信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

[Date]

The Directors
Jiangchen International Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding Jiangchen International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended 31 December 2007 and 2008 and the three months ended 31 March 2009 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 December 2007 and 2008, and 31 March 2009, together with the notes thereto (the "Financial Information") for inclusion in the [●] of the Company dated [●] (the "[●]").

The Company was incorporated in the Cayman Islands on 10 June 2009 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group [●] (the "[●]") as detailed in the section headed "Corporate [●]" in Appendix V to the [●], which was completed on [●], the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned [●].

As at the date of this report, no audited financial statements have been prepared for the Company and the companies now comprising the Group, except for Wannian Xian Xiefeng Textiles and Garments Co., Ltd.* (萬年縣協豐紡織服飾有限公司) ("Xiefeng Textile"), Wan Nian County Xiang Yue Fibers and Fabrics Co., Ltd.* (萬年縣祥雲纖維紡織有限公司) ("Xiangyun Fiber") and Jiangxi Province Wan Nian Xing Textiles and Dress Co., Ltd.* (江西省萬年興紡織服裝有限公司) ("Wannianxing Textile"), as they have either not carried on any business since their respective dates of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation. We have, however, reviewed all significant transactions of these companies from their respective dates of incorporation to 31 March 2009 for the purpose of this report.

* *English name is for identification only.*

All companies now comprising the Group have adopted 31 December as the financial year end date. The statutory financial statements of Xiefeng Textile, Xiangyun Fiber and Wannianxing Textile, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC"), were audited during the Relevant Periods by the respective statutory auditors as indicated below:

Name of subsidiary	Financial year	Statutory auditors
Xiefeng Textile	Year ended 31 December 2007	Jiangxi Zhongshen Certified Public Accountants Shang Rao Branch* 江西中審會計師事務所有限責任公司上饒分所
	Year ended 31 December 2008	Shang Rao HuaXin LianHe Certified Public Accountants* 上饒華信聯合會計師事務所
Xiangyun Fiber	Year ended 31 December 2007	Jiangxi Zhongshen Certified Public Accountants Shang Rao Branch* 江西中審會計師事務所有限責任公司上饒分所
	Year ended 31 December 2008	Shang Rao HuaXin LianHe Certified Public Accountants* 上饒華信聯合會計師事務所
Wannianxing Textile	Year ended 31 December 2007	Jiangxi Zhongshen Certified Public Accountants Shang Rao Branch* 江西中審會計師事務所有限責任公司上饒分所
	Year ended 31 December 2008	Shang Rao HuaXin LianHe Certified Public Accountants* 上饒華信聯合會計師事務所

* *English name is for identification only*

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group on the basis set out in Note 1 of Section A below, after making such adjustments as appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies as stated in Note 3 of Section A to conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the [●] of Securities on the Growth Enterprise Market (the "[●]") of The [●] of Hong Kong Limited (the "[●]"). HKFRSs include Hong Kong Accounting Standards and interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information 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.

Our responsibility is to form an opinion on the Financial Information based on our audit.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "[●] and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 March 2009.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the Financial Information 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 the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report and on the basis of presentation set out in Note 1 of Section A below, all adjustments considered necessary have been made to the Financial Information which gives a true and fair view of the Group's combined results, combined changes in equity and combined cash flows for the Relevant Periods, and of the Group's combined state of affairs as at 31 December 2007 and 2008, and 31 March 2009.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group comprising the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the three months ended 31 March 2008, together with notes thereon (the "March 2008 Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the March 2008 Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. According, we do not express an audit opinion on the March 2008 Financial Information.

Base on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the March 2008 Financial Information is not prepared, in all material aspects, in accordance with the same basis adopted in respect of the Financial Information.

(A) FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		Three months ended 31 March	
	Notes	**2007**	**2008**	**2008**	**2009**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Turnover	*7*	106,928	144,164	28,738	35,500
Cost of sales		(92,242)	(125,331)	(25,042)	(30,426)
Gross profit		14,686	18,833	3,696	5,074
Other operating income	*9*	25	56	9	24
Selling and distribution costs		(226)	(359)	(46)	(161)
Administrative expenses		(966)	(1,059)	(255)	(303)
Finance costs	*10*	(27)	(78)	(17)	(60)
Profit before tax	*11*	13,492	17,393	3,387	4,574
Income tax expense	*12*	–	–	–	–
Profit and total comprehensive income for the year/period		13,492	17,393	3,387	4,574
Earnings per share (RMB):					
Basic	*14*	0.036	0.047	0.009	0.012

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*16*	6,560	6,081	6,580
Prepaid lease payments	*17*	2,079	2,035	2,023
		8,639	8,116	8,603
Current assets				
Inventories	*18*	11,583	14,220	4,764
Trade and other receivables	*19*	11,134	21,591	30,130
Prepaid lease payments	*17*	44	44	44
Amounts due from related parties	*20*	1,015	1,045	50
Bank balances and cash	*21*	307	3,911	4,046
		24,083	40,811	39,034
Current liabilities				
Trade and other payables	*22*	9,036	12,480	5,797
Amounts due to controlling shareholders	*23*	5,343	–	–
Amount due to a related party	*20*	2,238	106	–
Secured bank borrowings	*24*	–	1,922	2,847
Total current liabilities		16,617	14,508	8,644
Net current assets		7,466	26,303	30,390
Net assets		16,105	34,419	38,993
Capital and reserves				
Share capital	*25*	23,215	24,135	24,135
Reserves		(7,110)	10,284	14,858
Total equity		16,105	34,419	38,993

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory reserves	(Accumulated losses) retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
At 1 January 2007	22,431	9	–	(20,611)	1,829
Capital injection	784	–	–	–	784
Total comprehensive income for the year	–	–	–	13,492	13,492
At 31 December 2007	23,215	9	–	(7,119)	16,105
Capital injection	920	1	–	–	921
Total comprehensive income for the year	–	–	–	17,393	17,393
Transfer	–	–	1,027	(1,027)	–
At 31 December 2008	24,135	10	1,027	9,247	34,419
Total comprehensive income for the period	–	–	–	4,574	4,574
At 31 March 2009	24,135	10	1,027	13,821	38,993

	Share capital	Capital reserve	Statutory reserves	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)					
At 1 January 2008	23,215	9	–	(7,119)	16,105
Capital injection	87	–	–	–	87
Total comprehensive income for the period	–	–	–	3,387	3,387
At 31 March 2008	23,302	9	–	(3,732)	19,579

Note: Statutory reserves were established in accordance with the relevant PRC rules and regulations for the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective directors.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Three months ended 31 March	
	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
OPERATING ACTIVITIES				
Profit before tax	13,492	17,393	3,387	4,574
Adjustments for:				
Amortization of prepaid lease payments	44	44	12	12
Depreciation on property, plant and equipment	479	479	120	130
Finance costs	27	78	17	60
Bank interest income	(25)	(56)	(9)	(24)
OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL	14,017	17,938	3,527	4,752
Decrease (increase) in inventories	972	(2,637)	(3,544)	9,456
Decrease (increase) in trade and other receivables	2,618	(10,457)	3,243	(8,539)
Increase (decrease) in trade and other payables	6,349	3,444	3,926	(6,683)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	23,956	8,288	7,152	(1,014)
INVESTING ACTIVITIES				
(Advances to) repayments from related parties	(70)	(30)	60	995
Interests received	25	56	9	24
Purchase of items of property, plant and equipment	–	–	–	(629)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(45)	26	69	390

	Year ended 31 December		Three months ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
FINANCING ACTIVITIES				
Repayment to a related party	(17,224)	(2,132)	(2,132)	(106)
Repayments to controlling shareholders	(6,040)	(5,343)	–	–
Repayment of bank borrowings	(2,900)	(5,929)	–	(1,922)
Interest paid	(27)	(78)	(17)	(60)
New bank borrowings raised	1,700	7,851	2,000	2,847
Capital injections	784	921	87	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(23,707)	(4,710)	(62)	759
NET INCREASE IN CASH AND CASH EQUIVALENT	204	3,604	7,159	135
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	103	307	307	3,911
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	307	3,911	7,466	4,046

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Xiefeng Textile, Xiangyun Fiber, Wannianxing Textile, Cai's International Holdings Limited ("Cai's International"), Newshine International Limited ("Newshine") and Sino Prosper (Asia) Limited ("Sino Prosper") and the Company are ultimately controlled by Mr. Cai Shuiyong (蔡水泳) ("Mr. Cai SY") and Mr. Cai Shuiping (蔡水平) ("Mr. Cai SP") (the "ultimate shareholders") and are primary engaged in the manufacturing and wholesaling of apparels to domestic import and export companies and overseas trading companies (the "Apparel Business") and investment holding during the Relevant Periods. Pursuant to the [●] as detailed in the section headed "Corporate [●]" in Appendix V to the [●], in preparation for the [●] of the shares of the Company on the [●] and for the purpose of rationalizing the Group's structure, the Company acquired the entire equity interests in Xiefeng Textile, Xiangyun Fiber and Wannianxing Textile, through Newshine and Sino Prosper from Cai's International in June 2009. As a result, the Apparel Business had been transferred to the Company and its subsidiaries following the [●].

As Mr. Cai SY and Mr. Cai SP ultimately controlled the Apparel Business before and after the [●] and, consequently there was a continuation of the risks and benefits to the ultimate shareholders, the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the combining companies are combined using the existing book values from the ultimate shareholders' perspective.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods include the results of operations of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the entire periods referred to in this report, or since the dates of their incorporation where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2007 and 2008, and 31 March 2009 have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on combination.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment	Equity interest attributable to the Group Direct	Indirect	Issued and fully paid share capital/ registered capital	Principal activities
Newshine	19 June 2009	The British Virgin Islands (the "BVI")	100%	–	USD1	Investment holding
Sino Prosper	27 May 2009	Hong Kong	–	100%	HK$1	Investment holding
Xiefeng Textile#	21 December 2004	The PRC	–	100%	HK$3,200,000	Manufacturing and wholesaling of apparels
Xiangyun Fiber#	26 May 2005	The PRC	–	100%	US$1,300,000	Manufacturing and wholesaling of apparels
Wannianxing Textile#	13 May 2005	The PRC	–	100%	US$1,300,000	Manufacturing and wholesaling of apparels

These entities are wholly-foreign owned enterprise established in the PRC and have operating periods of 30 years.

The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has consistently adopted all the revised HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("INT(s)") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2009.

The Group has not early applied the following new and revised standards, amendments or INTs that have been issued but are not yet effective as at the date of this report.

HKFRSs (Amendments)	Improvement of HKFRSs May 2008[1]
HKFRSs (Amendments)	Improvement of HKFRSs April 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 39 (Amendment)	Eligible hedged item[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[3]
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs[4]
HKFRS 2 (Amendment)	Share based Payment – Group cash-settled share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[3]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-INT 18	Transfers of Assets from Customers[6]

1 Amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods beginning on or after 1 January 2010.
5 Effective for annual periods ending on or after 30 June 2009.
6 Effective for transfer of assets from customers received on or after 1 July 2009.

The directors of the Company anticipates that the adoption of new and revised standards, amendments and INTs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. These accounting policies have been consistently applied throughout the Relevant Periods.

In addition, the Financial Information includes applicable disclosures required by the [●] on the [●] and by the Hong Kong Companies Ordinance.

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, the combined financial information incorporates the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimate residual value, using the straight-line method.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the combined statements of comprehensive income in the year/period in which the item is derecognized.

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire leasehold land interests. The prepaid lease payments are stated at cost less accumulated amortization and accumulated impairment losses, amortization is charged to the combined statements of comprehensive income over the period of the land use right using the straight-line method.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items at fair value are included in profit or loss for the period.

Borrowing costs

All borrowing costs are recognized as and included in finance costs in the combined statements of comprehensive income in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the group or a joint venture in which the group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group. Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Interest income is recognized on an effective interest basis.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and bank balances and cash) are carried at amortized cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period ranging from 90 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and as equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expenses is recognized on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to controlling shareholders and a related party and secured bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment loss recognized in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

Estimated impairment of property, plant and equipment

The management of the Group determines whether the property, plant and equipment is impaired at least on an annual basis. The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the Relevant Periods.

Estimated impairment of inventories

The management of the Group reviews an aging analysis at the end of each reporting periods, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting periods and makes allowance for obsolete items. No impairment was provided during the Relevant Periods.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes secured bank borrowings disclosed in Note 24 and equity attributable to the owners of the parent, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts or the repayment of existing debts. The Group's overall strategy remains unchanged throughout the Relevant Periods.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	As at 31 December		**As at 31 March**
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Loan and receivables (including cash and cash equivalents)	7,744	23,563	30,392
Financial liabilities at amortized cost	16,617	14,302	8,050

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from related parties, bank balances and cash, trade and other payables, amount(s) due to controlling shareholders and a related party, and secured bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Certain subsidiaries of the Company have foreign currency sales, which exposes the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain trade receivables and bank borrowings of the Group are denominated in currencies other than RMB.

The following table shows the Group's exposure at the end of each reporting periods to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	As at 31 December		**As at 31 March**
	2007	**2008**	**2009**
United States Dollar ("USD")	*'000*	*'000*	*'000*
Assets	293	1,118	1,407
Liabilities	–	282	417

The Group is mainly exposed to the currency of USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be negative.

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit for the year/period	107	286	338

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 24 for details) for the year ended 31 December 2008 and three months ended 31 March 2009. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group is also exposed to interest rate risk relates to bank balances carried at prevailing market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

(iii) Credit risk

At the end of each of the reporting periods the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting periods to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has concentration of credit risk as 39%, 22% and 38% of the total trade receivables as at 31 December 2007 and 2008, and 31 March 2009 was due from the Group's largest trade receivable and 90%, 74% and 74% of the total trade receivables as at 31 December 2007 and 2008, and 31 March 2009 was due from the five largest trade receivables, respectively. In the opinion of directors of the Company, the risk is gradually reduced as the Group's customer base has been diversified and became less concentrated during the Relevant Periods.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 64%, 56% and 62% of the total trade receivables as at 31 December 2007 and 2008, and 31 March 2009, respectively.

The Group has no other significant concentration of credit risk, with exposure spreading over a number of counterparties.

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and other source of fundings and considers the risk is minimal.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial instruments, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group will be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average effective interest rate	**Carrying amounts**	**Total undiscounted cash flows and due within one year**
		RMB'000	*RMB'000*
As at 31 December 2007			
Non-derivative financial liabilities			
Trade and other payables	–	9,036	9,036
Amounts due to controlling shareholders	–	5,343	5,343
Amount due to a related party	–	2,238	2,238
		16,617	16,617
As at 31 December 2008			
Non-derivative financial liabilities			
Trade and other payables	–	12,274	12,274
Amount due to a related party	–	106	106
Secured bank borrowings	6.8%	1,922	1,932
		14,302	14,312
As at 31 March 2009			
Non-derivative financial liabilities			
Trade and other payables	–	5,203	5,203
Secured bank borrowings	6.8%	2,847	2,851
		8,050	8,054

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instrument.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values due to their short-term maturities.

7. TURNOVER

Turnover represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes, for the Relevant Periods and the three months ended 31 March 2008.

8. SEGMENT INFORMATION

The Group's turnover and profit during the Relevant Periods and the three months ended 31 March 2008 were mainly derived from manufacturing and wholesaling of apparels. Accordingly, no segment analysis by business segment is provided for the Relevant Periods.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Year ended 31 December		Three months ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Turnover based on geographical locations				
Hong Kong	1,378	6,608	1,626	3,278
PRC (excluding Hong Kong)	104,735	128,371	27,112	30,196
Others	815	9,185	–	2,026
	106,928	144,164	28,738	35,500

An analysis of segment assets and capital expenditure by geographical area in which the assets are located has not been presented as the Group's assets are substantially located in the PRC.

9. OTHER OPERATING INCOME

	Year ended 31 December		Three months ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Bank interest income	25	56	9	24

10. FINANCE COSTS

	Year ended 31 December		Three months ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on bank borrowings wholly repayable within one year	27	78	17	60

11. PROFIT BEFORE TAX

	Year ended 31 December		Three months ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax has been arrived at after charging:				
Directors' emoluments *(Note 13)*	60	63	15	16
Other staff costs	13,838	17,782	3,643	4,175
Retirement benefits scheme contributions, excluding directors	–	1,730	–	763
Total staff costs	13,898	19,575	3,658	4,954
Amortization of prepaid lease payments	44	44	12	12
Auditors' remuneration	8	9	–	–
Cost of inventories recognised	92,242	125,331	25,042	30,426
Depreciation of property, plant and equipment	479	479	120	130
Exchange loss	–	185	49	7
Operating lease rental paid in respect of rented premises	94	86	22	66

12. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided for in the Financial Information as there were no assessable profits derived from Hong Kong during the Relevant Periods and the three months ended 31 March 2008.

Pursuant to the relevant laws and regulations in the PRC, Xiefeng Textile, Xiangyun Fiber and Wannianxing Textile (the "PRC subsidiaries") are exempted from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years (the "Tax exemptions"). The basic tax rate is 33%, 25% and 25% for each of the two years ended 31 December 2007 and 2008 and the three months ended 31 March 2009, respectively.

For the year ended 31 December 2007, no provision for PRC Enterprise Income Tax has been made in the Financial Information as the PRC subsidiaries had sufficient tax losses brought forward from previous years to offset the estimated assessable income for that year and accordingly did not have any assessable income.

For the year ended 31 December 2008 and the three months ended 31 March 2009, no provision for PRC Enterprise Income Tax has been made in the Financial Information as the PRC subsidiaries were exempted from PRC Enterprise Income Tax.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by order No.63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 33% to 25% for subsidiaries in the PRC from 1 January 2008. The PRC subsidiaries which are currently entitled to the Tax exemptions from 1 January 2008 would continue to enjoy such treatments until the Tax exemptions period expires, but not beyond 2012.

The income tax expense for the Relevant Periods and the three months ended 31 March 2008 can be reconciled to the profit before tax per the combined statements of comprehensive income as follows:

	Year ended 31 December		Three months ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Profit before tax	13,492	17,393	3,387	4,574
PRC Enterprise Income Tax rate	33%	25%	25%	25%
Tax at the PRC Enterprise Income Tax rate	4,452	4,348	847	1,144
Tax effect of expenses not deductible for tax purpose	151	296	11	115
Tax effect of tax exemption granted to PRC subsidiaries	–	(3,377)	(193)	(1,259)
Utilization of tax losses previously not recognized	(4,603)	(1,267)	(665)	–
Income tax expense for the year/ period	–	–	–	–

At 31 December 2007 and 2008, and 31 March 2009, the Group had unused tax losses of approximately RMB5,068,000, Nil and Nil, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses will expire after five years from the year of assessment to which they related to.

Under the New Law of PRC, withholding tax is imposed on dividends in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). As at 31 December 2008, deferred taxation has not been provided for in the Financial Information in respect of temporary difference attributable to the "Post-2008 Earnings" as the Group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

Details of emoluments paid to the directors for the Relevant Periods and the three months ended 31 March 2008 are as follows:

Name	Fees	Salaries, and other allowance	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2007				
Executive director:				
Mr. Cai SY	–	60	–	60
Mr. Cai SP	–	–	–	–
Independent Non-executive director:				
Mr. Lin Anqing (林安慶)	–	–	–	–
Ms. Lin Peifen (林佩芬)	–	–	–	–
Mr. Liu Jianlin (劉建林)	–	–	–	–
Total	–	60	–	60
For the year ended 31 December 2008				
Executive director:				
Mr. Cai SY	–	60	3	63
Mr. Cai SP	–	–	–	–
Independent Non-executive director:				
Mr. Lin Anqing (林安慶)	–	–	–	–
Ms. Lin Peifen (林佩芬)	–	–	–	–
Mr. Liu Jianlin (劉建林)	–	–	–	–
Total	–	60	3	63
For the three months ended 31 March 2008 (unaudited)				
Executive director:				
Mr. Cai SY	–	15	–	15
Mr. Cai SP	–	–	–	–
Independent Non-executive director:				
Mr. Lin Anqing (林安慶)	–	–	–	–
Ms. Lin Peifen (林佩芬)	–	–	–	–
Mr. Liu Jianlin (劉建林)	–	–	–	–
Total	–	15	–	15

Name	Fees	Salaries, and other allowance	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the three months ended 31 March 2009				
Executive director:				
Mr. Cai SY	–	15	1	16
Mr. Cai SP	–	–	–	–
Independent Non-executive director:				
Mr. Lin Anqing (林安慶)	–	–	–	–
Ms. Lin Peifen (林佩芬)	–	–	–	–
Mr. Liu Jianlin (劉建林)	–	–	–	–
Total	–	15	1	16

(b) Employees

Details of emoluments of the five highest paid individuals of the Group for the Relevant Periods and the three months ended 31 March 2008 are set out below.

	Year ended 31 December		Three month ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries and other allowances	192	192	48	48
Retirement benefit scheme contributions	–	7	–	2
	192	199	48	50
Number of director	1	1	1	1
Number of other employees	4	4	4	4
	5	5	5	5

Note: The emolument of each of the above employees is below RMB880,000 (approximately HK$1,000,000).

During the Relevant Periods and the three months ended 31 March 2008, no emoluments were paid by the Group to any director or the five highest paid individuals (including director and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the director waived any emoluments during the Relevant Periods and the three months ended 31 March 2008.

14. EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods and the three months ended 31 March 2008 is based on the profit attributable to owners of the parent for each of the Relevant Periods and the three months ended 31 March 2008 and on the basis of 370,000,000 shares of the Company in issue and issuable at the date of [●].

There was no dilutive earnings presented as there were no dilutive potential ordinary shares outstanding during the Relevant Periods and the three months ended 31 March 2008.

15. DIVIDEND

No dividends have been paid or declared by the Company since the date of its incorporation on 10 June 2009.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Machinery**	**Office equipment, furniture and fixtures**	**Leasehold improvement**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2007, 31 December 2007 and 31 December 2008	4,918	2,639	111	–	7,668
Additions	–	44	–	585	629
At 31 March 2009	4,918	2,683	111	585	8,297
ACCUMULATED DEPRECIATION					
At 1 January 2007	239	383	7	–	629
Provided for the year	222	237	20	–	479
At 31 December 2007	461	620	27	–	1,108
Provided for the year	222	237	20	–	479
At 31 December 2008	683	857	47	–	1,587
Provided for the period	56	60	5	9	130
At 31 March 2009	739	917	52	9	1,717
CARRYING VALUES					
At 31 December 2007	4,457	2,019	84	–	6,560
At 31 December 2008	4,235	1,782	64	–	6,081
At 31 March 2009	4,179	1,766	59	576	6,580

All the buildings of the Group are situated on land with medium-term land use rights in the PRC.

The above items of property, plant and equipment are depreciated on a straight-line basis. The estimated useful lives of the property, plant and equipment are as follows:

Buildings	20 years or over the lease term of the relevant land, whichever is shorter
Machinery	10 years
Office equipment, furniture and fixtures	5 years
Leasehold improvement	5 years or over the relevant lease, whichever is shorter

17. PREPAID LEASE PAYMENTS

	As at 31 December		**As at 31 March**
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
The Group's prepaid lease payments comprise:			
Leasehold land in the PRC under medium-term lease	2,123	2,079	2,067
Analysed for reporting purposes as:			
Current asset	44	44	44
Non-current asset	2,079	2,035	2,023
	2,123	2,079	2,067

The prepaid lease payments are amortized over the lease term of 50 years.

18. INVENTORIES

	As at 31 December		**As at 31 March**
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,600	94	909
Work-in-progress	5,685	10,995	876
Finished goods	4,298	3,131	2,979
	11,583	14,220	4,764

19. TRADE AND OTHER RECEIVABLES

	As at 31 December		**As at 31 March**
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	6,169	17,249	25,519
Prepayments and deposits *(Note a)*	1,477	1,085	3,206
Other receivables *(Note b)*	3,488	3,257	1,405
	11,134	21,591	30,130

Notes:

a. As at 31 December 2007 and 2008, and 31 March 2009, included in prepayments and deposits are rental deposit paid and prepaid rentals and certain expenses amounting to approximately Nil, RMB832,000 and RMB359,000, respectively paid to a related party, Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司) ("Hongfeng Textile"), a company in which Mr. Cai SY and Mr. Cai SP have beneficial interests.

b. As at 31 December 2007 and 2008, and 31 March 2009, included in other receivables of approximately RMB150,000, RMB410,000 and RMB410,000, respectively are staff advance made to Mr. Cai Jiabo (蔡家搏), who is the son of Mr. Cai SP. The amount has been fully settled as at the date of this report.

The Group generally allows an average credit period of 90 to 180 days to its trade customers, where payment in advance is normally required.

The aged analysis of the Group's trade receivables is as follows:

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 90 days	5,613	15,650	22,045
91 – 180 days	518	775	3,409
181 – 365 days	38	780	65
Over 365 days	–	44	–
Total	6,169	17,249	25,519

No impairment loss is provided for the trade receivables that are neither past due nor impaired because these receivables are within credit period granted to the respective customer and the management considers the default rate is low for such receivables based on historical information and past experience.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history and substantial settlement from those receivables of the Group which are past due but not impaired for the Relevant Periods, the directors of the Company consider that no allowance is required.

Ageing of trade receivables which are past due but not impaired:

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**<90 days**	**91 – 180 days**	**181 – 365 days**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2007	6,169	6,131	–	38	–
2008	17,249	16,417	651	137	44
2009	25,519	24,351	1,103	65	–

The Group does not hold any collateral over these balances.

The above Group's trade receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		As at 31 March
	2007	2008	2009
	'000	*'000*	*'000*
USD	293	1,118	1,407

20. AMOUNTS DUE FROM (TO) RELATED PARTIES

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Non-trading in nature			
Ms. Cai Shuyan (蔡淑燕)) *(Note a)*	20	50	50
Jiangxi Jianfa Real Estate Development Co., Ltd. (江西建發房地產開發有限公司) ("Jianfa Real Estate") *(Note b)*	995	995	–
Total amounts due from related parties	1,015	1,045	50
Maximium amount outstandings during the year/ period			
Ms. Cai Shuyan (蔡淑燕)	20	50	50
Jianfa Real Estate	995	995	995

The amounts are unsecured, non-interest bearing and are repayable on demand. The amounts due from related parties were fully settled as at the date of this report.

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Amount due to a related party			
Non-trading in nature			
Mr. Tsoi Kam On (蔡金銨) *(Note c)*	2,238	106	–

The amount due to a related party is unsecured, non-intrest bearing and was fully settled during the Relevant Periods.

Notes:

a. Ms. Cai Shuyan (蔡淑燕) is the spouse of Mr. Cai SY.

b. Mr. Cai SY and Mr. Cai SP have beneficial interests in Jianfa Real Estate.

c. Mr. Tsoi Kam On (蔡金銨) is the brother of Mr. Cai SY.

21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The bank balances and bank deposits carry average interest rate of 0.72%, 0.69% and 0.36% per annum for each of the two years ended 31 December 2007 and 2008, and the three months period ended 31 March 2009, respectively.

22. TRADE AND OTHER PAYABLES

The aged analysis of the Group's trade payables is as follows:

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
0 – 30 days	6,689	5,570	2,008
31 – 90 days	136	3,493	492
91 – 180 days	–	–	190
Over 180 days	676	676	676
	7,501	9,739	3,366
Other payables	1,430	2,623	2,314
Accruals	105	118	117
	9,036	12,480	5,797

23. AMOUNTS DUE TO CONTROLLING SHAREHOLDERS

The payables arose from temporary fund transfers, which are non-trade in nature.

The amounts are unsecured, non-interest bearing and were fully settled during the Relevant Periods.

24. SECURED BANK BORROWINGS

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings due within one year	–	1,922	2,847

The bank borrowings carry fixed interest rates of Nil, 6.8% and 6.8% per annum for each of the two years ended 31 December 2007 and 2008, and the three months period ended 31 March 2009, respectively.

At 31 December 2008 and 31 March 2009, the bank borrowings are secured by:

– certain assets of the Group as set out in Note 28;

– land and buildings owned by an independent third parties, Wannian County Meiling Apparel and Knitting Co. Ltd. (萬年縣美岭服飾織造有限公司) ("Meiling"), a company wholly-owned by one of the Group's customers ("Secured Land and Buildings"); and

– guaranteed by Mr. Cai SY and Mr. Cai SP.

The directors of the Company are of the opinion that no consideration paid or payable to Meiling for the provision of the above security to the Group and the Group did not provide any cross guarantee to Meiling during the Relevant Periods.

In addition, at 31 December 2008, the bank borrowings were also secured by personal guarantee provided by Mr. Cai Jiabo (蔡家搏).

The guaranteed provided by Mr. Cai SY, Mr. Cai SP and Mr. Cai Jiabo (蔡家搏) and the Secured Land and Buildings will be released upon the [●] of the Company's share on the [●].

The above Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December		As at 31 March
	2007	2008	2009
	'000	*'000*	*'000*
USD	–	282	417

25. SHARE CAPITAL

As the Company was not yet incorporated prior to 31 March 2009 and the [●] was not completed as at 31 March 2009, the share capital in the combined statements of financial position as at 31 December 2007 and 2008, and 31 March 2009 represented the combined capital of the companies now comprising the Group in which the owners of the parent held direct interests.

26. RETIREMENT BENEFIT SCHEME

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participates in social insurance schemes operated by the relevant local government authorities. The insurance premium is borned by the Group on a specified proportion of the employee's salaries laid down under relevant PRC laws.

During the Relevant Periods and the three months ended 31 March 2008, the total amounts contributed by the Group to the schemes and cost charged to the combined statements of comprehensive income represent contribution paid or payable to the scheme by the Group at rates or amount specified in the rules of the schemes.

The Group has no significant obligation apart from the contribution as above as at the end of each reporting periods.

27. OPERATING LEASE COMMITMENTS

The Group's leases certain of its office premises and production plants under operating lease arrangements with leases negotiated for an average term of 2 to 3 years and rentals are fixed.

At the end of each reporting periods, the Group had the followings future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		As at 31 March
	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*
Within one year	78	172	219
In the second to fifth year inclusive	24	288	302
	102	460	521

As at 31 December 2008 and 31 March 2009, included in the above are commitments under non-cancellable operating leases of approximately RMB432,000 and RMB396,000, respectively which expire in 2011 payable to Hongfeng Textile and approximately Nil and RMB84,000, respectively which expire in 2012 payable to Mr. Tsoi Kam On (蔡金鞍), respectively.

28. PLEDGED OF ASSETS

The Group had pledged certain of its buildings, prepaid lease payments and machinery to secure banking facilities granted to the Group at the end of each reporting periods. The carrying values of the assets pledged are as follows:

	As at 31 December		As at 31 March
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	–	3,456	4,179
Prepaid lease payments	–	2,079	2,067
Machinery	–	1,252	1,199
	–	6,787	7,445

29. RELATED PARTY TRANSACTIONS

(a) Except as disclosed elsewhere in the Financial Information, the Group entered into the following significant related party transactions during the Relevant Periods and the three months ended 31 March 2008:

	Year ended 31 December		Three months ended 31 March	
	2007	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Hongfeng Textile				
– rental expense paid	–	–	–	36
Mr. Tsoi Kam On				
– rental expense paid	47	47	12	12

In the opinion of the directors of the Company, the above transactions were conducted on normal commercial terms and in the ordinary course of business. The directors of the Company have confirmed that the above transactions will continue in the future after the [●] of the Company's shares on the [●].

(b) The directors of the Company considered that the directors and the five highest paid individuals are the key management of the Group where emoluments have been disclosed in Note 13. The directors of the Company have confirmed that the above transactions will continue in the future after the [●] of the Company's shares on the [●].

C. SUBSEQUENT EVENTS

The following significant transaction took place subsequent to 31 March 2009:

(a) [●]

The Company was incorporated on 10 June 2009 and the companies comprising the Group underwent a [●] to rationalize the Group's structure in preparation for the [●] of the Company's shares on the GEM of the [●] in [Date]. Details of the [●] are set out in the section headed "Corporate [●]" in Appendix V to the [●]. As a result of the [●], the Company became the holding company of the Group on 2009.

(b) Subsequent bank borrowing

In May 2009, the Group borrowed a bank borrowing of RMB2,000,000. The borrowing was secured by buildings of Hongfeng Textile. It is the intention of the Directors of the Company will fully repay the loan upon the [●] of the Company's share on the [●] by utilizing internal resources and such pledged buildings will be released at that time.

(c) Valuation of properties and prepaid lease payments

For the purpose of the [●] of the Company's shares on the GEM of the [●], the properties and prepaid lease payments of the Group were revalued as at 30 June 2009 by [●], an independent property valuer.

The valuation gave rise to a revaluation surplus of approximately RMB 1,856,000 from the carrying amount of the relevant assets at that date. According to the Group's accounting policy, the revaluation surplus will not be recorded in the Group's Financial Information. If the revaluation surplus were to be included in the Group's Financial Information, additional depreciation and amortization charge would be approximately RMB45,000 per annum. Details of the valuation are set out in the independent property valuers' certificate in Appendix III to the [●].

D. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable by the Company to the Company's directors in respect of the Relevant Periods.

E. SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2009.

Yours faithfully,
SHINEWING (HK) CPA Limited
Certified Public Accountants
Lo Wa Kei
Practising Certificate Number: P03427

Hong Kong