jimei and Fujian Jiamei, being foreign-invested enterprises, are exempted from the state enterprise income tax, namely, the Enterprise Income Tax, for two years from its first profit making year, and is subject to the Enterprise Income Tax at a reduced rate of 7.5% (subject to the approval from the relevant PRC tax authorities) for the three years subsequent to the aforementioned two year period commencing from its first profit making year.

Fuzhou Jimei has elected financial year ended 31 December 2005 as its first profitable year for determining the tax holiday period and currently enjoyed lower income tax rate of 7.5% for the financial year ended 31 December 2007.

Fuqing Jimei has elected financial year ended 31 December 1998 as its first profitable year for determining the tax holiday period. Its 5-year tax holiday period has ceased since financial year ended 31 December 2002. Its taxable profits for the financial year ended 31 December 2005, 2006 and 2007 were assessed at the applicable preferential tax rate of 15%.

Fujian Jiamei was not subjected to Income Tax since its incorporation as it was not profitable during the Relevant Periods under review.

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## **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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### **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

#### **8. INCOME TAX EXPENSE (CONTINUED)**

Pursuant to the PRC Enterprise Income Tax Law (中华人民共和国企业所得税法) which was promulgated on March 16, 2007 and went into effect on 1 January 2008, the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises was abolished and the income tax for both domestic and foreign-invested enterprise will be unified at 25.0% effective from January 1, 2008. However, there will be a transition period for enterprises that currently receive preferential tax treatments granted by relevant tax authorities. Enterprises that are subject to an enterprise income tax rate lower than 25.0% may continue to enjoy the lower rate and gradually transfer to the new tax rate within five years after the effective date of the new enterprise income tax law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

In accordance with the Notice concerning Implementation of Preference Policy of Enterprise Income Tax in Transition Period (国务院关于实施企业所得税过渡优惠政策的通知) issued by the State Council on December 26, 2007, for enterprises enjoying the reduced enterprise income tax rate of 15%, the applicable Enterprise Income Tax rates for the years 2008, 2009, 2010, 2011 and 2012 will be 18%, 20%, 22%, 24% and 25%, respectively.

#### **9. EARNINGS PER SHARE**

Basic earning per share is calculated based on profit attributable to equity holders of the Company for the respective years and the pre-Invitation share capital of the Company. The Company's pre-Invitation share capital of 389,436,940 shares were assumed to be in issue throughout the Relevant Periods presented.

As there are no dilutive potential ordinary shares during each of the years covered in this report, no diluted earning per share is presented.

# **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

### **10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Construction in progress RMB'000</b>	<b>Buildings RMB'000</b>	<b>Plant and machinery RMB'000</b>	<b>Motor vehicle RMB'000</b>	<b>Furniture, fixtures and office equipment RMB'000</b>	<b>Total RMB'000</b>
<b>Cost</b>						
At 1 January 2005	–	19,303	34,536	467	249	54,555
Additions	14,304	71	4,839	160	141	19,515
Transfer in/(out)	(14,189)	14,189	–	–	–	–
At 31 December 2005	115	33,563	39,375	627	390	74,070
Additions	55	–	16,522	160	133	16,870
Transfer in/(out)	(170)	–	170	–	–	–
At 31 December 2006	–	33,563	56,067	787	523	90,940
Additions	–	–	1,757	–	83	1,840
At 31 December 2007	–	33,563	57,824	787	606	92,780
<b>Accumulated depreciation</b>						
At 1 January 2005	–	361	1,703	61	19	2,144
Depreciation charge	–	872	3,399	94	58	4,423
At 31 December 2005	–	1,233	5,102	155	77	6,567
Depreciation charge	–	1,457	4,344	137	80	6,018
At 31 December 2006	–	2,690	9,446	292	157	12,585
Depreciation charge	–	1,510	5,197	142	99	6,948
At 31 December 2007	–	4,200	14,643	434	256	19,533
<b>Net book value</b>						
At 31 December 2005	115	32,330	34,273	472	313	67,503
At 31 December 2006	–	30,873	46,621	495	366	78,355
At 31 December 2007	–	29,363	43,181	353	350	73,247

All property, plant and equipment held by the Group are located in the PRC.

Certain of the Group's property, plant and equipment with an aggregate carrying value of approximately RMB3,636,000, RMB25,044,000 and RMB46,815,000 were pledged as securities to secure the Group's bank loans at 31 December 2005, 2006 and 2007 respectively (Note 18).

## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 11. LAND USE RIGHTS

	2005 RMB'000	2006 RMB'000	2007 RMB'000
<b>Cost</b>			
At 1 January	2,591	5,567	5,567
Additions	2,976	–	–
At 31 December	5,567	5,567	5,567
<b>Accumulated amortisation</b>			
At 1 January	86	182	294
Amortisation charge	96	112	111
At 31 December	182	294	405
<b>Net book amount</b>			
At 31 December	5,385	5,273	5,162

Land use rights represent leasehold interests in land located in the PRC.

Certain of the Group's land use rights with a carrying value of approximately RMB2,401,000 and RMB2,349,000 were pledged as securities to secure the Group's bank loans as at 31 December 2006 and 2007 respectively (Note 18).

#### 12. INVENTORIES, AT COST

	As at 31 December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Raw materials	4,278	5,630	15,171
Work-in-progress	653	1,049	2,331
Finished goods	4,408	4,755	3,756
	9,339	11,434	21,258

During the financial years ended 31 December 2005, 2006 and 2007, there was no inventory written off or allowance for inventory obsolescence.



## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 13. TRADE RECEIVABLES

	As at 31 December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Trade receivables			
- Third parties	14,616	22,376	34,001

Trade receivables are generally have credit terms of 60 to 70 days. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Trade receivables are denominated in the followings currencies:

	As at 31 December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Renminbi	13,552	22,184	32,819
United States Dollar	1,064	192	1,130
Hong Kong Dollar	—	—	52
	14,616	22,376	34,001

#### 14. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Prepayments	24	25	2,968
Amount owing by a shareholder cum director	—	—	2,277
Other receivables	33	—	2,534
	57	25	7,779

Amount owing by a shareholder cum director is unsecured and interest free. The amount has been fully settled after year end (Note 3).

# **ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

### **15. CASH AND BANK BALANCES**

	<b>2005</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2006</b>	<b>2007</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Cash on hand	106	139	80
Cash at banks	4,924	12,130	43,896
	<u>5,030</u>	<u>12,269</u>	<u>43,976</u>

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

Cash and bank balances are denominated in the following currencies:

	<b>2005</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2006</b>	<b>2007</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Renminbi	5,025	12,003	31,856
Hong Kong Dollar	1	130	457
Singapore Dollar	—	—	11,446
United States Dollar	4	136	217
	<u>5,030</u>	<u>12,269</u>	<u>43,976</u>

### **16. TRADE PAYABLES**

	<b>2005</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2006</b>	<b>2007</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Trade payables			
- Third parties	13,515	21,784	26,109

Trade payables are denominated in Renminbi and generally have credit terms ranging from 45 days to 60 days.

### **17. ACCRUED LIABILITIES AND OTHER PAYABLES**

	<b>2005</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2006</b>	<b>2007</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Value added tax and other operating tax payables	618	1,014	1,988
Other payables	9,950	1,190	587
Amount owing to shareholders cum directors	13,724	9,748	2,441
Accrued operating expenses	674	917	1,562
	<u>24,966</u>	<u>12,869</u>	<u>6,578</u>

The amount owing to shareholders cum directors are unsecured and interest free. The amount has been capitalised after year end (Note 3).

# ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

### 18. INTEREST-BEARING BANK BORROWINGS

	2005 RMB'000	As at 31 December 2006 RMB'000	2007 RMB'000
<b>Current</b>			
Short-term bank borrowings	—	2,000	10,000
Long-term bank borrowings – current portion (i)	608	3,026	2,519
	608	5,026	12,519
<b>Non-current</b>			
Long-term bank borrowings (i)	964	2,832	262
Total bank borrowings	1,572	7,858	12,781

(i) Long-term bank borrowings

	2005 RMB'000	As at 31 December 2006 RMB'000	2007 RMB'000
Long-term bank borrowings	1,572	5,858	2,781
Amount repayable not later than one year	(608)	(3,026)	(2,519)
Amount repayable later than one year and not later than 5 years	964	2,832	262

Bank borrowings are denominated in the following currencies:

	2005 RMB'000	As at 31 December 2006 RMB'000	2007 RMB'000
Renminbi	—	5,046	11,457
United States Dollar	1,572	2,812	1,324
	1,572	7,858	12,781

The bank borrowings are secured by the Group's properties, plant and equipment and land use rights (Note 10 & 11). Certain bank borrowings are also secured by personal guarantee from certain directors of the Group.

The amount repayable within one year is included under current liabilities whilst the amount repayable after one year is included under non-current liabilities. The carrying amounts of bank borrowings approximate their fair values.

The weighted average effective interest rates at the respective balance sheet dates were as follows:

	2005	As at 31 December 2006	2007
Bank borrowings			
Renminbi	—	6.26%	7.40%
United States Dollar	8.25%	8.67%	8.61%

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**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**19. CONVERTIBLE BONDS**

	<b>2005</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2006</b>	<b>2007</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Principal amount	—	—	15,182

On 18 December 2007, the Company entered into an investment agreement (the “Phase 1 Investment Agreement”) with Tranche 1 Pre-IPO investors. Under the Investment Agreement, the Tranche 1 Pre-IPO investors subscribed for an aggregate of SGD3.0 million (RMB15,182,000) of redeemable convertible notes issued by the Company. The Tranche 1 Pre-IPO Investors were entitled to convert the redeemable convertible bonds into such number of fully paid new ordinary shares in the capital of the Company in accordance with the terms of the agreement.

In the event that for any reason the Company fails to secure a public listing on the SGX-ST or the Company’s application to be listed is rejected by the SGX-ST for any reason whatsoever on or before the expiry date, the Pre-IPO Investors shall have the right to require that the Company redeem, all or any portion of the redeemable convertible bonds. The redemption amount payable for each redeemable convertible bond by the Company upon the redemption of the redeemable convertible bonds shall be an amount equal to the aggregate of the issue price of the redeemable convertible bonds and interest on the same at the rate of 10% per annum compounded annually from the date of issue of the redeemable convertible bonds up to and including the date the redemption amount is paid in full.

The directors of the Company are of the opinion that the value of the embedded derivative at inception date is not material and the carrying value of the convertible bonds approximate its fair value.

**20. SHARE CAPITAL**

	<b>2005</b>	<b>As at 31 December</b>	
	<b>RMB'000</b>	<b>2006</b>	<b>2007</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Combined paid-up share capital	42,032	51,539	56,085

The Company was incorporated in Bermuda on 10 December 2007. As at date of incorporation, the company had an authorised share capital of US\$10,000 comprising 1,000,000 ordinary shares of US\$0.01 each.

The share capital balances as at 31 December 2005, 2006 and 2007 represent the combined paid-up share capital of its directly held subsidiaries, Mega-Gain and Fujian Jiamei.

During the financial year ended 31 December 2005, 2006 and 2007, the combined paid-up share capital was increased by approximately RMB8,409,000, RMB9,507,000 and RMB4,546,000 respectively, via cash contribution.

## ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007

### NOTES TO THE COMBINED FINANCIAL STATEMENTS

#### 21. RESERVES

##### (a) Merger reserve

The merger reserve arises from the difference between the purchase consideration and the nominal value of the share capital of the subsidiary acquired under the pooling-of-interests method of consolidation.

##### (b) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profits after taxation prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

#### 22. DIVIDENDS

Dividends disclosed during the Relevant Periods represented dividends declared and paid by subsidiaries to its equity holders. The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful.

	Year ended 31 December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Dividends	21,767	35,000	55,000

#### 23. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 31 December 2005, 2006 and 2007, the Group's financial instruments mainly consisted of cash and bank balances, trade receivables, other receivables, trade payables, accrued liabilities, other payables and bank borrowings.

##### (i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's trade receivables from customers.

##### Trade and other receivables

The Group's exposure to credit risks is influenced mainly by the individual characteristics of each customer. The Group typically gives the existing customers credit terms of 60 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the general manager.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The provision for impairment loss for doubtful debts is based upon a review of the expected collectibles of all trade and other receivables.

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**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES (CONTINUED)**

**(i) Credit risk (Continued)**

The aging of the unimpaired trade receivables are as follows:

	<b>As at 31 December</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Not past due	14,226	21,518	33,195
Past due 0-30 days	390	400	437
Past due 31-120 days	—	445	369
Past due 121-180 days	—	13	—
	<b>14,616</b>	<b>22,376</b>	<b>34,001</b>

**(ii) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liability when due, without incurring unacceptable losses or risking damage to the Company's reputation.

**(iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The Group carries out its business in the PRC and most of the transactions are denominated in Renminbi. Accordingly, the Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

Interest rate risk

The Group's exposure to interest rate is confined to interest-bearing borrowings and deposits with banks where interest is fixed. The Group does not have investment in other financial assets.



**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES (CONTINUED)**

**(iii) Market risk (Continued)**

Interest rate risk (Continued)

	Weighted average effective interest rate %	Floating interest rate RMB'000	Fixed interest rate RMB'000	Non- interest bearing RMB'000	Total RMB'000
<b>As at 31 December 2007</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	0.57	43,896	—	80	43,976
Other receivables	—	—	—	4,811	4,811
Trade receivables	—	—	—	34,001	34,001
		43,896	—	38,892	82,788
<b>Financial Liabilities</b>					
Interest-bearing bank borrowings	7.53	12,781	—	—	12,781
Convertible bonds	10	—	15,182	—	15,182
Accrued liabilities and other payables	—	—	—	6,578	6,578
Trade payables	—	—	—	26,109	26,109
		12,781	15,182	32,687	60,650
<b>As at 31 December 2006</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	0.73	12,130	—	139	12,269
Trade receivables	—	—	—	22,376	22,376
		12,130	—	22,515	34,645
<b>Financial Liabilities</b>					
Interest-bearing bank borrowings	7.12	7,858	—	—	7,858
Accrued liabilities and other payables	—	—	—	12,869	12,869
Trade payables	—	—	—	21,784	21,784
		7,858	—	34,653	42,511
<b>As at 31 December 2005</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	0.72	4,924	—	106	5,030
Other receivables	—	—	—	33	33
Trade receivables	—	—	—	14,616	14,616
		4,924	—	14,755	19,679
<b>Financial Liabilities</b>					
Interest-bearing bank borrowings	8.25	1,572	—	—	1,572
Accrued liabilities and other payables	—	—	—	24,966	24,966
Trade payables	—	—	—	13,515	13,515
		1,572	—	38,481	40,053

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**ANNEX G: AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005, 2006 AND 2007**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES - POLICIES (CONTINUED)**

**(iv) Fair value**

The carrying amount of financial assets and financial liabilities with a maturity of less than one year approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at balance sheet date for financial assets with a maturity of more than one year to be significantly different from the values that would eventually be received.

**24. CAPITAL MANAGEMENT**

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities.

The Group monitors capital by reviewing the level of capital that is total equity attributable to equity holders.

**25. CAPITAL COMMITMENTS**

	<b>As at 31 December</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Capital expenditure</b>			
Commitment in respect of purchase of land use rights	4,322	4,322	4,322

**26. SUBSEQUENT EVENTS**

Except for the events disclosed in Notes 2 and 3, no other item, transaction or event of a material or unusual nature has arisen in the interval between 31 December 2007 and the date of the report from the reporting auditors.

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## **ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

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### **REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

18 August 2008

The Board of Directors  
Qian Feng Fabric Tech Limited  
Claredon House, 2 Church Street  
Hamilton HM 11  
Bermuda

Dear Sirs

#### Introduction

This report has been prepared for inclusion in the prospectus dated 18 August 2008 (the "Prospectus") in connection with the invitation in respect of offer of shares of Qian Feng Fabric Tech Limited (the "Company").

We report on the unaudited pro forma combined financial statements of Qian Feng Fabric Tech Limited (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages H-3 to H-10 of the prospectus (the "Prospectus"). The unaudited pro forma combined financial statements comprise the unaudited pro forma combined income statement, unaudited pro forma combined balance sheet, unaudited pro forma combined statement of changes in equity and unaudited pro forma combined cash flow statement.

The unaudited pro forma financial statements have been prepared on the basis of the assumptions set out on page H-9 and the adjustments described on page H-10 to show:

- (i) the financial results of the Group for the financial year ended 31 December 2007 would have been if the capital structure changes had occurred since the beginning of the financial year being reported on;
- (ii) the financial position of the Group as at 31 December 2007 would have been if the capital structure changes had occurred on that date; and
- (iii) the equity changes and cash flows of the Group for the financial year ended 31 December 2007 would have been if the capital structure changes had occurred at the beginning of the financial year being reported on.

The unaudited pro forma financial statements have been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the actual results, financial position, changes in equity and cashflows of the Group.

The unaudited pro forma combined financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on the unaudited pro forma combined financial statements based on our work.

#### Scope of work

We carried out our procedures in accordance with Singapore Statements on Auditing Practice 24: "*Auditors and Public Offering Documents*". Our work, which involved no independent examination of the unaudited pro forma combined financial statements, consisted primarily of comparing the unaudited pro forma combined financial statements to the audited combined financial statements of the Group for the financial year ended 31 December 2007, considering the evidence supporting the adjustments and discussing the unaudited pro forma combined financial statements with the management of the Company.

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**ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS  
OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

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**REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA COMBINED  
FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER  
2007**

Opinion

In our opinion:-

- (a) the unaudited pro forma combined financial statements have been properly prepared from the audited combined financial statements of the Group for the financial year ended 31 December 2007 which were prepared in accordance with Singapore Financial Reporting Standards;
- (b) the unaudited pro forma combined financial statements have been properly prepared in a manner consistent with both the format of the audited combined financial statements and the accounting policies of the Group;
- (c) each material adjustment made to the information used in the preparation of the unaudited pro forma combined financial statements is appropriate for the purpose of preparing such financial statements; and
- (d) the unaudited pro forma combined financial statements have been properly prepared on the basis of the assumptions set out on page H-9 after making the adjustments described on page H-10.

Yours faithfully

**Foo Kon Tan Grant Thornton**  
Certified Public Accountants  
Singapore

Partner: Wong Kian Kok

## ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### UNAUDITED PRO FORMA COMBINED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The unaudited pro forma combined income statement of the Group for the financial year ended 31 December 2007, and the pro forma adjustments made, are set out below:-

	Audited Combined Income Statement RMB'000	Pro forma adjustments RMB'000	Unaudited Pro forma Combined Income Statement RMB'000
<b>Revenue</b>	325,632		325,632
Cost of sales	(220,346)		(220,346)
<b>Gross profit</b>	105,286		105,286
Other income	316		316
Selling and distribution expenses	(5,008)		(5,008)
Administrative expenses	(6,381)		(6,381)
Finance costs	(899)		(899)
<b>Profit before taxation</b>	93,314		93,314
Income tax expense	(7,175)		(7,175)
<b>Profit attributable to shareholders<sup>(1)</sup></b>	86,139		86,139
Earnings per share – basic (RMB cents) <sup>(2)</sup>	22.12		22.12

(1) The financial results of our Group for the financial year ended 31 December 2007 includes the financial results of Fuqing Jimei, which was liquidated on 19 February 2008. Liquidation and de-registration of Fuqing Jimei has no impact on the financial results of the Group as the business and assets of Fuqing Jimei have been transferred to Fuzhou Jimei.

(2) These earnings per shares were computed based on the profit attributable to shareholders and the pre-Invitation share capital of 389,436,940 shares.

The accompanying notes form an integral part of and should be read  
in conjunction with these unaudited pro forma combined financial statements.

## ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### UNAUDITED PRO FORMA COMBINED BALANCE SHEET AS AT 31 DECEMBER 2007

The unaudited pro forma combined balance sheet of the Group as at 31 December 2007, and the pro forma adjustments made, are set out below:-

	Audited Combined Balance Sheet RMB'000	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Balance Sheet RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	73,247		73,247
Land use rights	5,162		5,162
	78,409		78,409
<b>Current assets</b>			
Inventories, at cost	21,258		21,258
Trade receivables	34,001		34,001
Prepayments and other receivables	7,779	(2,277) <sup>(iv)</sup>	5,502
Cash and bank balances	43,976	8,190 <sup>(iv)</sup>	52,166
	107,014		112,927
<b>Current liabilities</b>			
Trade payables	26,109		26,109
Accrued liabilities and other payables	6,578	(2,441) <sup>(iii)</sup>	4,137
Interest-bearing bank borrowings	12,519		12,519
Convertible bonds	15,182	(15,182) <sup>(i)(ii)</sup>	–
Income tax payable	1,985		1,985
	62,373		44,750
<b>Net current assets</b>	44,641		68,177
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings	262		262
<b>Net assets</b>	122,788		146,324
<b>EQUITY</b>			
Shareholders' equity <sup>(1)</sup>	122,788	23,536 <sup>(i)(ii)(iii)(iv)(v)</sup>	146,324

- (1) The financial position of our Group includes the financial position of Fuqing Jimei, which was liquidated on 19 February 2008. Liquidation and de-registration of Fuqing Jimei has no impact on the financial position of the Group as the business and assets of Fuqing Jimei have been transferred to Fuzhou Jimei.

The accompanying notes form an integral part of and should be read  
in conjunction with these unaudited pro forma combined financial statements.



## ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### UNAUDITED PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

The unaudited pro forma combined statement of changes in equity of the Group for the financial year ended 31 December 2007 and the pro forma adjustments made, are set out below:-

	Attributable to equity holders of the Company					
	Share Capital RMB'000	Share Premium RMB'000	Merger Reserve RMB'000	Statutory Reserve RMB'000	Retained Profits RMB'000	Total Equity RMB'000
Balance at 31 December 2007 (Audited)	56,085	—	450	20,648	45,605	122,788
<u>Pro forma adjustments</u>						
Conversion of redeemable convertible bonds <sup>(ii)</sup>	16,544	13,820	—	—	—	30,364
Capitalisation of amount owing to shareholders cum directors <sup>(iii)</sup>	2,441	—	—	—	—	2,441
Capital reduction arising from the Restructuring Exercise <sup>(iv)</sup>	(2,277)	—	—	—	—	(2,277)
Cash Adjustments	—	(6,992)	—	—	—	(6,992)
Balance at 31 December 2007 (Unaudited pro forma)	72,793	6,828	450	20,648	45,605	146,324

The accompanying notes form an integral part of and should be read  
in conjunction with these unaudited pro forma combined financial statements.

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## ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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### UNAUDITED PRO FORMA COMBINED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

The unaudited pro forma combined cash flow statement of the Group for the financial year ended 31 December 2007 and the pro forma adjustments made, are set out below: -

	Audited Combined Cash Flow Statement RMB'000	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Cash Flow Statement RMB'000
<b>Cash flows from operating activities</b>			
Profit before taxation	93,314		93,314
Adjustments for :			
Amortisation of land use rights	111		111
Depreciation of property, plant and equipment	6,948		6,948
Interest income	(221)		(221)
Interest expense	899		899
	101,051		101,051
Operating profit before working capital changes	101,051		101,051
Increase in inventories	(9,824)		(9,824)
Increase in trade receivables	(11,625)		(11,625)
Increase in prepayments and other receivables	(2,943)		(2,943)
Increase in trade payables	4,325		4,325
Increase in accrued liabilities and other payables	1,016		1,016
	82,000		82,000
Cash generated from operations	82,000		82,000
Interest received	221		221
Interest paid	(899)		(899)
Income tax paid	(5,308)		(5,308)
	76,014		76,014
<i>Net cash generated from operating activities</i>	76,014		76,014

The accompanying notes form an integral part of and should be read  
in conjunction with these unaudited pro forma combined financial statements.

## ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

### UNAUDITED PRO FORMA COMBINED CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Audited Combined Cash Flow Statement RMB'000	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Cash Flow Statement RMB'000
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(1,840)		(1,840)
<i>Cash used in investing activities</i>	(1,840)		(1,840)
<b>Cash flows from financing activities</b>			
Bank loans obtained	10,000		10,000
Repayment of bank loans	(5,077)		(5,077)
Proceeds from convertible bonds	12,648	8,190 <sup>(1)(v)</sup>	20,838
Proceeds from increase in paid-up capital	4,546		4,546
Amount owing to shareholders cum directors	(9,584)		(9,584)
Dividend paid	(55,000)		(55,000)
<i>Net cash used in financing activities</i>	(42,467)		(34,277)
<b>Net increase in cash and cash equivalents</b>	31,707	8,190 <sup>(1)(v)</sup>	39,897
<b>Cash and cash equivalents at 1 January 2007</b>	12,269		12,269
<b>Cash and cash equivalents at 31 December 2007</b>	43,976		52,166

For the purpose of the unaudited pro forma combined cash flow statement, the year end cash and cash equivalents comprise the following:

	As at 31 December 2007 RMB'000
Cash at banks	52,086
Cash on hand	80
Cash and cash equivalents	52,166

The accompanying notes form an integral part of and should be read  
in conjunction with these unaudited pro forma combined financial statements.

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## **ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007**

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### **NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

#### **1. INTRODUCTION**

The unaudited pro forma combined financial statements for the financial year ended 31 December 2007 has been prepared for inclusion in the Prospectus in connection with the Invitation by Qian Feng Fabric Tech Limited. ("the Company") and should be read in conjunction with the audited combined financial statements for the year ended 31 December 2007.

Pursuant to Section 23 of Part IX of the Fifth Schedule of the Securities Futures Regulations, the unaudited pro forma combined financial statements for the financial year ended 31 December 2007 have been prepared based on the audited combined financial statements of the Group.

The unaudited pro forma combined financial statements of the Group for the financial year ended 31 December 2007 are expressed in Renminbi ("RMB"), being the reporting currency of the Group, and have been prepared in accordance with the historical cost convention. The unaudited pro forma combined financial statements of the Group for the financial year ended 31 December 2007 are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

#### **2. BASIS OF PRESENTATION OF UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

The unaudited pro forma combined financial statements, which comprises the unaudited pro forma combined income statement, unaudited pro forma combined balance sheet, unaudited pro forma combined statement of changes in equity and unaudited pro forma combined cash flow statement, set up herein have been prepared for illustrative purposes only to show what the financial positions of the Group as at 31 December 2007, the financial results, changes in equity and cash flows for the financial year ended 31 December 2007 would have been based on certain assumptions and after making certain adjustment as described in Note 3.

The unaudited pro forma combined financial statements are prepared for illustrative purposes only to show the effect on:-

- (i) the financial results of the Group for the financial year ended 31 December 2007 would have been if the capital structure changes had occurred since the beginning of the financial year being reported on;
- (ii) the financial position of the Group as at 31 December 2007 would have been if the capital structure changes had occurred on that date; and
- (iii) the equity changes and cash flows of the Group for the financial year ended 31 December 2007 would have been if the capital structure changes had occurred at the beginning of the financial year.

The unaudited pro forma combined financial statements were based on the audited combined financial statements of the Group for the financial year ended 31 December 2007 and have been prepared for illustrative purposes only, and because of its nature, may not give a true picture of the actual results, financial position, changes in equity and cash flows of the Group. The audited combined financial statements are not subject to any qualification. For the purpose of preparing this set of unaudited pro forma combined financial statements, the directors have not considered the effects of other events other than those discussed in Note 3 below.

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## ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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### NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

#### 3. SIGNIFICANT CAPITAL STRUCTURE CHANGES

Saved for the following changes to capital structure, the directors of the Company, as at date of this report, are not aware of any other significant acquisition/disposal of assets, entity or business by the Group after 31 December 2007 and significant changes to the capital structure of the Company after 31 December 2007:-

- (I) On 18 January 2008, the Company entered into an investment agreement with the Tranche 2 Pre-IPO Investors whereby the Tranche 2 Pre-IPO investors agreed to subscribe for redeemable convertible bonds for an aggregate consideration of S\$3.0 million (equivalent to RMB15,182,000) from the Company in consideration for the right to convert the redeemable convertible bonds into fully paid new ordinary shares ("Conversion Shares") of the Company ("Conversion Right").
- (II) On 7 May 2008, the Tranche 1 Pre-IPO Investors exercised their conversion rights and 28,846,154 Shares of US\$0.05 each were allotted and issued to the Tranche 1 Pre-IPO Investors at S\$0.104 per Share.  
  
On 7 May 2008, the Tranche 2 Pre-IPO Investors exercised their conversion rights and 19,370,766 Shares of US\$0.05 each were allotted and issued to the Tranche 2 Pre-IPO Investors at S\$0.156 per Share.
- (III) On 5 May 2008, in settlement of the balance of such loan from the shareholders cum directors amounting to US\$341,256 (equivalent to RMB2,441,000), Mega-Gain allotted and issued 341,256 Ordinary shares of US\$1.00 each as fully paid in its share capital to Mr Lin Daoqin and Mr Su Chi-ho in the proportion of 50% and 50% respectively.
- (IV) Pursuant to a share sale agreement dated 8 January 2008 entered into between the Company of the one part and Mdm Lin Xiujin of the other part, the Company acquired the entire equity of Fujian Jiamei, from Mdm Lin Xiujin at an aggregate consideration of approximately US\$2,379,000 based on the paid-up capital of Fujian Jiamei as at 31 December 2007. The consideration for the Company's acquisition of Fujian Jiamei was satisfied by (i) the payment of S\$2,918,784 (equivalent to US\$2,062,162) by the Company to Mdm Lin Xiujin and (ii) the payment of S\$448,453 (equivalent to US\$316,838) by the Company to Fujian Jiamei in settlement of an amount of RMB2,276,411 (equivalent to US\$316,838) owing by Mdm Lin Xiujin to Fujian Jiamei. The transfer of 100% equity in Fujian Jiamei to the Company was approved by Fuqing Foreign Trade and Economic Cooperation Bureau on 22 January 2008. The acquisition was completed on 3 February 2008.
- (V) As at the date of the Prospectus, the Company paid an aggregate of S\$1,384,615 to the Pre-IPO Investors pursuant to a price adjustment clause following the fixing of the Invitation Price, in accordance with the investment agreements ("Cash Adjustment").

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## ANNEX H: UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

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### NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

#### 3. SIGNIFICANT CAPITAL STRUCTURE CHANGES (CONTINUED)

Based on the above capital structure changes, the following material adjustments have been made to the combined financial statements of the Group in arriving at the unaudited pro forma combined financial statements included herein:

<u>Adjustment (I)</u>		<u>RMB'000</u>
Debit	Cash and bank balances	15,182
Credit	Convertible bonds	15,182

This pro forma adjustment is raised to recognise the pro forma effect of subscription of Convertible Notes by the Pre-IPO investors.

This has no material impact to the pro forma income statements as the proceeds from issuance of Convertible Bonds has no impact on the combined income statements. Any impact of recognising the pro forma interest income arising from deposits earned from financial institution is not expected to be material.

<u>Adjustment (II)</u>		<u>RMB'000</u>
Debit	Convertible bonds	30,364
Credit	Share capital	16,544
Credit	Share premium	13,820

This pro forma adjustment is raised to recognise the pro forma effect of the exercise of Conversion Right by the Pre-IPO investors and Conversion Shares allotted and issued to the Pre-IPO investors.

<u>Adjustment (III)</u>		<u>RMB'000</u>
Debit	Amount owing to shareholders cum directors	2,441
Credit	Share capital	2,441

This pro forma adjustment is raised to recognise the pro forma effect of capitalising the amount owing to shareholders cum directors by the issuance of new ordinary shares in Mega-Gain.

<u>Adjustment (IV)</u>		<u>RMB'000</u>
Debit	Share capital	2,277
Credit	Amount owing by a shareholder cum director	2,277

This pro forma adjustment is raised to recognise the pro forma effect of capital reduction arising from the Restructuring Exercise.

<u>Adjustment (V)</u>		<u>RMB'000</u>
Debit	Share premium	6,992
Credit	Cash and bank balances	6,992

This pro forma adjustment is raised to recognise the pro forma effect of the Cash Adjustment.



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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### 1. Name of the Scheme

The Scheme shall be called the “Qian Feng Employee Share Option Scheme”.

### 2. Definitions

2.1 In this Scheme, except where the context otherwise requires, the following words and expressions shall have the following meanings:

“Acceptance Period”	The period within which an Option may be accepted, as described in Rule 7.1
“Act”	The Companies Act (Chapter 50) of the laws of Singapore as amended or modified from time to time
“Adoption Date”	The date on which the Scheme is adopted by the Shareholders at a general meeting
“Aggregate Subscription Cost”	The total amount payable for the Shares to be subscribed for on the exercise of an Option
“Associate”	<p>(a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:-</p> <p>(i) his immediate family;</p> <p>(ii) the trustees, acting in their capacity as such trustees, of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</p> <p>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more</p> <p>(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more</p>
“Associated Company”	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company has control
“Auditors”	The auditors for the time being of the Company
“Bermuda Companies Act”	The Companies Act 1981 of Bermuda (as amended, supplemented or modified from time to time)
“Board”	The board of directors for the time being of the Company
“CDP”	The Central Depository (Pte) Ltd
“CPF”	Central Provident Fund

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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“Committee”	A committee comprising directors of the Company, duly authorised and appointed by the Board to administer the Scheme
“Company”	Qian Feng Fabric Tech Limited, a company incorporated in Bermuda
“Control”	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company being controlled
“Controlling Shareholder”	<p>A person who:-</p> <p>(a) has an interest in the voting shares of the Company of an aggregate of not less than 15% of the total votes attached to all voting shares in the Company; or</p> <p>(b) in fact exercises control over the Company</p>
“entity”	Includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust
“Group”	The Company and its subsidiaries
“Group Employee”	An executive or non-executive director of any member of the Group or a full-time employee of any member of the Group who is selected by the Committee to participate in the Scheme in accordance with Rule 4.1
“Incentive Option”	The right to subscribe for Shares granted or to be granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.1.2
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Market Price Option”	The right to subscribe for Shares granted or to be granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.1.1
“Offer Date”	The date on which an Option is granted pursuant to Rule 6.1
“Option”	A Market Price Option or an Incentive Option, as the case may be
“Option Period”	The period for the exercise of an Option as set out in Rule 9.1
“Participant”	The holder of an Option
“Rules”	The rules of the Scheme, as the same may be amended from time to time
“Scheme”	The Qian Feng Employee Share Option Scheme, as modified or altered from time to time

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	The registered holders for the time being of the Shares
“Shares”	Fully-paid ordinary shares of US\$0.05 each in the capital of the Company
“Subscription Price”	The price at which a Participant shall subscribe for each Share upon the exercise of an Option as determined in accordance with Rule 8.1.1 in relation to a Market Price Option or Rule 8.1.2 in relation to an Incentive Option, as adjusted in accordance with Rule 12
“Substantial Shareholder”	Shall bear the meaning set out in Section 81 of the Act
“S\$”	Singapore dollars
“%”	Per centum

- 2.2 The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.
- 2.3 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.
- 2.4 Words importing the singular number shall include the plural number where the context so admits and vice versa. Words importing the masculine gender shall include the feminine and neuter genders where the context so admits.
- 2.5 Any reference to a time of day shall be a reference to Singapore time.

### 3. Objectives

- 3.1 The Scheme is a share incentive scheme. The purpose of the Scheme is to provide an opportunity for directors and employees of the Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and the Group. The Scheme is proposed on the basis that it is important to acknowledge the contribution made by these directors and employees. The Company, by adopting the Scheme, will give Participants a stake in the Company with a view to achieving the following objectives:-
- 3.1.1 the motivation of Participants to optimise performance standards and efficiency and to maintain a high level of contribution;
- 3.1.2 the retention of key employees whose contributions are important to the long-term growth and profitability of the Group;
- 3.1.3 the attraction of potential employees capable of adding value to the Company;
- 3.1.4 the aligning of the interests of Participants with the interests of Shareholders; and
- 3.1.5 to instil loyalty to and a stronger sense of identification with the long-term prosperity of the Group.

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## **ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME**

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### **4. Participants**

- 4.1 The following persons are eligible to participate in the Scheme at the absolute discretion of the Committee:-
- 4.1.1 confirmed full-time employees of the Group who have attained the age of 21 years on or before the Offer Date;
  - 4.1.2 directors of the Company and its subsidiaries who perform an executive function; and
  - 4.1.3 non-executive directors of the Company and its subsidiaries.
- 4.2 Persons who are Controlling Shareholders or their Associates shall (notwithstanding that they may meet the eligibility criteria in Rule 4.1) not participate in the Scheme.
- 4.3 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any of the other companies within the Group or any other corporation.

### **5. Limitations on the Size of the Scheme**

- 5.1 The aggregate number of Shares over which Options may be granted, when added to the number of Shares issued and issuable in respect of all Options granted under the Scheme, shall not exceed 15% of the issued share capital of the Company on the date preceding the Offer Date of an Option.
- 5.2 The number of Shares in respect of which Options may be offered to any Group Employee for subscription in accordance with the Scheme shall be determined at the absolute discretion of the Committee which shall take into account (where applicable) criteria such as rank, responsibilities, past performance, years of service, contributions to the Group and potential for future development of that Group Employee.

### **6. Offer Date**

- 6.1 The Committee may, subject to Rule 4, Rule 5 and Rule 12, grant Options at any time during the period when the Scheme is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, Options may only be granted on or after the second Market Day from the date on which such announcement is released.
- 6.2 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A, subject to such modifications as the Committee may from time to time determine.

### **7. Acceptance of Options**

- 7.1 The grant of an Option under this Rule 7 shall be accepted within 30 days from the Offer Date of that Option, and in any event, not later than 5.00 pm on the 30<sup>th</sup> day from such Offer Date by completing, signing and returning the Acceptance Form in, or substantially in, the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration. The Option is deemed not accepted until actual receipt by the Company of the Acceptance Form.
- 7.2 The Company shall be entitled at its absolute discretion to reject any purported acceptance of the grant of an Option made pursuant to this Rule 7 which does not strictly comply with the terms and conditions of the Scheme.

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## **ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME**

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- 7.3 An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior written approval of the Committee.
- 7.4 In the event that the grant of an Option results in a contravention of any applicable law, subsidiary legislation or other regulation, such grant shall be null, void and of no effect and the relevant Participant shall have no claim whatsoever against the Company.
- 7.5 Unless the Committee determines otherwise, the grant of an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:-
- 7.5.1 it is not accepted in the manner as provided in Rule 7.1 within the Acceptance Period; or
  - 7.5.2 the Participant dies prior to his acceptance of the Option; or
  - 7.5.3 the Participant is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
  - 7.5.4 the Participant ceases to be in the employment of the Group or ceases to be a director of the Company or its subsidiaries, in each case, for any reason whatsoever, prior to his acceptance of the Option; or
  - 7.5.5 the Company is liquidated or wound up prior to the Participant's acceptance of the Option.

### **8. Subscription Price**

- 8.1 Subject to any adjustment pursuant to Rule 12, the Subscription Price for each Share in respect of which an Option is exercisable shall be fixed by the Committee at:-
- 8.1.1 a price (the "Market Price") equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for the three consecutive Market Days immediately preceding the Offer Date of that Option, rounded up to the nearest whole cent;
  - 8.1.2 a price which is set at a discount to the Market Price, provided that:-
    - 8.1.2.1 the maximum discount shall not exceed 20% of the Market Price; and
    - 8.1.2.2 the prior approval of the Shareholders of the Company in general meeting shall have been obtained for the making of offers and grants of Options under the Scheme at a discount not exceeding the maximum discount as aforesaid in a separate resolution.
- 8.2 The Subscription Price shall in no event be less than the par value of each Share.

### **9. Exercise of Options**

- 9.1 Subject as provided in this Rule 9 and Rule 10 and any other conditions as may be introduced by the Committee from time to time, each Option shall be exercisable, in whole or in part, as follows:-
- 9.1.1 in the case of a Market Price Option, during the period commencing after the first anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date; and

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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- 9.1.2 in the case of an Incentive Option, during the period commencing after the second anniversary of the Offer Date and expiring on the tenth anniversary of such Offer Date, save that the Option Period for any Option granted to a Participant who is a non-executive director (including independent director) of the Company or its subsidiaries shall expire on the fifth anniversary of the Offer Date.
- 9.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the Scheme until such time as it shall lapse in accordance with the Scheme.
- 9.3 An Option shall, to the extent unexercised, immediately lapse without any claim whatsoever against the Company:-
- 9.3.1 subject to Rules 9.4 and 9.5, upon the Participant ceasing to be in the full-time employment of the Group, or in the case of a Participant who is a non-executive director of a company within the Group, ceasing to be a director of such company, for any reason whatsoever;
- 9.3.2 upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option;
- 9.3.3 in the event of any misconduct on the part of the Participant as determined by the Committee in its sole and absolute discretion or any breach of any regulation of the Group, such breach being regarded as serious by the Committee in its absolute discretion; or
- 9.3.4 upon the company by which the Participant is employed ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group.
- For the purpose of Rule 9.3.1, the Participant shall be deemed to have ceased to be so employed as of the date of the notice of termination or resignation, as the case may be, unless such notice shall be withdrawn prior to its effective date.
- 9.4 If a Participant ceases to be employed by the Group by reason of his:-
- 9.4.1 ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- 9.4.2 redundancy;
- 9.4.3 retirement at or after the legal retirement age; or
- 9.4.4 retirement before the legal retirement age with the consent of the Committee,
- or any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period, and upon the expiry of such period, the Option shall immediately lapse and become null and void.
- 9.5 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Participant within the relevant Option Period, and upon the expiry of such period, the Option shall immediately lapse and become null and void.

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### 10. Take-over and winding up

- 10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise any Option held by him and as yet unexercised, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-

10.1.1 the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Option Period relating thereto); or

10.1.2 the date of expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall lapse and become null and void.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Bermuda Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 9, remain exercisable until the expiry of the Option Period relating thereto.

- 10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 9 but subject to Rule 10.5, to exercise any Option then held by him, in respect of such number of Shares comprised in that Option as may be determined by the Committee in its absolute discretion, during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.
- 10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 10.4 In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Participants (together with a notice of the existence of the provision of this Rule 10.4) and thereupon, each Participant (or his legal personal representative) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the Aggregate Subscription Cost whereupon the Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Participant credited as fully paid.



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## **ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME**

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10.5 If in connection with the making of a general offer referred to in Rule 10.1 or a scheme referred to in Rule 10.2 or a winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 10.

10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.

### **11. Manner of Exercise**

11.1 Subject to Rule 9.1, an Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in, or substantially in, the form set out in Schedule C, subject to such modification as the Committee may from time to time determine. Such notice must be accompanied by payment in cash for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, the relevant documentation required by the Committee and the Aggregate Subscription Cost.

11.2 All payments shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.

11.3 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Scheme and the Memorandum of Association and Bye-laws of the Company, the Company shall, within ten Market Days after the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.

11.4 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares, if necessary.

11.5 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account of that Participant maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.

11.6 Shares allotted and issued on the exercise of an Option shall be subject to all the provisions of the Bermuda Companies Act and the Memorandum of Association and Bye-laws of the Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or after the relevant exercise date of the Option, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

### **12. Variation of Capital**

12.1 If a variation in the issued ordinary share capital of the Company (whether by way of rights issue, capitalisation of profits or reserves, reduction of capital, subdivision, consolidation or distribution of Shares or otherwise) shall take place:

12.1.1 the Subscription Price for the Shares, the class and/or number of Shares comprised in an Option to the extent unexercised; and/or

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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- 12.1.2 the class and/or number of Shares over which additional Options may be granted under the Scheme, shall be adjusted in such manner as the Committee may deem to be appropriate.
  - 12.2 Unless the Committee considers an adjustment to be appropriate:
    - 12.2.1 the issue of securities as consideration for an acquisition or a private placement of securities; or
    - 12.2.2 the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force,

shall not normally be regarded as a circumstance requiring adjustment.
  - 12.3 Notwithstanding the provisions of Rule 12.1:
    - 12.3.1 any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable; and
    - 12.3.2 no adjustment shall be made in such a way that any Participant receives a benefit that a Shareholder does not receive.
  - 12.4 Upon any adjustment required to be made pursuant to this Rule 12, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Subscription Price thereafter in effect and the class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.
- 13. Administration**
- 13.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.
  - 13.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit. Any matter pertaining to the Scheme and any dispute and uncertainty as to the interpretation of the Scheme, any rule, regulation or procedure thereunder or any rights under the Scheme shall be determined by the Committee.
  - 13.3 Neither the Scheme nor the grant of Options under the Scheme shall impose on the Company or the Committee any liability whatsoever in connection with:-
    - 13.3.1 the lapsing or early expiry of any Options pursuant to any provision of the Scheme;
    - 13.3.2 the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Scheme; and/or
    - 13.3.3 any decision or determination of the Committee made pursuant to any provision of the Scheme.
  - 13.4 Any decision or determination of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final, binding and conclusive.

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### 14. Notices and Annual Report

- 14.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.
- 14.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.
- 14.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 14.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of despatch.
- 14.4 The Company shall disclose the following (as applicable) in its annual report for so long as the Scheme continues in operation:
- 14.4.1 the names of the members of the Committee administering the scheme; and
- 14.4.2 the information required in the table below for the following Participants:
- 14.4.2.1 directors of the Company; and
- 14.4.2.2 Participants, other than those in Rule 14.4.2.1 above, who receive 5% or more of the total number of Shares available under the Scheme.

Name of Participant	Number of Shares comprised in Options granted during financial year under review (including terms)	Aggregate number of Shares comprised in Options granted since commencement of Scheme to end of financial year under review	Aggregate number of Shares comprised in Options exercised since commencement of Scheme to end of financial year under review	Number of Shares comprised in Options outstanding as at end of financial year under review

- 14.4.3 In respect of Incentive Options, the following disclosure shall be made:-
- 14.4.3.1 the number of Incentive Options granted at a discount of 10% or less and proportion to Market Price Options during the financial year under review; and
- 14.4.3.2 the number of Incentive Options granted at a discount of more than 10% and proportion to Market Price Options during the financial year under review.

If any of the above requirements is not applicable, an appropriate negative statement shall be included therein.

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## **ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME**

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### **15. Modifications to the Scheme**

- 15.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:
- 15.1.1 no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in the number of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;
  - 15.1.2 any modification or alteration which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of the Shareholders in general meeting; and
  - 15.1.3 no modification or alteration shall be made without the prior approval of such regulatory authorities as may be necessary, and any modification or alteration shall comply with the listing rules of SGX-ST.
- 15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Committee may at any time by resolution (and without other formality) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provisions or regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Participants.

### **16. Terms of employment unaffected**

The terms of employment of a Participant shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

### **17. Duration of the Scheme**

- 17.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Shareholders by way of an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.
- 17.2 The Scheme may be terminated at any time by the Committee or, at the discretion of the Committee, by an ordinary resolution passed by the Shareholders at a general meeting, subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.
- 17.3 The termination, discontinuance or expiry of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 7.1, whether such Options have been exercised (whether fully or partially) or not.

### **18. Taxes**

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

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## **ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME**

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### **19. Costs and expenses**

- 19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank.
- 19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

### **20. Disclaimer of liability**

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 11.4 (and any other stock exchange on which the Shares are quoted or listed).

### **21. Abstention from voting**

Shareholders who are eligible to participate in the Scheme shall abstain from voting on any resolution relating to the Scheme.

### **22. Disputes**

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

### **23. Condition of Option**

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction.

### **24. Governing law**

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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Schedule A

### QIAN FENG EMPLOYEE SHARE OPTION SCHEME

#### LETTER OF OFFER

Serial No: \_\_\_\_\_

Date: \_\_\_\_\_

To: [Name]  
[Designation]  
[Address]

**Private and Confidential**

Dear Sir/Madam,

We have the pleasure of informing you that you have been nominated to participate in the Qian Feng Employee Share Option Scheme (the "Scheme") by the Committee appointed by the Board of Directors of Qian Feng Fabric Tech Limited (the "Company") to administer the Scheme. Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of S\$1.00, an offer is hereby made to grant you an Option to subscribe for and be allotted \_\_\_\_\_ Shares at the price of S\$\_\_\_\_\_ for each Share.

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.

The Option shall be subject to the terms and conditions of this Letter of Offer and the Scheme (as the same may be amended from time to time pursuant to the terms and conditions of the Scheme), a copy of which is enclosed herewith.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on \_\_\_\_\_, failing which this offer will forthwith lapse.

Yours faithfully  
For and on behalf of  
Qian Feng Fabric Tech Limited

\_\_\_\_\_  
Name:  
Designation:

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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### Schedule B

#### QIAN FENG EMPLOYEE SHARE OPTION SCHEME

#### ACCEPTANCE FORM

Serial No: \_\_\_\_\_

Date: \_\_\_\_\_

To: The Committee  
The Qian Feng Employee Share Option Scheme  
Qian Feng Fabric Tech Limited  
Jimei Textile Park  
Rongqiao Economic Technnology Development Zone (Fuxia Road)  
Fuqing City, Fujian Province 350301  
People's Republic of China

Closing Date for Acceptance of Offer : \_\_\_\_\_

Number of Shares Offered : \_\_\_\_\_

Subscription Price for each Share : S\$\_\_\_\_\_

Total Amount Payable : S\$\_\_\_\_\_  
(exclusive of the relevant CDP charges)

I have read your Letter of Offer dated \_\_\_\_\_ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for \_\_\_\_\_ Shares at S\$\_\_\_\_\_ for each Share and enclose cash for S\$1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP (if applicable) relating to or in connection with the issue and allotment of any Shares in CDP's name, the deposit of share certificate(s) with CDP, my securities account with CDP, or my securities sub-account with a CDP Depository Agent (as the case may be) (collectively, the "CDP charges").

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of the Shares or options to subscribe for such Shares.

I agree to keep all information pertaining to the grant of the Option to me strictly confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitutes the entire agreement between us relating to the offer.



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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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**PLEASE PRINT IN BLOCK LETTERS**

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

*\* Delete accordingly*

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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Schedule C

### QIAN FENG EMPLOYEE SHARE OPTION SCHEME

#### FORM OF EXERCISE OF OPTION

Serial No: \_\_\_\_\_

Date: \_\_\_\_\_

To: The Committee  
Qian Feng Employee Share Option Scheme  
Qian Feng Fabric Tech Limited  
Jimei Textile Park  
Rongqiao Economic Technnology Development Zone (Fuxia Road)  
Fuqing City, Fujian Province 350301  
People's Republic of China

Total number of ordinary shares of US\$0.05 each (the Shares) offered at S\$\_\_\_\_\_ for each Share under the Scheme on \_\_\_\_\_ (Offer Date) : \_\_\_\_\_

Number of Shares previously allotted thereunder : \_\_\_\_\_

Outstanding balance of Shares to be allotted thereunder : \_\_\_\_\_

Number of Shares now to be subscribed : \_\_\_\_\_

1. Pursuant to your Letter of Offer dated \_\_\_\_\_ and my acceptance thereof, I hereby exercise the Option to subscribe for \_\_\_\_\_ Shares in Qian Feng Fabric Tech Limited (the "Company") at S\$\_\_\_\_\_ for each Share.

2. I hereby request the Company to allot and issue the said Shares in the name of The Central Depository (Pte) Limited ("CDP") to the credit of my \*Securities Account with CDP/ Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and to deliver the share certificate(s) relating thereto to CDP at my own risk. I further agree to bear such fees or other charges as may be imposed by CDP and any stamp duty payable in respect thereof:

\* (i) Direct Securities Account No. : \_\_\_\_\_

\* (ii) Securities Sub-Account No. : \_\_\_\_\_

Name of Depository Agent : \_\_\_\_\_

\* (iii) CPF Investment Account No. : \_\_\_\_\_

Name of Agent Bank : \_\_\_\_\_

3. I enclose a \*cheque/cashier's order/banker's draft/postal order no. \_\_\_\_\_ for S\$\_\_\_\_\_ in payment for the subscription for the total number of the said Shares.

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## ANNEX I: RULES OF THE QIAN FENG EMPLOYEE SHARE OPTION SCHEME

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4. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Qian Feng Employee Share Option Scheme (as the same may be amended pursuant to the terms thereof from time to time) and the Memorandum of Association and Bye-laws of the Company.
5. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.

### PLEASE PRINT IN BLOCK LETTERS

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

*\* Delete accordingly*





乾豐集團  
QIAN FENG GROUP

**QIAN FENG FABRIC TECH LIMITED**  
(Company Registration No. 41195)  
(Incorporated in Bermuda on 10 December 2007)