
CONNECTED TRANSACTIONS

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During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in note 29(a) to the accountants’ report set out in appendix I to this [●]. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described below, these related party transactions have discontinued before the [●]. These related party transactions, if continue after the listing of our Shares, may constitute connected transactions under [●].

Following the listing of our Shares on the [●]s, the following transactions will continue between our Group and the relevant connected persons, which will constitute continuing connected transactions under [●].

Exempt Continuing Connected Transactions

The following transactions have been carried out by our Group and its connected persons which constitute continuing connected transactions which are exempt from all reporting, announcement and independent shareholders’ approval requirements set out in Chapter 20 of [●], and are expected to continue following the listing of our Shares on the [●]:

Lease Agreement with Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司)
(“*Jiangxi Hongfeng*”)

On 23 November 2008 and 26 June 2009, Xiefeng Textile, as tenant, entered into a lease agreement and a supplemental agreement, respectively (together, the “Lease Agreement”) with Jiangxi Hongfeng, as lessor, for a term commencing from 1 January 2009 and ending on 31 December 2011 in respect of the two plants locate at [Fengshou Industrial Park, Wannian County], Jiangxi, the PRC with a total gross floor area of approximately [3,828] sq.m. for use by Xiefeng Textile for production at [an annually rental of RMB[144,000]. Xiefeng Textile had paid the full year rental of RMB144,000 for the year 2009. From 2010 onwards, the rent shall be paid every quarter.]

[At the time of its establishment, Cai’s International held 55% equity interest in Jiangxi Hongfeng, with the remaining 45% being held by an [Independent Third Party]. In March 2009, Cai’s International and the other shareholder of Jiangxi Hongfeng agreed to transfer all their respective interests in Jiangxi Hongfeng to Hong Feng International Holdings Limited (泓峰國際控股有限公司). A confirmed by our Directors, except for holding of the above-mentioned plants and the relevant piece of land where the plants are located, Jiangxi Hongfeng has no other substantial operations.

Mr. Cai SY and Mr. Cai Jiabo (蔡家搏), a son of Mr. Cai SP and one of our senior management, were directors of Jiangxi Hongfeng . Currently, Mr. Cai SY is a director, Mr. Cai Jiabo (蔡家搏) is the general manager and Ms. Xu Pingping (許萍萍), the spouse of Mr. Cai Jiabo (蔡家搏), is the supervisor of Jiangxi Hongfeng.

CONNECTED TRANSACTIONS

Hong Feng International Holdings Limited (泓峰國際控股有限公司) is a company with limited liability incorporated in the BVI in October 2008 and is principally engaged in investment holding. Hong Feng International Holdings Limited (泓峰國際控股有限公司) is owned by Mr. Cai SY and Mr. Cai SP, each as to 50% since its incorporation. Mr. Cai SY and Mr. Cai SP are also its directors.]

As Mr. Cai SY and Mr. Cai SP are Controlling Shareholders and Directors, Jiangxi Hongfeng is a connected person of our Company within the meaning of [●]. Accordingly, the arrangements under the Lease Agreement constitute a continuing connected transaction under [●].

[●], an independent valuer of our Company, considers that the annual rent payable under the Lease Agreement was fair and reasonable and did not exceed market rental.

Our Directors (including our independent non-executive Directors) are of the view that the Lease Agreement with Jiangxi Hongfeng has been entered into on normal commercial terms, in the ordinary and usual course of business of our Group and that the terms of the Lease Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

It is expected that the rental to be payable by our Group on an annual basis under the Lease Agreement will be RMB144,000 for each of the three years ending 31 December 2011.

Since each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to Rule 20.33 of [●], for the Lease Agreement with Jiangxi Hongfeng on an annual basis is less than 2.5% and the annual consideration payable under the Lease Agreement is less than HK\$1,000,000, the Lease Agreement is exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of [●].

Lease Agreement with Mr. Tsoi Kam On (蔡金鉸)

On 15 March 2009 and 26 June 2009, Xiefeng Textile, as tenant, entered into a lease agreement and a supplemental agreement, respectively (together, the "Lease Agreement") with Mr. Tsoi Kam On (蔡金鉸), as lessor, for a term commencing from 15 March 2009 and ending on 14 March 2012 in respect of the premises locate at [2/F, Industrial Building West, No.4 Chengzhou Industrial Zone, Fengze District, Quanzhou], Fujian, the PRC with a total gross floor area of approximately [600] sq.m. for use by Xiefeng Textile as the office premises at [an annually rental of RMB[28,800] by quarterly payment.] Mr. Tsoi Kam On (蔡金鉸) is the brother of Mr. Cai SY and is thus a connected person of our Company within the meaning of [●]. Accordingly, the arrangements under the Lease Agreement constitute a continuing connected transaction under [●].

[●], an independent valuer of our Company, considers that the annual rent payable under the Lease Agreement was [fair and reasonable and did not exceed market rental.

During the Track Record Period, the rental paid for the office premises by our Group to Mr. Tsoi Kam On (蔡金鉸) amounted to RMB[47,000], RMB[47,000] and RMB[12,000].

CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) and the [●] are of the view that the Lease Agreement with Mr. Tsoi Kam On (蔡金鉸) has been entered into on normal commercial terms, in the ordinary and usual course of business of our Group and that the terms of the lease agreement are fair and reasonable and in the interests of our Shareholders as a whole.

It is expected that the rental to be payable by our Group on an annual basis under the Lease Agreement will be RMB[28,800] for each of the three years ending 31 December 2011.

Since each of the percentage ratios (other than the profit ratio), where applicable, calculated by reference to Rule 20.33 of [●], for the Lease Agreement with Mr. Tsoi Kam On (蔡金鉸) on an annual basis is less than [2.5% and the annual consideration payable under the lease agreement is less than HK\$1,000,000], the Lease Agreement is exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 20 of [●].