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 2007		2008		Three months ended 31 March 2009	
	RMB'000	*%*	*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.

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 2007**		**2008**		**Three months ended 31 March 2009**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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.

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' specification are rejected. As our workers are paid on a piece-by-piece basis and the products must 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 as a substantial portion of our working capital requirements had been satisfied with internally generated funds from our operations.

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.

PRODUCTION

Production facilities and capabilities

As at the Latest Practicable Date, we operated a total of three production facilities located in Wannian county, Jiangxi province, the PRC. Our production facilities are mainly originated from our three PRC operating subsidiaries we acquired in 2006. Details of our production facilities and the utilization rates of our production facilities are summarized in the following table:

Name of production line	Year of establishment	Location	Approximate number of employees as at 31 March 2009	Approximate gross floor area (square meters) at 31 March 2009	Approximate output for the year ended 31 December 2008 (pieces)	Estimated maximum output for the year ended 31 December 2008 (pieces)	Approximate utilization rate for the year ended 31 December 2008
Wannianxing Textile	2005	Wannian County	495	4,575.96	2,367,380	2,496,000	95%
Xiefeng Textile	2004	Wannian County	296	3,828.77	1,283,154	1,497,600	86%
Xiangyun Fiber	2005	Wannian County	446	3,908.63	1,571,028	2,246,400	70%
			1,237		5,221,562	6,240,000	84%

Notes:

1. The estimated maximum annual output is calculated by multiplying the number of production equipment by its maximum output per day and the maximum number of working days a year.

2. With a view to expanding our production capacities, the production line of Xiefeng Textile has been relocated from Hu Yun Village, Wannian County, Jiangxi province to Feng Shou Industrial Park, Wannian county, Jiangxi province in January 2009. The production facility with gross floor area of approximately 2,154.60 square meters, located in Hu Yun Village, Wannian county, Jiangxi province, which has temporarily ceased production, will recommence production after completion of a production equipment enhancement at the facility by using internal resources in the second half of 2010. As the production line has been relocated with expanded production capacity from an estimated maximum annual output of 1,497,600 pieces in 2008 to about 1,797,120 pieces in 2009, our Directors consider that there will not be any impact on our operations and results before production recommences.

The plant where the production facilities of Xiefeng Textile is located has been leased from Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司), a company wholly-owned by Hong Feng International Holdings Limited (泓峰國際控股有限公司) which is owned as to 50% by Mr. Cai SY and as to 50% by Mr. Cai SP. The term of the lease is 3 years which commenced in January 2009 and is due to expire on 31 December 2011. The rental throughout the lease period is RMB144,000 per annum. Upon expiry of the existing lease agreement, Xiefeng Textile has the right to renew the lease for another three years under the same terms offered. Our Directors consider that we can secure a long term lease from our connected person without incurring substantial capital expenditure.

The lease between Xiefeng Textile and Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司) has been duly registered with the relevant authority. According to Jones Lang LaSalle Sallmanns Limited, an independent valuer of our Company, Xiefeng Textile production facilities are situated on parcels of land, which as advised by our legal advisers as to PRC laws, have proper land use right certificates and building ownership certificates. Having considered that there would be substantial costs involved in the acquisition of the leased property from Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司), our Directors consider it to be commercially beneficial for us to lease the property under normal commercial terms from our connected person. Details of the rental arrangement are set out in the section headed "Connected Transactions" of this Prospectus.

Should Xiefeng Textile is required to relocate from the leased plant of Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司), our Directors are of the view that given our labor intensive business nature and abundant land and plants available in Wannian county, we will be in a position to make relocation arrangement without encounter any major difficulties in securing a location in Wannian county to continue Xiefeng Textile's operation. Our Directors estimate that the time required from identifying a suitable plant to the completion of relocation of Xiefeng Textile's production line is about one month and the estimated relocation costs and loss of profit will be no more than RMB1.0 million. Our Directors advised that, barring any unforeseeable circumstances, there would not be any material disruption to our operation and business if we are forced to vacate from the plant.

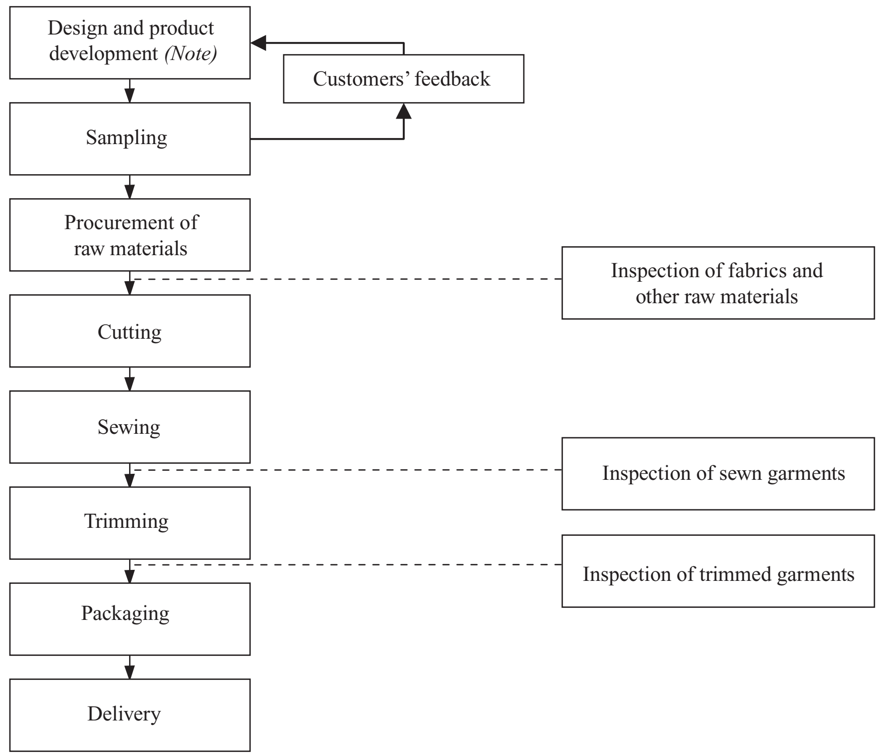
The production facilities of Wannianxing Textile and Xiangyun Fiber (property numbers 1 and 2 respectively as set out in the property valuation report attached as appendix III to this Prospectus) are situated at pieces of land owned by our Group, which proper land use right certificates and building ownership certificates have been obtained. Details of properties owned by or leased to us are set out in the property valuation report attached as appendix III to this Prospectus.

During the Track Record Period, we have not experienced any material machinery failure or equipment breakdown in our production facilities leading to material production interruption.

Production process

As our customers continue to demand for shorter delivery time, we have been focusing on driving efficiency through the production process during the Track Record Period. Our workers are grouped into small teams and each team is responsible for a particular process for the production of a garment. The production process of a garment is divided into a number of smaller tasks. The head of the production team will then distribute these tasks to the workers of small teams and more workers will be allocated to perform more time consuming tasks. As a result, our production efficiency can be significantly improved through the implementation of the above process.

The following flow chart illustrates the major production processes for our garments:



Note: Design and product development of our OEM products are provided by our OEM clients.

QUALITY CONTROL

We believe that the ability to produce high quality products to our customers is crucial to maintaining our relationship with our customers. As at 31 March 2009, we had about 53 staff members responsible for carrying out regular inspections and sample checkings of the production process to ensure that our products meet our required standard of quality and adhere to customers' specifications. Inspection is carried out at every key step of the production process, from initial checking of the quality of incoming raw materials to final inspection of finished apparels. All finished products are subject to final inspection before they are packed and delivered to customers.

We have put in place detailed work procedures and control mechanisms throughout the procurement and production process so that employees would have a clear understanding of their scope of work and our quality requirement. During the production process, some of our key customers will send their own representatives to our production facilities to monitor our production process and inspect our products.

SALES AND MARKETING

Sales and marketing strategy

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. We are also engaged in manufacturing and wholesaling of products which are designed by us to domestic distributors for sales in the PRC. In March 2008, we have established a wholesale outlet located 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. To the best knowledge of our Directors, most of our ultimate customers in the PRC belong to the income group that reside in secondary cities and in countryside with an average annual income of less than RMB25,000. Subject to promotional offers from time to time, the selling price of most of our OEM products and products designed by us ranged from approximately RMB8 to RMB55. The following table sets forth the price range of each category of our products:

Product type	**Price range** *RMB*
Cotton and sweat jacket	15 to 45
Sportswear and leisurewear	8 to 35
Trousers	40 to 55
Children garment	15 to 35
Others *(Note)*	10 to 30

Note: Others include singlets, skirts and pajamas.

Our OEM products manufactured and sold to domestic import and export companies and overseas trading companies are affixed with brand names provided by our customers. We have applied for the registration of "e號倉庫" as our trademark in the PRC in October 2008 and the registration is under process. Nevertheless, we have been using "e號倉庫" as our brand name since March 2008 to trade and market our own garments products. 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. In June 2009, we have acquired a trademark "珍珠泉 ZHENZHUQUAN" from an Independent Third Party. Our plan is to diversify our business into wholesaling with a target on low to middle income groups among rural households by building up and developing this newly acquired trademark.

Generally, we do not allow any sales return from our customers after quality control inspection and delivery of our products. As our workers are paid on a piece-by-piece basis and any work-in-progress apparels that do not meet our required quality standard are reworked, we have only recorded an immaterial rate of defective products during our production process. During the Track Record Period, our Directors estimate that the rate of defective products was less than 0.1% of the total actual output.

Normally deliveries of our apparels to our customers who are domestic import and export companies are handled by our customers and they will arrange for their own transportation from our factories to their designated locations at their own costs. For our customers who are domestic distributors and overseas trading companies, we generally deliver our apparels through third party logistic providers at our costs. During the Track Record Period, we have incurred approximately RMB2,000, RMB161,000 and RMB31,000 in engaging third party logistic providers. These outsourcing arrangements of cargo delivery allow us to reduce capital investment and streamline our operation.

Our sales office in Quanzhou, Fujian province, is principally responsible for soliciting customer orders, sales and marketing, raw materials procurement, samples making and production liaison with our production facilities in Jiangxi Province. From time to time, our sale representatives visit our customers to solicit new orders and to maintain customer relationships. Customers are also invited to visit our showroom at our sales office located in Quanzhou, Fujian province to view our latest product design displays and our production facilities located in Wannian county, Jiangxi province, the PRC to get a better understanding of our production capabilities and quality control measures. As at 31 March 2009, we had 8 staff responsible for carrying out such sales and marketing functions.

Our marketing strategy is to produce quality products at competitive price. 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:–

	Year ended 31 December				**Three months ended**	
Product type	**2007**		**2008**		**31 March 2009**	
	RMB'000	*%*	*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.

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 2007		2008		Three months ended 31 March 2009	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
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

Customers

Our major customers are import and export companies located in PRC as well as apparel trading companies in Hong Kong and overseas. During the Track Record Period, sales to domestically registered import and export companies and overseas (including Hong Kong) trading companies amounted to approximately RMB106.8 million, RMB138.6 million and RMB33.5 million, representing approximately 99.9%, 96.1% and 94.4% of our total sales, respectively, with the remaining balance being our sales to local distributors and retailers in the PRC. All our existing customers are Independent Third Parties.

Generally, our domestic import and export companies' and overseas trading companies' customers approach us with product specifications, such as the type of raw materials, design, color, size, delivery dates and the volume required. In addition, customers are invited to visit our showroom at our sales office in Quanzhou, Fujian province, the PRC to view our latest product designs and to place orders based on our design displays there. We will negotiate with our customers on prices before orders are placed by them based on our estimated production costs.

Our OEM contracts with our major customers are in standard form, pursuant to which commercial terms like quantities, time of delivery are agreed between the parties for each transaction. Our import and export companies' customers would bear the transportation costs and have the right to conduct on-site inspection of our products. Each of the OEM contracts also stipulates that if the agreed deposit is not paid on time, the contracts would be terminated without notice.

Our Directors believe that our key to retaining and attracting customers is our product quality, efficient operation and reliability on product delivery. For each of the two years ended 31 December 2008 and the three months ended 31 March 2009, total sales to our five largest customers represented 99.1%, 87.1% and 85.7%, respectively, of our total turnover and sales to the largest customer represented 52.7%, 39.8% and 50.0%, respectively, of our total turnover. Our five largest customers are domestic import and export companies and overseas trading companies. To the best knowledge of our Directors, an Independent Third Party controlled 100% and 35% of two out of the five largest customers respectively with an aggregate sales amount of approximately RMB48.3 million, RMB59.1 million and RMB10.5 million, representing approximately 45.2%, 41.0% and 29.5% of our turnover during the Track Record Period.

We have built up and was able to maintain continuous relationships with our major customers. Our business relationship with our top five largest customers for the year ended 31 December 2008 are more than 2 years. At the same time, we will continue to identify new customers through participating in textile and apparel exhibitions and through referrals on such occasions so that our customer base can be diversified and our business can be expanded in order to align with our planned expansion of our production capacities.

So far as we are aware, none of our Directors, their respective associates nor shareholders (who or which to the knowledge of our Directors own more than 5% of our issued share capital or any of our subsidiaries) had any interest in any of our five largest customers during the Track Record Period.

Pricing policies and payment terms

We negotiate prices for orders on a case-by-case basis with each customer. Prices are determined on the basis of a number of factors including estimated production costs, complexity of the production process, the size of the order, timing of delivery and the extent to which we will be responsible for the delivery of our products. Generally, we believe that the pricing of our products on this basis has generally enabled our products to be sold with a satisfactory profit margin.

During the Track Record Period, about 97.9%, 89.0% and 85.1% of our sales were settled in Renminbi and only 2.1%, 11.0% and 14.9% of our sales were denominated in US dollars. Our customers normally settle our account receivables through bank transfer or remittance.

We adopt a credit control policy under which the length of credit period and the amount of credit limit are appraised according to our assessment of the creditworthiness of the customer. The credit terms offered to our customers generally range from 90 to 180 days.

Staff in our sales and marketing department is responsible for monitoring the collection and following up with the customers when payment is due. We review the recoverability of trade receivables due by our customers from time to time and make specific provisions for bad and doubtful debts on trade receivables if our head of sales and marketing department, after consulting with the sales representative, is of the view that such amount may not be recovered. During the Track Record Period, we made no provision for bad and doubtful debts.

The following table set forth an aging analysis of our accounts receivable as at 31 December 2007, 31 December 2008 and 31 March 2009, respectively:

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

PROCURMENT AND SUPPLIERS

Raw materials

The principal raw materials used by us comprise different sorts of fabric and accessories including tags, crests, zippers and buttons. We source fabric and other raw materials mainly in the PRC through our sales office located in Quanzhou. The cost of raw materials for each of the two years ended 31 December 2008 and the three months ended 31 March 2009 accounted for approximately 84.0%, 84.1% and 83.9% respectively of our total production costs.

We generally keep a certain amount of basic raw materials in stock. As at 31 December 2007, 2008 and 31 March 2009, the inventory of our raw materials was RMB1.6 million, RMB94,000 and RMB909,000 respectively. Raw materials may also be purchased after customer's order is placed and confirmed and when the ordered quantities have been ascertained. We have never experienced any significant difficulties in the sourcing of raw materials and accessories and our Directors do not anticipate any material difficulties in the foreseeable future as all the principal raw materials required by us can be purchased from a number of alternative suppliers.

Suppliers

For each of the two years ended 31 December 2008 and the three months ended 31 March 2009, aggregate purchases from our five largest suppliers represented 54.6%, 55.9% and 77.7%, respectively, of our total purchase and purchase from the largest suppliers represented 14.8%, 15.6% and 22.7%, respectively, of our total purchase.

In order to maintain our flexibility in locating quality-conscious and cost effective suppliers and to avoid over reliance on any supplier, we do not have any long term contracts with our suppliers. Our Directors are not aware of any factor that may lead to the shortage of raw materials in future as there are abundant raw materials suppliers in the region.

We normally pay a 30% deposit upon confirmation of orders with suppliers with the remaining 70% to be settled within one month after delivery. During the Track Record Period, all the raw materials sourced from suppliers were denominated in Renminbi and we settle our purchase through bank transfer.

So far as we are aware, none of our Directors, their respective associates nor shareholders (who or which to the knowledge of our Directors own more than 5% of our issued share capital or any of our subsidiaries) had any interest in any of our five largest suppliers during the Track Record Period.

INVENTORY CONTROL

Our inventory comprises raw materials, work-in-progress and finished products. As at 31 December 2007, 31 December 2008 and 31 March 2009 our inventory amounted to approximately RMB11.6 million, RMB14.2 million and RMB4.8 million respectively. In order to keep the occurrence of obsolete stock to a minimum, we implement stock control procedures for our products, including performance of stock-take every three months. Stock-take of our products is performed through physical counting by our finance department. The staff is required to fill in the stock-take checklist. During the Track Record Period, we did not make any provision for obsolete stocks.

Physical movement of stock is recorded based on established procedures. Stock-in notes are issued and approved for purchased materials after inspection. Inventory records are updated according to the approved goods receipt notes. Only finished goods with properly approved delivery notes are allowed to be delivered to our customers. Obsolete or outdated stocks are also identified based on established procedures.

Inventory records and stock take results are reviewed by senior management to determine the focus of sales efforts and whether inventory provision is necessary.

PRODUCT DEVELOPMENT

To maintain the quality standard of our products, before we begin the mass production of a new design, our technical team produces samples that will be tested for conformity with the design specifications and for a variety of safety standards as required by some of our customers. Our products are also inspected throughout the production process to ensure high quality and standards. Our technical team comprised of four members as at the Latest Practicable Date.

COMPETITION

We face competitions from both domestic and overseas manufacturers and suppliers engaged in the same or similar businesses. Our Directors believe that competition in the apparel industry is characterised as competitive price squeeze while demanding quality and timeliness delivery requirements. Our Directors are of the view that there is very low entry barrier to the apparel industry as operational complexity and financial requirement for the establishment of production facilities are not demanding due to the nature of this industry. Nevertheless, our Directors consider that it requires the management of new entrants to gain in-depth knowledge and experience in understanding and meeting customers' requirements.

Although we face competition from domestic and overseas manufacturers and suppliers, we believe with our competitive strengths as set out in the paragraph "Our competitive strengths" under this section, our business is well positioned to continue to strive in the apparel manufacturing industry.

ENVIRONMENTAL PROTECTION

Since the principal business of our Company is manufacturing and wholesaling of apparels and the manufacturing process does not involve fabric dyeing or other procedures which may create environmental waste, our Directors are of the view that our production does not and will not discharge any pollutant, toxic gas, sewage or industrial waste.

We are obliged to comply with all the environmental protection laws and regulations of the PRC relating to our apparel industry. During the Track Record Period, we have never been required to pay any penalties and fines regarding our violation of environmental protection laws, rules or regulations in the PRC.

WELFARE CONTRIBUTION

Our Directors confirmed that in accordance with the local practice in Wannian county where the operating subsidiaries of our Group in the PRC are located, we are allowed to make social insurance contribution on a voluntary basis. With a view to gradually participate in the social insurance schemes and after discussion with the relevant local authorities, since July 2008, we have participated in the pension program, and since July 2009, we have participated in industrial accident insurance, maternity insurance, housing pension, unemployment insurance and medical insurance under the social insurance schemes operated by local government authorities in accordance with the PRC national and local laws and regulations. The total amount of contributions we made for the pension program under such social insurance schemes for the years ended 31 December 2007, 2008 and for the three months ended 31 March 2009 were approximately nil, RMB1,730,000 and RMB740,000, respectively.

In order to ensure full compliance with the social insurance schemes, we have designated human resources staff to keep record of movement of employees and accounting staff to calculate contributions for each social insurance program on a monthly basis. In addition, our Directors will review our internal procedures and will liaise with the relevant local authorities regularly to ensure that contribution for each social insurance program will be made in accordance with all relevant requirements.

Based on the relevant requirements, our Directors estimate that if our Group were asked to contribute all six types of social insurance, the aggregate unpaid amount would be approximately RMB4.6 million, RMB4.0 million and RMB0.6 million during the Track Record Period. No provision in relation to the underpaid contribution to social insurance has been made by our Group during the Track Record Period as we have received confirmation letters from the responsible local government authorities in Wannian county that all our operating subsidiaries in the PRC were not required to rectify the underpayment and were not subject to any penalty. As at the Latest Practicable Date, no action had been taken against our operating subsidiaries in PRC. Accordingly, our Directors consider that there would not be any adverse business or financial effect on our Group arising from the past underpayment.

In addition, Mr. Cai SY and Mr. Cai SP have agreed to indemnify our Group for any losses, liabilities or damages suffered in connection with such underpayment of social insurance prior to the Listing and to the extent provision has not been made by our Group for such losses, liabilities or damages during the Track Record Period.

SAFETY MATTERS

We have established procedures to provide our workers with a safe and healthy working environment including the establishment of working safety rules.

We have had no significant incidents and accidents in relation to workers' safety and non-compliance to the applicable laws and regulations relevant to the working safety and health issues during the Track Record Period.

INTELLECTUAL PROPERTY RIGHTS

We have marketed our wholesale business in the PRC using "e號倉庫" as our brand name, which we have applied for the registration as our trademark in the PRC in October 2008 and the registration was in progress as at the Latest Practicable Date.

In June 2009, we have acquired a trademark "珍珠泉 ZHENZHUQUAN" from an Independent Third Party at a consideration of RMB15,000 and we have submitted the assignment of trademark application to the Trademark Office of the State Administration for Industry and Commerce, the PRC and the assignment is under process.

As advised by our legal advisers as to PRC laws, generally speaking, it takes approximately 2 to 3 years to complete the registration process of a trademark in the PRC and approximately 4 to 6 months to complete the registration process of an assignment of trademark in the PRC. Both the trademark application and the assignment of trademark are currently under process by the Trademark Office of the State Administration for Industrial and Commerce, the PRC, and we expect that the registration process for the trademark application shall be completed in 2011, and the assignment of trademark shall be completed by the end of 2009. Our legal advisers as to PRC laws further advised that they do not find impediments for such registration.

Detailed information of our intellectual property right is set out in the paragraph headed "Intellectual property rights" in appendix V to this Prospectus.

PRODUCT LIABILITY

Taking into account the general practice in the PRC apparel industry and the insurance products available in the PRC, we currently do not maintain any product liability insurance. As confirmed by our legal advisers as to PRC laws, there is no mandatory requirement under the PRC laws for companies to maintain any product liability insurance in the PRC.

Our directors confirm that there was no claim or payment relating to product liability during the Track Record Period.

TAXATION

As confirmed by the relevant supervising tax bureaux of the three PRC operating subsidiaries of our Group by way of confirmation letters all dated 4th May 2009, the three PRC operating subsidiaries of our Group have not violated any relevant tax rules and regulations in the PRC, and have not been penalized by the supervising PRC tax bureaux. Our legal advisers as to PRC laws advised that such supervising tax bureaux are the proper supervising tax bureaux overseeing the tax position of our three PRC operating subsidiaries, and have the authority to issue the above confirmation letters.

LEGAL PROCEEDINGS

We are not, to the best of our knowledge, aware of any litigation or arbitration proceedings pending or threatening against us or any of our directors that would have a material adverse effect on our financial condition or results of operation.

COMPETITION WITH OUR DIRECTORS

Each of our Directors and their associates has confirmed that he/she does not have any interest in a business which competes or may compete with our business nor do they have any conflicts of interests with us.

Mr. Cai SP and Mr. Cai SY, being the management shareholders and substantial shareholders of our Company (the "Covenantors"), have undertaken to us, pursuant to the deeds of non-competition executed by each of them, that with effect from the Listing Date and for as long as the Shares remain listed on GEM and Mr. Cai SP or Mr. Cai SY remains as a substantial shareholder (as defined in the GEM Listing Rules) or a management shareholder (as defined in the GEM Listing Rules) of the Company, each of them is not and shall not be engaged in any business in competition with that of our Group. Each of them will also procure that their respective associates and the companies in which he is directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors (the "Controlled Entity"), are not and shall not be engaged in any business in competition with that of our Group, save for the holding of not more than 5% shareholding interests (individual and/or with their respective associates) in any company listed on a stock exchange. As Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司) is indirectly owned 50% by Mr. Cai SP and 50% by Mr. Cai SY, it is a Controlled Entity and as long as it remains as a Controlled Entity, each of Mr. Cai SP and Mr. Cai SY will procure that it shall not be engaged in any business in competition with that of our Group.

Where business opportunities which may compete with the business of our Group arise, we shall have the first right of refusal to take up such business opportunities. We shall only exercise the first right of refusal upon approval of all the independent non-executive Directors. The Convenantors (or their respective associates) shall only have the liberty to participate in such business if we choose not to exercise our first right of refusal.

In addition, in order to protect the interests of the independent Shareholders, we will adopt the following arrangements in respect of the implementation of the deeds of non-competition:

1. the independent non-executive Directors will review, on an annual basis, compliance with the deeds of non-competition by the relevant parties;

2. the Covenantors will provide an annual confirmation as to compliance with the deeds of non-competition in our annual report and provide the necessary information for the review of the independent non-executive Directors; and

3. we will disclose result of the findings found (if any) and decisions on matter reviewed by the independent non-executive Directors relating to the enforcement of the deeds of non-competition in our annual report or by way of an announcement to the public.

For better corporate governance, in the event that there is a potential conflict of interest arising from transactions to be entered into between our Group and any of our Directors, the interested Directors will abstain from physical meeting and voting at the relevant board meeting of our Company in respect of such transaction and will not be counted as quorum, unless their attendance and participation are specially invited by other disinterested Directors but subject to the aforesaid restrictions on voting and being counted in the quorum on the relevant resolution.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence and operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company upon the completion of the Placing, the operational management of the business of our Group will be the responsibility of our Directors and senior management. Our Board consists of five Directors, namely two executive Directors and three independent non-executive Directors. The independent non-executive Directors represent a majority of the Board. In addition, members of senior management of our Company, save for Mr. Cai Jiabo (蔡家搏) and Ms. Cai Shuyan (蔡淑燕), are also independent from the Controlling Shareholders and their respective associates.

As at the Latest Practicable Date, we leased the plant occupied by Xiefeng Textile from Jiangxi Hongfeng Textile Company Limited (江西泓峰紡織有限公司), a company owned by our Controlling Shareholders. Having considered that there would be substantial costs involved in the acquisition of the leased property from the Controlling Shareholders or any suitable property from Independent Third Party, our Directors consider it to be commercially beneficial for us to continue the leasing arrangement. In addition, the transactions pursuant to the lease agreement were and will continue to be undertaken on normal commercial terms and on arm's length basis, which were and are no more favorable to the Controlling Shareholder than those extended to Independent Third Parties. Consequently, our Directors consider that the lease agreement with the Controlling Shareholders represents an enhancement to our business plans, rather than a dependent on our Controlling Shareholders.

Save as disclosed above, our Company has not been dependent on our Controlling Shareholders in any material way to conduct our business operations in manufacturing and wholesaling of apparels.

Financial independence

Our Directors confirm that they have the ability to operate independently from the Controlling Shareholders from a financial perspective. Our Directors also confirm that all loans and/or guarantees provided by the Controlling Shareholders or their respective associates for the benefit of our Group will be repaid or released upon Listing. Having taken consideration of the above, our Directors believe they are capable of carrying on the business of our Group independently of the Controlling Shareholders and their respective associates after the Listing.

Disposal of apparel companies by Mr. Cai SP

Mr. Cai SP and his family members disposed of their interests in Jinjiang Shuiping and Quanzhou Yongchun, both of which had been engaging in apparel business, in May 2009.

Jinjiang Shuiping was incorporated in the PRC as a domestic limited liability company on 11 April 2001. It engaged in manufacturing of garment, including coats, windbreakers, jackets, suits and sportswear. It had been 50% owned by Mr. Cai SP and 50% owned by Mr. Cai Jiabo (蔡家搏) (a son of Mr. Cai SP). In May 2009, Mr. Cai SP transferred his 50% interest in Jinjiang Shuiping to an Independent Third Party at a consideration of RMB2,500,000, and Mr. Cai Jiabo (蔡家搏) transferred his 50% interest in Jinjiang Shuiping to an Independent Third Party at a consideration of RMB2,500,000. The consideration was determined with reference to the registered capital of Jinjiang Shuiping contributed by Mr. Cai SP and Mr. Cai Jiabo (蔡家搏) each in the amount of RMB2,500,000. Before the aforesaid transfers, the paid up registered capital of Jinjiang Shuiping amounted to RMB5,000,000. It had a production facility of 4,000 square meters, and around 170 workers. Its major markets included Middle East, Europe, America and South America. Mr. Cai SP had been the legal representative and director of Jinjiang Shuiping, and was in charge of its management.

Quanzhou Yongchun was incorporated in the PRC on 29 June 2004. It was a wholly-foreign owned enterprise wholly owned by HK Shui Ping. HK Shui Ping had been 50% owned by Mr. Cai SP and 50% owned by Ms. Sun Meige (孫美鴿) (the wife of Mr. Cai SP). Quanzhou Yongchun engaged in manufacturing of fabric, clothing, accessories and shoes, and HK Shui Ping was an investment holding company and its only substantial assets were the 100% interest in Quanzhou Yongchun. In May 2009, Ms. Sun Meige (孫美鴿) transferred her 50% interest in HK Shui Ping to an Independent Third Party at a consideration of HK$500,000 and Mr. Cai SP transferred his 50% interest in HK Shui Ping to an Independent Third Party at a consideration of HK$500,000. The consideration was determined with reference to the total issued share capital of HK Shui Ping in the amount of HK$1,000,000, and the total paid-up capital of Quanzhou Yongchun contributed by HK Shui Ping in the amount of HK$1,000,000. By the time of the above transfers, the paid up registered capital of Quanzhou Yongchun amounted to HK$1,000,000. Quanzhou Yongchun had around 150 workers. Its products were mainly for export through domestic import and export companies. Mr. Cai SP had been the legal representative and director of Quanzhou Yongchun, and was in charge of its management.

There were no transactions between our Group and each of Jinjiang Shuiping, Quanzhou Yongchun and HK Shui Ping during the Track Record Period and up to the Latest Practicable Date.

As advised by Mr. Cai SP, the reasons that Mr. Cai SP and his family members disposed of their interest in Jinjiang Shuiping and Quanzhou Yongchun instead of injecting them into our Group are as follows:

1. Both of Jinjiang Shuiping and Quanzhou Yongchun were not very profitable in the past two years. For Jinjiang Shuiping, it recorded a net profit of approximately RMB68,000 and RMB55,000 for the two years ended 31 December 2008; and for Quanzhou Yongchun, it recorded a net profit of approximately RMB210,000 and RMB102,000 for the two years ended 31 December 2008. The aggregate cashflow from operating activities before changes in working capital generated by Jinjiang Shuiping and Quanzhou Yongchun was approximately RMB0.4 million and RMB0.3 million for the two years ended 31 December 2008. Hence, by disposing of Jinjiang Shuiping and Quanzhou Yongchun, Mr. Cai SP could concentrate his time and efforts in our business.

2. Both of Jinjiang Shuiping and Quanzhou Yongchun were operated completely independent from our Group, and apart from Mr. Cai SP and Mr. Cai Jiabo (蔡家搏), there was no overlapping of management personnel between Jinjiang Shuiping and Quanzhou Yongchun and our Group. As confirmed by Mr. Cai SP, he had been in charge of the management of Jinjiang Shuiping and Quanzhou Yongchun, but he was not involved in the day to day operation of our Group. As confirmed by Mr. Cai Jiabo (蔡家搏), being one of our senior management team members, he did not involve in the day to day operations of Jinjiang Shuiping and Quanzhou Yongchun. As such, our Directors consider that although Jinjiang Shuiping and Quanzhou Yongchun were also engaged in the apparel business, their management and operation had been completely different and independent from us.