

SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

There are always risks associated with any investment. Some of the particular risks in investing in the Placing Shares are summarised in the section headed “Risk factors” in this Prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

OVERVIEW

Based in Jiangxi province of the PRC, we are principally engaged in the manufacturing and wholesaling of apparels on an OEM basis. Our OEM products are mainly sold to domestic import and export companies and overseas trading companies for export, which the identities of the ultimate customers are unknown to us. To the best knowledge of our Directors, some of our products sold to the domestic import and export companies and overseas trading companies are exported to developing countries in South America, the Middle East and Europe. The designs, specifications and labels of the OEM products are provided by our customers. However, we source all the principal raw materials, such as fabric and accessories by ourselves in the PRC. We are also engaged in the manufacturing and wholesaling of products that are designed by us to domestic distributors for sales in the PRC. In March 2008, we have established a wholesale outlet in Wannian county, Jiangxi province, the PRC for marketing and sales of products designed by us using “e號倉庫” as our brand name. Our products for domestic sales target low-income group customers with an average annual income of less than RMB25,000. Prior to March 2008, products designed by us for domestic sales to domestic distributors did not affix any trademark registered in the PRC nor contain any brand name. Most of our OEM products and products designed by us are low-end apparels with average selling price ranged from approximately RMB8 to RMB55.

Our products can be broadly categorised into cotton and sweat jacket, sportswear and leisurewear, trousers and children garment. The following table sets forth an analysis of the sales of our products by product types during the Track Record Period:–

Product type	Year ended 31 December		Year ended 31 December		Three months ended 31 March 2009	
	2007 RMB'000	%	2008 RMB'000	%	RMB'000	%
Cotton and sweat jacket	55,727	52.1	88,131	61.1	21,198	59.7
Sportswear and leisurewear	45,365	42.4	39,777	27.6	8,768	24.7
Trousers	146	0.2	2,357	1.6	1,457	4.1
Children garment	2,704	2.5	11,951	8.3	3,299	9.3
Others (Note)	2,986	2.8	1,948	1.4	778	2.2
Total	106,928	100.0	144,164	100.0	35,500	100.0

Note: Others include singlets, skirts and pajamas.

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The following table sets forth an analysis of the sales of our products by sales channels during the Track Record Period:–

Sales channel	Year ended 31 December				Three months ended	
	2007		2008		31 March 2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
To domestic import and export companies and overseas trading companies for export	106,777	99.9	138,570	96.1	33,529	94.4
To local distributors or by our wholesale outlet located in Wannian County for domestic sales	151	0.1	5,594	3.9	1,971	5.6
Total	106,928	100.0	144,164	100.0	35,500	100.0

As advised by our legal advisers as to PRC laws, we have obtained all the necessary licenses, approvals and permits from the appropriate regulatory authorities for our business operations in the PRC and have complied with all relevant laws and regulations in relation to environmental protection, welfare contribution and safety matters.

OUR COMPETITIVE STRENGTHS

We believe that our success to date and potential for future growth can be attributed to a combination of strengths, including the following:

Good control over manufacturing costs

Our production facilities are strategically located in Wannian county, Jiangxi province, where the costs of human resources and land are relatively lower compared to coastal cities in the PRC. In addition to the lower costs, we have been able to complete our orders on time and within budgeted costs, riding on the experience of our management team in the apparel business.

Consistency in quality of our products

We have established quality control procedures throughout the entire production process to ensure the quality of our products are consistent. Raw materials, as well as finished products, are inspected and those that do not meet customers' specifications are rejected. As our workers are paid on a piece-by-piece basis and the products must

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meet our required quality standard before delivery, our Directors believe that this policy is an important factor in motivating our workers to maintain a high quality standard.

A profitable track record

Our Group has been operating a profitable business that generates positive cashflows during the Track Record Period. We were able to alleviate external financing facilities from our operations as a substantial portion of our working capital requirements had been satisfied with internally generated funds.

Continous relationships with customers

We have built up and were able to maintain continuous relationships with our major customers. Our business relationships with our top five largest customers for the year ended 31 December 2008 have been established for more than 2 years. Our Directors believe that this has contributed to the success of our Group. They also attribute the continuous relationships with our customers to product quality, the ability to fill orders within a required timeframe and the competitive pricing of our products.

Experienced management team

We have an experienced management team, which focuses on different business areas and possesses extensive operating experience and industry knowledge. Mr. Cai SY and Mr. Cai SP, our executive Directors, have over 14 and 8 years of experience respectively in business management and clothing industry. Our management team also has a proven track record in directing turnaround situation. Each of our three operating subsidiaries was operating at a loss before Mr. Cai SY and Mr. Cai SP, being our Controlling Shareholders, acquired all the operating subsidiaries through Cai's International in 2006. With extensive operating experience and industry knowledge, our existing management team has strong sales and marketing skills which contribute to the significant increase in revenue after the acquisition by our Controlling Shareholders in 2006. Mr. Cai SY has also successfully introduced several new customers to our Group. Three of these new customers turned out to be the three largest customers of our Group, which accounted for approximately 97.9%, 80.8% and 79.5% of our total turnover during the Track Record Period. With a view to reduce overhead expenses and to improve the manufacturing efficiency, the existing management team has also taken certain measures including, inter alia, consolidated three management teams into one core team to manage the sales and productions of our three operating subsidiaries. Under this structure, we have experienced strong growth in sales whilst our operating expenses have significantly dropped since the acquisition in 2006. As a result, our Group became profitable over the Track Record Period. We believe that our management team's extensive experience and proven ability in the apparel industry are important to the development of our business.

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OUR BUSINESS OBJECTIVES

Our objective is to become one of the major budget apparel manufacturers and wholesalers in the PRC. Having a stable business relationship with domestic import and export companies, we will continue to expand our export business by focusing on developing countries. We also intend to expand our wholesale business into the rural areas in the PRC, which our Directors consider as having a promising potential for our products.

OUR BUSINESS STRATEGIES

We intend to strengthen our existing presence among companies for export and capture the new business potential from rural households by adopting the following strategies in the future:

1. *Expansion of our new product design capacity and brand building*

We will enhance our product design capacity by establishing a research and development department under Xiefeng Textile in Wannian County. This department will be supervised by Mr. Cai Jiabo (蔡家搏), our marketing director. Initially, we plan to hire three new staff members with relevant experience in product design and marketing of garments within one year after the Listing. The team will be focusing on new product designs to cater for different target customers. Besides, they will conduct research on production materials and manufacturing processes, with a view to cope with the latest trends and market demands on production materials, improve productivity with reduced material waste and better quality control.

Our Directors consider that as brand loyalty among rural households at present is relatively low, we intend to implement a branding strategy in marketing our products in rural households by building up a brand image among rural households under our trademark 珍珠泉 ZHENZHUQUAN, which we acquired from an Independent Third Party in June 2009. Our Directors believe that the increase in brand awareness will boost our profile in the PRC, which in turn will increase the sales of our products and facilitate our growth in the future.

2. *Expansion of our production capacity*

At present, we have three production plants located in Jiangxi province, the PRC with a production capacity of approximately 6,240,000 pieces of apparels for the year ended 31 December 2008. To cope with our anticipated business expansion, we plan to increase our production capacity in Jiangxi province, the PRC by establishing new production facilities with an annual production capacity of approximately 2,500,000 pieces of apparels.

3. *Expansion of our sales and distribution channel*

We will continually expand our distribution base and market coverage to ensure our presence in markets that we consider to have growth potential. Three additional sales and marketing staff members will be recruited within one year after the Listing.

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We will also strategically consider establishing twenty wholesale outlets in the PRC by 31 December 2011. At present, we target to establish distribution outlets in Fuzhou, Jiangxi, Zhejiang and Guangxi province for marketing and sales of our products under our brand name by entering into lease agreements. Our Directors will take into account factors such as location, rentals, duration of lease and other commercial terms in determining the distribution outlet locations. At present, we are actively evaluating a number of possible leasing properties suitable for the operation of distribution outlets but we have yet entered into any binding leasing agreement. In addition, we will deploy resources in promoting and marketing our brand and our products in the PRC.

RISK FACTORS

We consider that our business is subject to a number of risk factors, which can be summarized as follows:

Risks relating to our Business

- Heavy reliance on our major customers
- Possible infringements of our trademarks, designs and counterfeit products
- Possible infringements of others' trademarks and designs
- No assurance that future business plans will materialize
- Product liability and insurance coverage
- Fluctuations in the purchase price of production materials
- Reliance on key executives and skilled labor
- Occurrence of acts of god, acts of war, epidemics and other disasters
- Climate change may affect demand for certain of our products
- Our cost advantage may not be sustainable

Risks relating to the Industry

- Competition
- Potential risk of imposition of anti-dumping or other duties

Risks relating to Conducting Operations in China

- Political, economic and social consideration
- Legal consideration
- Currency conversion in the PRC and exchange rate risk
- Preferential tax treatment

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- Implementation of the new employment contract law

Risks related to the Placing

- Marketability and possible price and trading volume volatility of the Placing Shares
- No guarantee that dividends will be declared in the future
- Ability to raise capital in the future
- Uncertainty of forward-looking statements
- Reliability of facts and statistics

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TRADING RECORD

The following table presents our summary financial information for the Track Record Period which is extracted from the accountants' report set out in appendix I to this Prospectus. This summary should be read in conjunction with our financial information included in the accountants' report set out in appendix I to this Prospectus, including the notes thereto. Our financial information is prepared in accordance with HKFRSs.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

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

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COMBINED STATEMENTS OF FINANCIAL POSITION

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

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PLACING STATISTICS

Placing Price	HK\$0.30
Market capitalization (<i>note 1</i>)	HK\$111 million
Unaudited pro forma net tangible asset value per Share (<i>note 2</i>)	HK\$0.16

Notes:

- (1) The market capitalization is calculated on the basis of 370,000,000 Shares in issue and to be issued immediately after completion of the Placing and the Capitalization Issue.
- (2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information” in this Prospectus and on the basis of 370,000,000 Shares in issue and to be issued at the Placing price of HK\$0.30 per Share immediately following completion of the Placing and the Capitalization Issue but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued pursuant to the general mandate for the allotment and issue of Shares and Shares which may be repurchased by us pursuant to the general mandate for repurchase of Shares, respectively, as referred to in the paragraphs headed “Written resolutions of our sole Shareholder passed on 15 September 2009” and “Repurchase of Shares by our Company” in the section headed “Further information about our Company” in appendix V to this Prospectus.

DIVIDEND POLICY

We do not have any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to our Directors’ decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors that our Directors may consider relevant. Any final dividend for a financial year will be subject to our Shareholders’ approval.

Our Company was incorporated on 10 June 2009 and has not carried out any business since the date of our incorporation, save for the transactions related to the Reorganization. Accordingly, there was no reserve available for distribution to our Shareholders as at 31 March 2009.

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USE OF PROCEEDS

The net proceeds from the placing of the New Shares based on the Placing Price, after deducting related expenses, are estimated to be approximately HK\$15.0 million. Our Directors presently intend that the net proceeds will be applied as follows:

	From the Latest Practicable Date to 31 December 2009 <i>HK\$'000</i>	30 June 2010 <i>HK\$'000</i>	For the six months ending			Total <i>HK\$'000</i>
			31 December 2010 <i>HK\$'000</i>	30 June 2011 <i>HK\$'000</i>	31 December 2011 <i>HK\$'000</i>	
Expansion of our new product design capacity and brand building	2,200	450	450	450	450	4,000
Expansion of our production capacity	3,300	3,800	400	–	–	7,500
Expansion of our sales and distribution channel	700	600	600	600	600	3,100
	<u>6,200</u>	<u>4,850</u>	<u>1,450</u>	<u>1,050</u>	<u>1,050</u>	<u>14,600</u>

The balance of approximately HK\$0.4 million will be used as additional general working capital of our Group.

Our Directors consider that the net proceeds from the issue of the New Shares of about HK\$15.0 million will be sufficient to finance our business plans as schedule up to the two years ending 31 December 2011.

We will not receive any proceeds from the sale of the Sale Shares and the net proceeds of about HK\$7.5 million from the sale of the Sale Shares by the Vendor in the Placing will be for the account of the Vendor.

To the extent that the net proceeds from the issue of the New Shares are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed on short-term interest bearing deposits with authorized financial institutions.