

***A Leading Supplier of Premium
Differentiated Fine Polyester
Yarn and Warp Knit Fabric***



GAOXIAN
中国高纤

CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

中国高纤控股有限公司

(Company Registration Number 200817812K)

(Incorporated in the Republic of Singapore on 9 September 2008)

PROSPECTUS DATED 9 SEPTEMBER 2009

(REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE ("AUTHORITY") ON 9 SEPTEMBER 2009)

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

We have applied to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares ("Shares") in the capital of China Gaoxian Fibre Fabric Holdings Ltd. ("Company") already issued (including the Vendor Shares), the new Shares ("New Shares") which are the subject of this Invitation (as defined herein) and the new Shares which may be issued upon the exercise of the over-allotment option ("Over-allotment Option") ("Additional Shares"). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications for the Invitation Shares will be conditional upon, inter alia, the issue of the New Shares and the Additional Shares and permission being granted to deal in, and for quotation of, all of our existing issued Shares (including the Vendor Shares), the New Shares and the Additional Shares. If completion of the Invitation does not occur because the said permission is not granted or for any other reason, monies paid in respect of any application accepted will be returned to you subject to applicable laws, at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claims against us, the Vendor, the Issue Manager, the Joint Placement Agents or the Joint Underwriters (as defined herein). The dealing and quotation of our Shares will be in Singapore dollars.

In connection with the Invitation, our Company has granted the Joint Underwriters an Over-allotment Option to subscribe for up to 68,000,000 Additional Shares (which represents approximately 17.9% of the Invitation Shares) at the Invitation Price exercisable in full or in part on or prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 68,000,000 Shares representing approximately 17.9% of the Invitation Shares to undertake stabilising actions solely for the purpose of covering over-allotments (if any) of the Invitation Shares made in connection with the Invitation. The total number of issued Shares immediately after the completion of the Invitation (and prior to the exercise of the Over-allotment Option in full) will be 1,440,000,000 Shares. If the Over-allotment Option is exercised in full, the total number of issued Shares will increase by 68,000,000 Shares to 1,508,000,000 Shares.

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

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

No Share shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

INVESTING IN OUR SHARES INVOLVES RISKS WHICH ARE DESCRIBED UNDER THE "RISK FACTORS" SECTION OF THIS PROSPECTUS.

Invitation in respect of 380,000,000 Invitation Shares (comprising 320,000,000 New Shares and 60,000,000 Vendor Shares) as follows: -

- (a) 5,000,000 Offer Shares at S\$0.26 each by way of public offer; and**
- (b) 375,000,000 Placement Shares at S\$0.26 each by way of placement, payable in full on application (subject to the Over-allotment Option).**

Applications should be received by 12.00 noon on 16 September 2009 or such other date and time as our Company and the Vendor may, in consultation with the Issue Manager, decide subject to any limitations under all applicable laws.

Issue Manager

 **Collins Stewart**
Collins Stewart Pte. Limited

Joint Underwriters and Joint Placement Agents

 **Collins Stewart**
Collins Stewart Pte. Limited

 **UOB Kay Hian**
UOB KAY HIAN PRIVATE LIMITED

Corporate Profile

China Gaoxian Fibre Fabric Holdings Ltd. is principally engaged in the production and sale of premium differentiated fine polyester yarn and warp knit fabric, which are targeted at the mid to high end markets. By varying the physical, mechanical and chemical properties of the fibres, or blending, we are capable of producing a wide range of premium differentiated fine polyester yarn with desirable properties in terms of warmth, texture and feel, luster, tensile strength, as well as abrasion resistance, to cater to customers' needs.

Our products are sold under our “华港” (HuaGang) and “大华威” (DaHuaWei) brand names to more than 1,500 textile and garment manufacturers in the PRC, who in turn use our products to manufacture apparels, upholstery for automobiles and aeroplanes, sports shoes and headgear, curtains, bedding, bags and umbrellas. A proportion of the polyester yarn is used for our in-house production of warp knit fabric.

We have two production plants located in the PRC's major textile and garment production provinces:-

Huzhou City, Zhejiang Province

- 184 automated production stations
- Annual production capacity of 42,000 mt of polyester yarn as at 31 December 2008

Changle City, Fujian Province

- 348 automated production stations and 79 warp knit machines
- Annual production capacity of 106,500 mt of polyester yarn and 15,000 mt of warp knit fabric as at 31 December 2008



Our Products

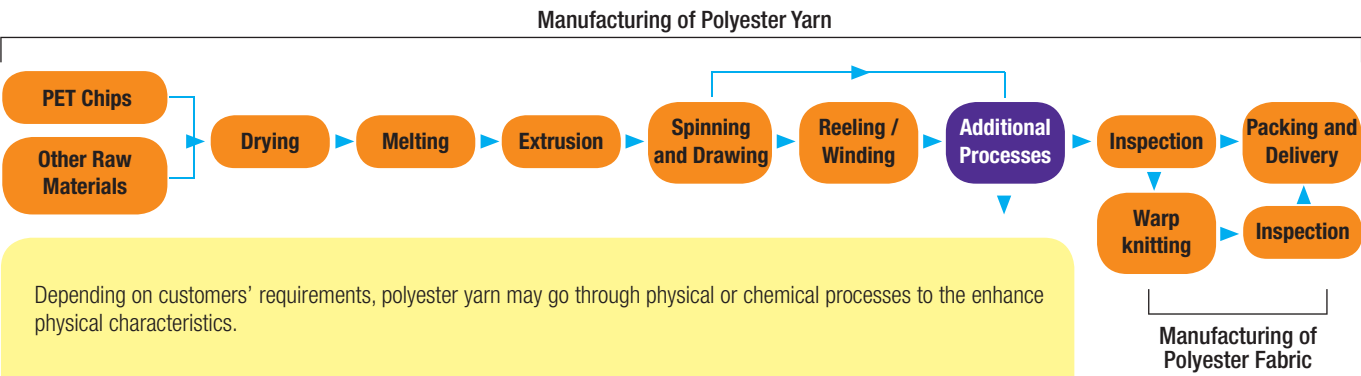
PRODUCT	PROPERTIES	OTHER FEATURES
FDY (Fully Drawn Yarn)	High tensile strength; semi-dull; softer and smoother feel; wrinkle resistance; and soft luster	• Finer in texture compared to more commonly available polyester FDY 150D/48f • Suitable for high-end apparels and home furnishings
DTY (Drawn Textured Yarn)	Combines desired properties of natural fibre (e.g. warm, bulk, soft luster) and polyester fibre (high strength, elasticity, stretch and abrasion resistance)	• Achieved through a texturing process • Fabrics manufactured from DTY feel warm due to static air trapped between fibres, and have a softer feel and greater volume due to untwisted fibres
Blended Polyester Yarn	Higher tensile strength; resilience; shape-retention; crease resistance; higher breathability; soft; and smooth	• Suitable for suits, gowns and sports apparels
Triangular-Fibre Yarn	Brilliant luster; fine and smooth texture; high abrasion resistance; resistance to heat and mould; and durable (does not fade or crease easily)	• New product developed in-house • Spun from polyester filaments which have reflective surface due to triangular cross sectional shape similar to silk • Fabrics made with triangular-fibre yarn possess some qualities of silk
Warp Knit Fabric	Tailored according to customers' specifications (e.g. tensile strength, elasticity and texture)	





Production Process

Our polyester yarns are manufactured through the melt-spinning process whereby PET chips are melted and extruded through a constant stream of air under controlled temperature and humidity, solidified when cooled, and subsequently spun into yarn.



Competitive Strengths

ABILITY TO PRODUCE NEW RANGE OF PREMIUM DIFFERENTIATED FINE POLYESTER YARN AND WARP KNIT FABRIC

- Able to produce new range of premium differentiated fine polyester yarn which possesses desirable properties for a wide range of applications, such as high-end apparels, home furnishings, automotive and aeroplane upholstery, as well as sports shoes and headgear
- Able to keep up with and capitalise on the rapidly changing trends of various markets

EXPERIENCED MANAGEMENT TEAM

- Management team has extensive industry experience, network and in-depth knowledge of customers' needs and requirements
- Our Executive Directors have collectively over 40 years' experience in the synthetic fibre and textile industries

HIGH QUALITY PRODUCTS AND STRONG BRAND ADVANTAGE

- ISO-certified quality control procedures in place to ensure consistent high product quality
- No return of defective products from customers from FY2006 to FY2008
- Strong brand advantage for our “华港” (HuaGang) and “大华威” (DaHuaWei) trademarks which are synonymous with quality and reliability

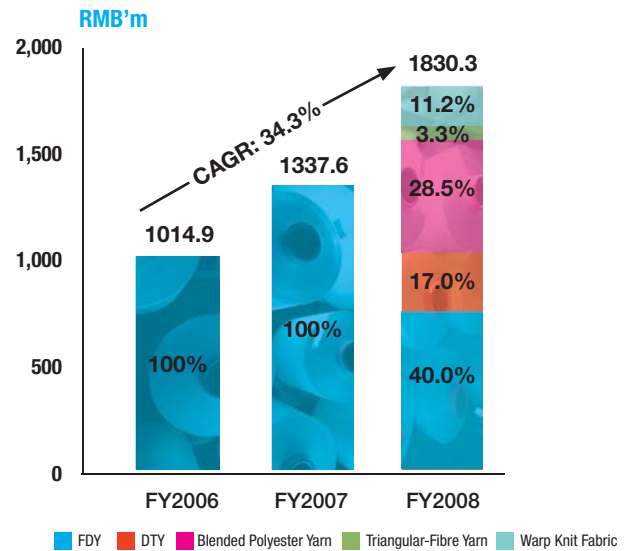
ESTABLISHED TRACK RECORD AND STRONG CUSTOMER RELATIONSHIPS

- Established reputation as a reliable supplier of premium differentiated fine polyester yarn in the PRC for the past 10 years
- Sales to repeat customers accounted for 73%, 79% and 92% of total revenue for FY2006, FY2007 and FY2008, respectively

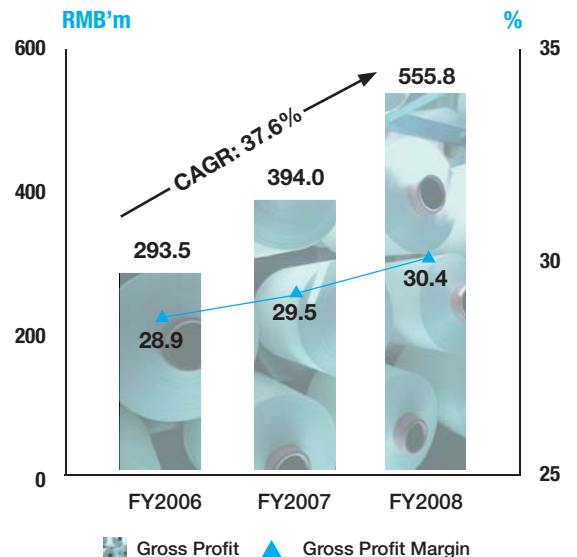


Financial Highlights

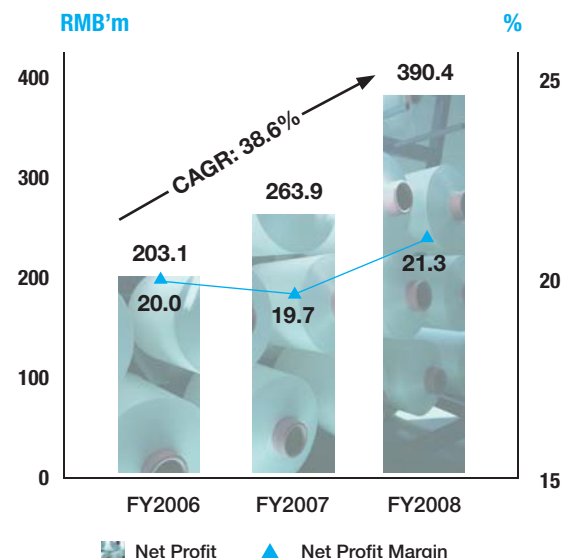
REVENUE BY PRODUCTS



GROSS PROFIT AND GROSS PROFIT MARGIN



NET PROFIT AND NET PROFIT MARGIN



Future Plans

The Group's outlook remains positive in light of the growing affluence of the PRC population, increasing focus on quality of fabrics, garments and apparel, as well as increasing use of synthetic fabrics in automobile upholstery.

We intend to further grow our business by:

EXPANDING PRODUCTION CAPACITY FOR PREMIUM DIFFERENTIATED FINE POLYESTER YARN

- Invest in new production facilities and ancillary machinery and equipment
- Add another 150 stations to our production facilities and increase annual production capacity from approximately 176,200 mt as at the Latest Practicable Date to approximately 241,300 mt by 2010

EXPANDING DOWNSTREAM FABRIC MANUFACTURING BUSINESS

- Acquire 33,000 sq m of land near current Fujian Huawei Property for construction of a factory
- Purchase 300 new warp knitting machines in phases to increase annual production capacity from approximately 17,000 mt as at the Latest Practicable Date to approximately 81,900 mt

STRENGTHENING PRODUCT BRAND NAMES AND EXPANDING SALES AND MARKETING NETWORK

- Increase participation in related trade associations, industry conferences, trade shows and seminars to boost product exposure
- Enlarge sales and marketing team and increase advertising expenses to promote our products to potential customers and industries
- Establish product showrooms in the PRC Light Textiles Centre (中国轻纺城), Fujian Shishi Textiles Market (福建石狮布料市场) and Guangzhou Zhongda Textiles Market (广州中大布料市场)

INCREASING PRODUCT DEVELOPMENT CAPABILITIES

- Recruit new personnel and enhance existing product development team
- Explore collaboration with other players and institutions in the industry on joint research and testing opportunities

EXPANDING BUSINESS THROUGH ACQUISITIONS, JOINT VENTURES AND STRATEGIC ALLIANCES

- Gain access to new markets and customers, as well as new businesses
- Bring about greater economies of scale and provide an impetus for future growth

STRATEGIC LOCATIONS

- Located in Fujian and Zhejiang Provinces which are two of PRC's major textile and garment production provinces
- Easy access to labour and suppliers of raw materials
- Close proximity to region's fabric, textile and garment markets

DIVERSIFIED AND LARGE CUSTOMER BASE

- Extensive customer base with over 1,500 customers in the PRC increases resilience of our business and helps us to manage our business risks
- Products targeted at the mid to high end markets, which command better profit margins

SOUND FINANCIALS

- Consistently profitable from FY2006 to FY2008
- Strong operating cash flows

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CORPORATE INFORMATION

Board of Directors	:	(1) Cao Xiangbin (曹祥彬) <i>(Executive Chairman and CEO)</i>
		(2) Lau Chung Kong (刘忠光) <i>(Executive Director and General Manager of Zhejiang Huagang)</i>
		(3) Chen Fen (陈奋) <i>(Executive Director and General Manager of New Huawei)</i>
		(4) Liu Yijie (刘宜杰) <i>(Executive Director, Procurement)</i>
		(5) Chan Wai Meng <i>(Lead Independent Director)</i>
		(6) Tham Wan Loong, Jerome <i>(Independent Director)</i>
Joint Company Secretaries	:	(1) Abdul Jabbar Bin Karam Din, LLB (Hons)
		(2) Chan Hooi Tze, <i>Diploma in Business (Accounts and Finance) and Graduate Diploma in Marketing Communications</i>
Registered Office	:	77 Robinson Road #05-00 Robinson 77 Singapore 068896
Company Registration Number	:	200817812K
Share Registrar and Share Transfer Office	:	Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) 8 Cross Street #11-00 PWC Building Singapore 048424
Issue Manager	:	Collins Stewart Pte. Limited 77 Robinson Road #21-02 Robinson 77 Singapore 068896
Joint Underwriters and Joint Placement Agents	:	Collins Stewart Pte. Limited 77 Robinson Road #21-02 Robinson 77 Singapore 068896
		UOB Kay Hian Private Limited 80 Raffles Place #30-01 UOB Plaza 1 Singapore 048624

Reporting Auditors and Reporting Accountants	: Ernst & Young LLP One Raffles Quay North Tower Level 18 Singapore 048583 Partner-in-charge: Tan Peck Yen (a member of the Institute of Certified Public Accountants of Singapore)
Solicitors to the Invitation	: Rajah & Tann LLP (立杰律师事务所有限责任公司) 4 Battery Road #26-01 Bank of China Building Singapore 049908
Legal Advisers to the Company on PRC Law	: Tian Yuan Law Firm (天元律师事务所) 11 th Floor, Tower C, Corporate Square, No. 35 Financial Street, Xicheng District Beijing PRC 100140
Principal Bankers	: Bank of Communications (Huzhou Shizhong Branch) (交通银行湖州市中支行) No. 172 Hong Qi Road, Huzhou City, Zhejiang Province PRC 313000 Industrial and Commercial Bank of China Limited (Huzhou Branch) (中国工商银行湖州支行) Zhili North Road, Zhili Town, Huzhou City, Zhejiang Province PRC 313008 Rural Credit Union of China (Jinfeng, Changle City Branch) (长乐市农村信用合作联社金峰信用社) Zhenxing Road, Jinfeng Town, Changle City, Fujian Province PRC 350211
Receiving Banker	: The Bank of East Asia, Limited 137 Market Street Bank of East Asia Building Singapore 048943
Vendor	: China Success Group (International Holdings) Limited (华威集团(国际控股)有限公司) Flat/Room 910, Wellborne Comm Building, 8 Java Road, North Point Hong Kong

DEFINITIONS AND INTERPRETATION

In this Prospectus and the accompanying Application Forms and in relation to Electronic Applications, the instructions appearing on the screens of ATMs of the Participating Banks or the IB websites of the Participating Banks, the following definitions apply throughout where the context so admits:-

Group Companies

<i>“Company”</i>	: China Gaoxian Fibre Fabric Holdings Ltd. (中国高纤控股有限公司)
<i>“Group”</i>	: Our Company and its subsidiaries following the completion of the Restructuring Exercise
<i>“New Huawei”</i>	: Fujian New Huawei Fibre Dyeing Co., Ltd (福建新华威化纤染织有限公司)
<i>“PRC Subsidiaries”</i>	: The subsidiaries of the Company incorporated in the PRC, namely Zhejiang Huagang and New Huawei
<i>“Zhejiang Huagang”</i>	: Zhejiang Huagang Polyester Industrial Co., Ltd (浙江华港涤纶实业有限公司)

Other Companies and Organisations

<i>“Authority”</i>	: The Monetary Authority of Singapore
<i>“Carry Luck”</i>	: Carry Luck Investments Limited (傑德投资有限公司)
<i>“CDP”</i>	: The Central Depository (Pte) Limited
<i>“CFETC”</i>	: The China Foreign Exchange Trading Centre
<i>“CNTAC”</i>	: China National Textile and Apparel Council (中国纺织工业协会)
<i>“CPF”</i>	: Central Provident Fund
<i>“CSRC”</i>	: China Securities Regulatory Commission (中国证券监督管理委员会)
<i>“Focus Ventures”</i>	: Focus Ventures Co. Ltd
<i>“Fujian Huawei”</i>	: Fujian Hua Wei Chemical Fibre Dyeing Co., Ltd (福建省华威化纤染织有限公司), which directors and shareholders comprise our Executive Chairman and CEO as well as our Executive Director and General Manager of New Huawei
<i>“Fuzhou Minhang”</i>	: Fuzhou Minhang Assets Appraisal Real Estate Land Valuation Co., Ltd (福州闽航资产评估房地产土地估价有限公司) of Unit 5, 2 nd Floor of Hanzhong Building, Hexia Road, Wuhang Town, Changle City, Fujian Province, PRC
<i>“Gainstars”</i>	: Gainstars Investments International Limited (星际投资国际有限公司)
<i>“ISO”</i>	: International Organisation for Standardisation, a world-wide federation of national standards bodies

<i>“Issue Manager” or “Collins Stewart”</i>	: Collins Stewart Pte. Limited
<i>“Joint Placement Agents” and/or “Joint Underwriters”</i>	: Collins Stewart and UOBKH, and <i>“Joint Placement Agent”</i> and/or <i>“Joint Underwriter”</i> shall refer to either of them
<i>“MOC”</i>	: Ministry of Commerce (中华人民共和国商务部)
<i>“NPC”</i>	: National People’s Congress of the PRC (中华人民共和国全国人民代表大会)
<i>“PBOC”</i>	: People’s Bank of China (中国人民银行)
<i>“PRC Government”</i>	: The central government of the PRC, including all political subsidiaries (including provincial, municipal, and other regional or local government entities) and instrumentations thereof
<i>“Rajah & Tann”</i>	: Rajah & Tann LLP (立杰律师事务所有限责任合伙), the Solicitors to the Invitation
<i>“SAFE”</i>	: State Administration of Foreign Exchange (中华人民共和国国家外汇管理局)
<i>“SAIC”</i>	: State Administration for Industry and Commerce (中华人民共和国工商行政管理总局)
<i>“SASAC”</i>	: State-owned Assets Supervision and Administration Commission (中华人民共和国国务院国有资产监督管理委员会)
<i>“SCCS”</i>	: Securities Clearing & Computer Services (Pte) Ltd. of Singapore
<i>“SGX-ST”</i>	: Singapore Exchange Securities Trading Limited
<i>“State Council”</i>	: State Council of the PRC (中华人民共和国国务院)
<i>“Tian Yuan”</i>	: Tian Yuan Law Firm (天元律师事务所), Legal Advisers to the Company on PRC Law
<i>“UOBKH”</i>	: UOB Kay Hian Private Limited
<i>“Vendor” or “China Success”</i>	: China Success Group (International Holdings) Limited (华威集团(国际控股)有限公司)
<i>“WTO”</i>	: World Trade Organisation
General	
<i>“Additional Shares”</i>	: Up to an aggregate of 68,000,000 new Shares to be issued in the event of the exercise of the Over-allotment Option
<i>“Application Forms”</i>	: The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
<i>“Application List”</i>	: List of applications of subscription for and/or purchase of the Invitation Shares

<i>“Arbitration Law”</i>	: Arbitration Law of the PRC (中华人民共和国仲裁法) promulgated by the Standing Committee of the NPC on 31 August 1994 and which came into effect on 1 September 1995
<i>“Articles” or “Articles of Association”</i>	: The articles of association of our Company as amended supplemented or modified from time to time
<i>“Associate”</i>	: (a) In relation to an entity, means:- (i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or (ii) in any other case, (A) a director or an equivalent person, (B) where the entity is a corporation, a controlling shareholder of the entity, (C) where the entity is not a corporation, a controlling interest-holder of the entity, (D) a subsidiary, a subsidiary entity, an associated company, or an associated entity, or (E) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interest-holder, as the case may be, of the entity; and (b) in relation to an individual, means:- (i) his immediate family; (ii) a trustee of any trust of which the individual or any member of the individual’s immediate family is a beneficiary or, where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or (iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares. The terms “associated company”, “associated entity”, “controlling interest-holder”, “related corporation”, “related entity”, “subsidiary”, “subsidiary entity” and “substantial interest-holder” have the same meanings ascribed to them respectively in the Fourth Schedule of the SFR
<i>“ATM”</i>	: Automated teller machine
<i>“Audit Committee”</i>	: The audit committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Board” or “Board of Directors”</i>	: Board of Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“CAGR”</i>	: Compounded annual growth rate
<i>“CEO”</i>	: Chief Executive Officer

<i>“Civil Procedure Law”</i>	: Civil Procedure Law of the PRC (中华人民共和国民事诉讼法) adopted on 9 April 1991 and amended on 28 October 2007 and which came into effect on 1 April 2008
<i>“Companies Act”</i>	: The Companies Act, Chapter 50 of Singapore, as amended, supplemented or modified from time to time
<i>“Directors”</i>	: The directors of our Company as at the date of this Prospectus unless otherwise stated
<i>“EIT”</i>	: Enterprise Income Tax
<i>“EITL”</i>	: Enterprise Income Tax Law of the PRC (中华人民共和国企业所得税法) adopted by the NPC on 16 March 2007 and which came into effect on 1 January 2008
<i>“Electronic Applications”</i>	: Applications for the Offer Shares made through an ATM or the IB website of the relevant Participating Banks in accordance with the terms and conditions of this Prospectus
<i>“Entity”</i>	: Includes a corporation, an unincorporated association, a partnership and the government of any State, but does not include a trust
<i>“EPS”</i>	: Earnings per Share
<i>“Executive Directors”</i>	: The executive Directors of our Company as at the date of this Prospectus
<i>“Executive Officers”</i>	: The executive officers of our Company as at the date of this Prospectus
<i>“Fujian Huawei Property”</i>	: The property (including land use rights) owned by Fujian Huawei located at No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province (福建省长乐市潭头镇曹朱村工业区574号)
<i>“FY”</i>	: Financial year ended or ending 31 December, as the case may be
<i>“GDP”</i>	: Gross Domestic Product
<i>“Hong Kong”</i>	: Hong Kong Special Administrative Region
<i>“IB”</i>	: Internet banking
<i>“Independent Directors”</i>	: The non-executive independent Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Invitation”</i>	: The invitation by our Company and the Vendor to the public to subscribe for and/or purchase the Invitation Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Invitation Price”</i>	: S\$0.26 for each Invitation Share
<i>“Invitation Shares”</i>	: The 380,000,000 Shares, comprising the New Shares and the Vendor Shares which are the subject of the Invitation

<i>“Latest Practicable Date”</i>	: 31 August 2009, being the latest practicable date prior to the lodgement of this Prospectus for registration with the Authority
<i>“Listing Manual”</i>	: The Listing Manual of the SGX-ST
<i>“Market Day”</i>	: A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	: Net asset value
<i>“New York Convention”</i>	: Convention on the Recognition and Enforcement of Foreign Arbitral Award
<i>“New Shares”</i>	: The 320,000,000 new Shares for which our Company invites applications to subscribe pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus (and in the event the Over-allotment Option is exercised, shall include the Additional Shares, where applicable and where the context so requires)
<i>“Nominating Committee”</i>	: The nominating committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>“NTA”</i>	: Net tangible assets
<i>“Offer”</i>	: The offer by our Company and the Vendor of the Offer Shares to the public in Singapore for subscription and/or purchase at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Offer Shares”</i>	: The 5,000,000 Invitation Shares which are the subject of the Offer
<i>“Over-allotment Option”</i>	: The over-allotment option granted by our Company to the Joint Underwriters which is exercisable by the Joint Underwriters in full or in part on or prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 68,000,000 Shares representing approximately 17.9% of the Invitation Shares to undertake stabilising actions, solely for the purpose of covering over-allotments (if any) of the Invitation Shares
<i>“Participating Banks”</i>	: DBS Bank Ltd (including POSB) (“ DBS Bank ”), Overseas Chinese Banking Corporation Limited (“ OCBC ”), United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (“ UOB Group ”)
<i>“PBT”</i>	: Profit before income tax
<i>“PER”</i>	: Price earnings ratio
<i>“periods under review”</i>	: The periods which comprise FY2006, FY2007 and FY2008
<i>“Placement”</i>	: The placement of the Placement Shares by the Joint Placement Agents on behalf of our Company and the Vendor for subscription and/or purchase at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	: The 375,000,000 Invitation Shares which are the subject of the Placement

<i>“PRC”</i>	: The People’s Republic of China, excluding Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan for the purpose of this Prospectus
<i>“Remuneration Committee”</i>	: The remuneration committee of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Restructuring Exercise”</i>	: The restructuring exercise undertaken by our Group prior to the Invitation, as described under the “Restructuring Exercise” section of this Prospectus
<i>“Securities Account”</i>	: Securities account maintained by a Depositor with CDP (excluding a securities sub-account)
<i>“Service Agreement”</i>	: The service agreement entered into between our Company and our Executive Chairman and CEO, as described under the “Service Agreement” section of this Prospectus
<i>“SFA”</i>	: The Securities and Futures Act, Chapter 289 of Singapore, as amended, supplemented or modified from time to time
<i>“SFR”</i>	: The Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, as amended, supplemented or modified from time to time
<i>“SGXNET”</i>	: The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
<i>“Share Lending Agreement”</i>	: The Share Lending Agreement, which details are as set out under the “Plan of Distribution” section of this Prospectus
<i>“Shareholders”</i>	: Registered holders of Shares except where the registered holders is CDP, the term “Shareholders” shall, in relation to such Share, mean the Depositors whose Securities Account are credited with Shares
<i>“Shares”</i>	: Ordinary shares in the capital of our Company
<i>“Singapore Take-over and Merger Laws and Regulations”</i>	: The take-over laws and regulations in Singapore, comprising Sections 138, 139 and 140 of the SFA and the Singapore Code on Take-over and Mergers
<i>“Substantial Shareholder”</i>	: A person who has an interest in Shares which represents 5% or more of the total issued share capital of the Company
<i>“US”</i>	: United States of America
<i>“Vendor Shares”</i>	: The 60,000,000 existing Shares for which the Vendor invites applications to purchase at the Invitation Price, upon the terms and subject to the conditions set out in this Prospectus
<i>“WFOE”</i>	: Wholly foreign-owned enterprise established in the PRC
<i>“Zhejiang Huagang Property”</i>	: The property owned by Zhejiang Huagang located at Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province (浙江省湖州市吴兴区八里店镇工业园区)

Currencies, Units and Others

“HK\$”	: Hong Kong dollars
“mm”	: Millimetres
“mt”	: Metric tonnes
“NA” or “na”	: Not applicable
“NM” or “nm”	: Not meaningful
“RMB” and “RMB cents”	: Renminbi yuan and Renminbi cents, respectively
“S\$” and “cents”	: Singapore dollars and cents, respectively
“US\$”	: United States dollars
“sq ft”	: Square feet
“sq m”	: Square metre
“%” or “per cent.”	: Per centum

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

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

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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

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

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

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

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

Unless we indicate otherwise, all information in this Prospectus assumes that the Joint Underwriters have not exercised the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides an explanation of some of the terms and abbreviations used in this Prospectus. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

<i>“blended yarn”</i>	:	A composite yarn made from two or more constituent materials
<i>“D” or “denier”</i>	:	A unit of measuring the fineness of filament yarn, equal to the fineness of a yarn weighing one gram per 9,000 metres
<i>“differentiated polyester yarn”</i>	:	Differentiation refers to the large variety of yarn that can be produced from the manipulation or modification of the PET polymer or the production process. Differentiated polyester yarn are made from such differentiated fibres
<i>“draw ratio”</i>	:	In a drawing process, the ratio of the linear density of the undrawn yarn to that of the drawn yarn
<i>“draw texturing”</i>	:	A process in which the drawing stage of synthetic yarn manufacture is combined with the texturing process
<i>“drawing”</i>	:	The stretching of synthetic filaments or films of relatively low orientation. The process orients the molecular chains in the direction of stretching
<i>“DTY”</i>	:	Drawn textured yarn, being a type of yarn produced using the draw texturing method to create a unique texture on the yarn
<i>“dyeing”</i>	:	Process which a fabric undergoes to change its colour, usually by soaking it in a special chemical
<i>“fabric”</i>	:	A material that is usually manufactured through the process of weaving, whereby the yarn are assembled in an interlacing manner and will adhere together after the weaving process, or other methods such as knitting or netting
<i>“FDY”</i>	:	Fully Drawn Yarn, a melt-spun continuous filament yarn which has been highly oriented, either by drawing at a high draw ratio or by spinning at a high wind-up speed such that there is little residual drawability
<i>“fibre”</i>	:	The basic entity, either natural or manufactured, which is twisted into yarn, and then used in the production of a fabric
<i>“filament” or “f”</i>	:	A fibre of indefinite or extreme length which constitutes the basic unit of a yarn
<i>“filament yarn”</i>	:	A yarn composed of continuous filaments assembled with or without twist
<i>“finishing”</i>	:	Processes or treatments which a fabric undergoes before it is ready to be used in the manufacturing of apparel

<i>"ISO 9001:2000"</i>	:	A constituent part of the ISO 9000 series which states the requirement for a quality management system and covers the following eight management principles: customer focus, leadership, involvement of people, process approach, system approach management, continual improvement, factual approach to decision-making and mutually beneficial supplier relationship
<i>"knitted fabric"</i>	:	Fabric produced through the process of interlocking a series of loops made from one or more yarn
<i>"knitting"</i>	:	Process which a fabric undergoes where loops in the yarn are manipulated with needles to make a knitted fabric
<i>"melt-spinning"</i>	:	A process in which the PET are melted and extruded into a gas or liquid, where it cools and solidifies
<i>"modulus"</i>	:	Refers to the fibre's initial resistance to tensile force before it breaks and is a measure of fibre stiffness
<i>"orientation"</i>	:	In linear polymeric structures, the degree of parallelism of the chain molecules
<i>"PET"</i>	:	The common name for polyethylene terephthalate, which is a thermoplastic polymer resin of the polyester family and is used in synthetic fibres, beverage, food and other liquid containers, thermoforming applications, and engineering resins often in combination with glass fibre. It is the essential raw material applied in our production process
<i>"polyester"</i>	:	Polyester is a category of polymers which contain the ester functional group in their main chain. Polyesters include naturally-occurring chemicals, such as in the cutin of plant cuticles, as well as synthetics such as polycarbonate and polybutyrate
<i>"polyester fabric"</i>	:	Fabric made with polyester, a synthetic fibre derived from petroleum
<i>"polymer"</i>	:	A long chain of molecules made up of repeating units of compounds
<i>"polymerisation"</i>	:	A chemical reaction in which a polymer is formed by linking up small molecules
<i>"resilience"</i>	:	Ability of a fibre to spring back to its natural shape after folding, creasing or compression. Resiliency of the fibre also affects the insulative property of a fabric. If a fabric with air spaces in it for insulation is made of resilient fibres, the air spaces will not be lost by the fibre "packing down". Such a fabric will prevent loss of body heat and act as a good insulator
<i>"spinneret"</i>	:	A nozzle or plate provided with fine holes or slits through which a fibre-forming solution or melt is extruded during fibre manufacture
<i>"synthetic fibres"</i>	:	Man-made fibres made from a polymer that has been produced artificially, in contrast to fibres made from naturally occurring polymers such as cellulose. The term synthetic fibres is also used to refer to synthetic filaments

<i>“tensile strength”</i>	:	Maximum tensile stress expressed in force per unit cross-sectional area of the unstrained specimen
<i>“textured yarn”</i>	:	A continuous filament yarn that has been processed to introduce durable crimps, coils, loops or other fine distortions along the lengths of the filaments
<i>“warp knit fabrics”</i>	:	The fabrics made through the process of warp-knitting
<i>“warp knitting”</i>	:	A family of knitting methods in which the yarn zigzags along the length of the fabric by following adjacent columns (i.e. wales) of knitting, rather than a single row (i.e. course). In comparison, knitting across the width of the fabric is called weft knitting
<i>“yarn”</i>	:	A generic term for a continuous strand of textile fibres, filaments, or material in a form suitable for knitting, weaving or otherwise intertwining to form a textile fabric

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact constitute “forward-looking statements”. You can identify some of these forward-looking statements by terms such as “**expects**”, “**believes**”, “**plans**”, “**intends**”, “**estimates**”, “**anticipates**”, “**may**”, “**will**”, “**would**” and “**could**” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:-

- (a) revenue and profitability;
- (b) expected growth in demand;
- (c) expected industry trends;
- (d) anticipated expansion plans; and
- (e) other matters discussed in this Prospectus regarding matters that are not historical fact,

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

- (i) changes in political, social and economic conditions and the regulatory environment in Singapore, PRC and other countries in which we conduct business;
- (ii) changes in currency exchange rates;
- (iii) our anticipated growth strategies and expected internal growth;
- (iv) changes in the availability and prices of our Group’s products;
- (v) changes in customer demand;
- (vi) changes in competitive conditions and our ability to compete under these conditions;
- (vii) changes in our future capital needs and the availability of financing and capital to fund these needs; and
- (viii) other factors beyond our control.

These factors are discussed in greater detail in this Prospectus, in particular, but not limited to the discussions in the “Risk Factors” and “Management’s Discussion and Analysis of Results of Operations and Financial Condition” sections of this Prospectus. All forward-looking statements by or attributable to us or our Directors, our Executive Officers or our employees acting on our behalf, or persons acting on our behalf, contained in this Prospectus are expressly qualified in their entirety by such factors. These forward-looking statements are applicable only as of the date of this Prospectus.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. Neither we, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents nor any other person represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Vendor, the Issue Manager, the Joint Underwriters and the Joint Placement Agents disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. We are, however, subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Prospectus is registered but before the close of the Invitation, we become aware of (a) a false or misleading statement in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the SFA; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the SFA to be included in this Prospectus, if it had arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

EXCHANGE RATES

The table below sets out the high and low exchange rates for RMB/S\$, for each month of the six months prior to the Latest Practicable Date. The table below indicates how many RMB it would take to buy one S\$.

	RMB/S\$	
	High	Low
July 2009	4.750	4.669
June 2009	4.758	4.673
May 2009	4.736	4.611
April 2009	4.608	4.501
March 2009	4,534	4.402
February 2009	4.581	4.426

As at the Latest Practicable Date, the exchange rates for RMB/S\$, was RMB4.743 to S\$1.00.

The following table sets out, for each of the financial periods indicated, the average and closing exchange rates for RMB/S\$. Where applicable, the exchange rates in this table are used for the translation of our Group's financial statements disclosed elsewhere in this Prospectus.

	RMB/S\$	
	Average	Closing
FY2008	4.924	4.772
FY2007	5.053	5.076
FY2006	5.035	5.090

The above exchange rates were quoted from Bloomberg L.P.⁽¹⁾ and are presented solely for information. The exchange rates should not be construed as a representation that the RMB amounts could have been or could be converted into S\$ at the rates indicated or at any other rate or at all and *vice versa*.

Please refer to the "Description of Relevant PRC Laws and Regulations" in Appendix C of this Prospectus for a description of the exchange controls that exist in the PRC.

Note:-

- (1) Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted under this section and is thereby not liable for those statements under Sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that the information attributed to the Bloomberg L.P. in this Prospectus is reproduced in their proper form and context and that the information is extracted accurately, we have not conducted an independent review of the information extracted or verified the accuracy of such information.

SELLING RESTRICTIONS

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

DETAILS OF THE INVITATION

LISTING ON THE SGX-ST

We have applied to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued (including the Vendor Shares), the New Shares and the Additional Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Our acceptance of applications will be conditional upon the issue of the New Shares and permission being granted to deal in, and for quotation of, all of our existing issued Shares (including the Vendor Shares), the New Shares and the Additional Shares. If such permission is not granted for any reason, monies paid in respect of any application accepted will be returned to the applicant at the applicant's own risk, without interest or any share of revenue or other benefit arising therefrom, and the applicant will not have any claims whatsoever against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents. No Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

In connection with the Invitation, our Company has granted to the Joint Underwriters the Over-allotment Option exercisable by the Joint Underwriters in full or in part on or prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 68,000,000 Shares representing approximately 17.9% of the Invitation Shares to undertake stabilising actions, solely for the purpose of covering over-allotments (if any) of the Invitation Shares. The Joint Underwriters may, in their discretion but subject to compliance with applicable laws and regulations in Singapore, over-allot or effect transactions which stabilise or maintain the market price of our Shares. Such stabilisation activities, if commenced, may be discontinued by the Joint Underwriters at any time at their discretion in accordance with the laws of Singapore and shall not be effected after the expiry of the aforesaid period.

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

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

This Prospectus has been seen and approved by our Directors and the Vendor, and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no material facts the omission of which would make any statements in this Prospectus misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Company, our subsidiaries, the Vendor and the Invitation Shares.

Neither us, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents nor any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents. Neither the delivery of this Prospectus and the Application Forms or any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of our Company or our subsidiaries or in any statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, we will comply with the relevant provisions of the SFA and may make an announcement of the same to the SGX-ST and if required under the SFA, a supplementary or replacement prospectus will be issued and made available to the public after a copy thereof has been lodged with the Authority. All applicants should take note of any such announcement, or supplementary or replacement prospectus and, upon the release of such an announcement, or supplementary or replacement prospectus, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our subsidiaries.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose. **This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such an offer, solicitation or invitation.**

Pursuant to Section 241 of the SFA, if after this Prospectus is registered but before the close of the Invitation, we become aware of:-

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

and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority.

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

- (a) where the Invitation Shares have not been issued and/or transferred to the applicants, we (as well as on the behalf of the Vendor) shall either:-
 - (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to withdraw their applications, and take all reasonable steps to make available within a reasonable period the supplementary or replacement prospectus to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement prospectus;
 - (ii) within seven days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or

- (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled, and we shall, within seven days from the date of lodgement of the supplementary or replacement prospectus, pay the applicants all monies the applicants have paid on account of their applications for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or
- (b) where the Invitation Shares have been issued and/or transferred to the applicants, we (as well as on behalf of the Vendor) shall either:-
 - (i) within two days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the same and provide the applicants with an option to return to us the Invitation Shares which they do not wish to retain title in, and take all reasonable steps to make available within a reasonable period the supplementary or replacement prospectus to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement prospectus;
 - (ii) within seven days from the date of lodgement of the supplementary or replacement prospectus, give the applicants the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to return to us the Invitation Shares which they do not wish to retain title in; or
 - (iii) treat the issue and/or transfer of the Invitation Shares as void, in which case the issue and/or transfer shall be deemed void and we (as well as on behalf of the Vendor) shall:-
 - (A) within seven days from the date of lodgement of the supplementary or replacement prospectus, pay the applicants all monies the applicants have paid on account of their applications for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or
 - (B) (aa) if documents purporting to evidence title to the Invitation Shares ("**title documents**") have been issued to the applicants, within seven days from the date of lodgement of the supplementary or replacement prospectus, inform the applicants to return the title documents to us within 14 days from the date of lodgement of the supplementary or replacement prospectus, and within seven days from the date of receipt of the title documents or the date of lodgement of the supplementary or replacement prospectus, whichever is the later, pay to the applicants all monies paid by them for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or (bb) if no title documents have been issued to the applicants, within seven days from the date of lodgement of the supplementary or replacement prospectus, pay to the applicants all monies paid by them for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

An applicant who wishes to exercise his option under paragraph (a)(i) or (ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify us of this, whereupon we (as well as on behalf of the Vendor) shall, within seven days from the receipt of such notification, pay to him all monies paid by him on account of his application for those Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

An applicant who wishes to exercise his option under paragraph (b)(i) or (ii) to return the Invitation Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify us of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares, to us, whereupon we (as well as on behalf of the Vendor) shall, within seven days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents, and the issue and/or transfer of those Invitation Shares shall be deemed to be void.

Pursuant to Section 242 of the SFA, the Authority may issue a stop order if a prospectus that has been registered (i) contains any statement which, in the Authority's opinion, is false or misleading; (ii) omits any information that should have been included in it under Section 243 of the SFA; or (iii) does not in the Authority's opinion comply with the requirements of the SFA. In the event that the Authority issues a stop order, and applications to subscribe for and/or purchase the Invitation Shares have been made prior to the stop order, then:-

- (a) where the Invitation Shares have not been issued and/or transferred to the applicants, the applications for the Invitation Shares shall be deemed to have been withdrawn and cancelled and we (as well as on behalf of the Vendor) shall, within 14 days from the date of the stop order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or
- (b) where the Invitation Shares have been issued and/or transferred to the applicants, the issue and/or transfer of the Invitation Shares shall be deemed to be void and we (as well as on behalf of the Vendor) shall, (i) if no documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, pay to the applicants all monies paid by them for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents, or (ii) if documents purporting to evidence title to those Invitation Shares have been issued to the applicants, within seven days from the date of the stop order, inform the applicants to return such documents to us within 14 days from that date and within seven days from the date of receipt of such documents or the date of the stop order, whichever is the later, pay to the applicants all monies paid by them for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at their own risk and the applicants shall not have any claim against us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

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

COLLINS STEWART PTE. LIMITED

77 Robinson Road
#21-02 Robinson 77
Singapore 068896

UOB KAY HIAN PRIVATE LIMITED

80 Raffles Place #30-01
UOB Plaza 1
Singapore 048624

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website <http://www.sgx.com> and the Authority's website <http://masnet.mas.gov.sg/operas/sdrprosp.nsf>.

The Application List will open at 10.00 am on 16 September 2009 and will remain open until 12.00 noon on the same day or such further period or periods as our Directors and the Vendor may, in consultation with the Issue Manager, in their absolute discretion, decide, subject to any limitation under all applicable laws. Where a supplementary or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary or replacement prospectus.

Details of the procedures for applications to subscribe for and/or purchase the Invitation Shares are set out in Appendix F of this Prospectus.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for your reference:-

Indicative Date and Time	Event
16 September 2009, 12:00 noon	Close of Application List
17 September 2009	Balloting of applications, if necessary (in the event of over-subscription for and/or purchase of the Offer Shares)
18 September 2009, 9:00 am	Commence trading on a “ready” basis
24 September 2009	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 16 September 2009, the date of admission of our Company to the Official List of the SGX-ST is 18 September 2009, the SGX-ST’s shareholding spread requirement will be complied with, the New Shares will be issued and fully paid-up prior to 18 September 2009. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

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

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

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:-

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

We will provide details of the results of the Invitation through the channels described in (i) and (ii) above as soon as it is practicable after the closure of the Application List.

PROSPECTUS SUMMARY

The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. Prospective investors should read the entire Prospectus carefully, especially the matters set out under the “Risk Factors” section of this Prospectus, before deciding to invest in our Shares.

Under no circumstances should any information in this Prospectus summary be regarded as a representation or warranty by us, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents that such information will not change.

OUR GROUP

Our Company was incorporated in Singapore on 9 September 2008 under the Companies Act as a private company limited by shares under the name of “China Gaoxian Fibre Fabric Holdings Pte. Ltd.”. The Restructuring Exercise was completed on 25 November 2008 as described in the “Restructuring Exercise” section of this Prospectus, pursuant to which our Company acquired the entire issued and paid-up share capital of Zhejiang Huagang from China Success and became the holding company of our Group. In conjunction with our Company’s conversion to a public company limited by shares in on 6 August 2009, our Company’s name was changed to “China Gaoxian Fibre Fabric Holdings Ltd.”. Our Group currently comprises our Company and its wholly-owned subsidiaries, Zhejiang Huagang and New Huawei.

Our Company registration number is 200817812K. Our registered office is located at 77 Robinson Road, #05-00 Robinson 77, Singapore 068896, whereas our principal office is located at Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province (浙江省湖州市吴兴区八里店镇工业园区).

Our telephone number is (86) 572 256 1888 and our facsimile number is (86) 572 256 1722.

OUR BUSINESS

We are principally engaged in the manufacture and sale of premium differentiated fine polyester yarn and warp knit fabric.

Our products are sold under our “华港” (HuaGang) and “大华威” (DaHuaWei) brand names and our customers are mainly textile and garment manufacturers in the PRC, who in turn apply our products to manufacture apparel, upholstery for automobiles and aeroplanes, sports shoes and headgear, curtains, bedding, bags and umbrellas. Further details are set out in the “History and Business” section of this Prospectus.

OUR COMPETITIVE STRENGTHS

We believe that the following are our competitive strengths:-

- We have the ability to produce new range of premium differentiated fine polyester yarn and warp knit fabric
- We have an experienced management team
- We produce high quality products and possess strong brand advantage
- We have an established track record and strong customer relationships
- We are located in the PRC’s major textile and garment production provinces
- We have a diversified and large customer base
- We are financially sound

For more details, please refer to the “Competitive Strengths” section of this Prospectus.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans for the growth and expansion of our business are mainly as follows:-

- Expand our production capacity for premium differentiated fine polyester yarn
- Expand our downstream fabric manufacturing business
- Strengthen our “华港” (HuaGang) and “大华威” (DaHuaWei) brand recognition and expand our sales and marketing network
- Increase our product development capabilities

Further details are set out under the “Business Strategies and Future Plans” section of this Prospectus.

SUMMARY OF OUR FINANCIAL RESULTS AND POSITION

The following tables represent a summary of the financial highlights of our Group and should be read in conjunction with the “Management’s Discussion and Analysis of Results of Operations and Financial Condition” section and the “Independent Auditors’ Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008” in Appendix A of this Prospectus.

Selected items from the Combined Income Statements of our Group⁽¹⁾

	← Audited Combined →		
(RMB'000)	FY2006	FY2007	FY2008
Revenue	1,014,907	1,337,630	1,830,260
Gross profit	293,468	393,989	555,777
Profit before tax	272,866	365,746	506,390
Net profit attributable to shareholders	203,117	263,924	390,439
Pre-Invitation EPS ⁽²⁾ (RMB cents)	18.14	23.56	34.86
Post-Invitation EPS ⁽³⁾ (RMB cents)	14.11	18.33	27.11

Notes:-

- (1) The combined income statements of our Group for the periods under review have been prepared on the basis that our Group has been in existence throughout the periods under review.
- (2) For comparative purposes, the pre-Invitation EPS for the periods under review have been computed based on the net profit attributable to Shareholders and the pre-Invitation share capital of 1,120,000,000 Shares.
- (3) For comparative purposes, the post-Invitation EPS for the periods under review have been computed based on the net profit attributable to Shareholders and the post-Invitation share capital of 1,440,000,000 Shares.

Selected items from the Combined Balance Sheets of our Group

	Audited as at 31 December	
(RMB'000)	2007	2008
ASSETS		
Non-current assets	740,918	454,925
Current assets	646,912	575,126
Total assets	1,387,830	1,030,051
EQUITY AND LIABILITIES		
Current liabilities	528,546	466,978
Non-current liabilities	—	7,427
Total equity	859,284	555,646
Total liabilities and equity	1,387,830	1,030,051
NTA per Share ⁽¹⁾ (RMB cents)	69.47	48.52

Note:-

- (1) The NTA per Share as at 31 December 2007 and 31 December 2008 have been computed based on our pre-Invitation share capital of 1,120,000,000 Shares.

THE INVITATION

- Invitation Size** : 380,000,000 Invitation Shares (excluding the Additional Shares) comprising 320,000,000 New Shares and 60,000,000 Vendor Shares. The New Shares, upon issue and allotment, and the Vendor Shares, upon allocation, will rank *pari passu* in all respects with the existing issued Shares.
- Invitation Price** : \$0.26 for each Invitation Share.
- The Offer** : The Offer comprises an offering by our Company and the Vendor to the public in Singapore to subscribe for and/or purchase the 5,000,000 Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
- Placement** : The Placement comprises an offering by the Joint Placement Agents on behalf of our Company and the Vendor of 375,000,000 Placement Shares at the Invitation Price by way of placement, subject to and on the terms and conditions of this Prospectus.
- Over-allotment Option** : Our Company has granted to the Joint Underwriters, the Over-allotment Option which is exercisable by the Joint Underwriters in full or in part on or prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 68,000,000 Shares representing approximately 17.9% of the Invitation Shares to undertake stabilising actions, solely for the purpose of covering over-allotments (if any) of the Invitation Shares. **Unless we indicate otherwise, all information in this Prospectus assumes that the Joint Underwriters have not exercised the Over-allotment Option.**
- Purpose of the Invitation** : The purpose of the Invitation is to secure admission of our Company to the Official List of the SGX-ST. Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance our public image locally and internationally and enable our Company to tap the capital markets to fund our business growth. It will also provide members of the public, our Independent Directors, our employees, our business associates and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.
- Listing Status** : There has been no public market for our Shares prior to the Invitation. Our Shares will be quoted in Singapore dollars on the SGX-ST, subject to admission of our Company to the Official List of the SGX-ST, permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST and the Authority not issuing a stop order.

PLAN OF DISTRIBUTION

The Invitation Price is determined by us and the Vendor in consultation with the Issue Manager, the Joint Underwriters and the Joint Placement Agents after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Offer Shares through a book-building process. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price. The terms, conditions and procedures for application and acceptance are described in Appendix F of this Prospectus.

Pursuant to the terms and conditions in the Management and Underwriting Agreement signed between us, the Vendor, the Issue Manager and the Joint Underwriters dated 9 September 2009, the Issue Manager has agreed to manage the Invitation and the Joint Underwriters have agreed to underwrite the Offer Shares.

In the event of an under-subscription for and/or purchase of the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Placement Shares to the extent that there is an over-subscription for and/or purchase the Placement Shares as at the close of the Application List.

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

Placement Shares

Applications for the Placement Shares may only be made by way of Placement Shares Application Forms. The terms, conditions and procedures for application and acceptance are described in Appendix F of this Prospectus.

Pursuant to the terms and conditions in the Placement Agreement signed between our Company, the Vendor and the Joint Placement Agents dated 9 September 2009, the Joint Placement Agents have agreed to subscribe for and/or purchase and/or procure subscribers and/or purchasers for the Placement Shares.

In the event of an under-subscription for and/or purchase of the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for and/or purchase of the Offer Shares as at the close of the Application List.

Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Joint Placement Agents, as well as stamp duties and any other similar charges.

Over-allotment Option

In connection with the Invitation, we have granted to the Joint Underwriters the Over-allotment Option exercisable by the Joint Underwriters in full or in part on or prior to the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 68,000,000 Shares representing approximately 17.9% of the Invitation Shares to undertake stabilising actions, solely for the purpose of covering over-allotments (if any) of the Invitation Shares.

Price Stabilisation

Pursuant to the Over-allotment Option and in connection with the Invitation, the Joint Underwriters may over-allot Shares or effect transactions which may stabilise or maintain the market price of our Shares at levels which might not otherwise prevail in the open market. Such transaction may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulations, including the SFA and any regulations thereunder. However, there is no assurance that the Joint Underwriters will undertake any such stabilisation actions. Such transactions may commence on or after the commencement of trading of our Shares on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the expiry of (whichever is earlier): (i) the date falling 30 days from the commencement of trading of our Shares on the SGX-ST; or (ii) the date the Joint Underwriters have purchased in the SGX-ST an aggregate of 68,000,000 Shares representing approximately 17.9% of the Invitation Shares to undertake stabilising actions.

None of us, the Vendor, the Issue Manager, the Joint Underwriters nor the Joint Placement Agents make(s) any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of our Shares. In addition, none of us, the Vendor, the Issue Manager, the Joint Underwriters nor the Joint Placement Agents make(s) any representation that the Joint Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without advance notice (unless such notice is required by law).

Any profits, less the underwriting and selling commissions of the Joint Underwriters, derived as a consequence of the Joint Underwriters undertaking any such stabilisation actions shall accrue to the benefit of the Joint Underwriters and the Vendor.

The Joint Underwriters will be required to make public announcement through the SGXNET on the cessation of the stabilising action and the amount of the Over-allotment Option that has been exercised not later than the start of the trading day of the SGX-ST immediately after the day of cessation of the stabilisation action.

Share Lending Agreement

The Joint Underwriters have entered into a share lending agreement with the Vendor on 9 September 2009 ("**Share Lending Agreement**") under which they may borrow up to 68,000,000 Shares from the Vendor for the purpose of facilitating the settlement of the over-allotment of the Shares in connection with the exercise of the Over-allotment Option. Save for the aforementioned Shares, the Shares of the Vendor are subject to the moratorium undertaking set out under the "Moratorium" section of this Prospectus. Additional Shares issued by the Company to the Vendor in consideration of Shares borrowed under the Share Lending Agreement shall be subject to the aforesaid moratorium undertaking.

None of our Directors or Substantial Shareholders intends to subscribe for and/or purchase the Invitation Shares in the Invitation, save for our Independent Directors who may subscribe for and/or purchase Invitation Shares offered to them.

To the best of our knowledge, we are not aware of any person who intends to subscribe for and/or purchase more than 5% of the Invitation Shares. However, through a book building process to assess market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for and/or purchase more than 5% of the Invitation Shares. If such person(s) were to make an application for more than 5% of the Invitation Shares and were subsequently allotted and/or allocated such number of Invitation Shares, we will make the necessary announcements at an appropriate time. The final allocation of Shares will be in accordance with the shareholding spread and distribution guidelines set out in Rule 210 of the Listing Manual.

No Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

Please also refer to the "Management, Underwriting and Placement Arrangements" section of this Prospectus for further details on our Management and Underwriting Agreement and Placement Agreement.

USE OF PROCEEDS FROM THE INVITATION AND EXPENSES INCURRED

The estimated amount of expenses of the Invitation and the application for listing, including underwriting and placement commission, brokerage, management, audit and legal fees, advertising and printing expenses, listing fees payable to the SGX-ST and the Authority and all other incidental expenses in relation to the Invitation is approximately \$5.9 million. Save for the listing fees, these expenses will be borne by our Company and the Vendor in the proportion in which the number of Invitation Shares offered by each of us and the Vendor pursuant to the Invitation bears to the total number of Invitation Shares. Accordingly, approximately \$5.0 million will be borne by our Company and approximately \$0.9 million will be borne by the Vendor. The net proceeds to be raised by our Company from the issue of the New Shares are estimated to be \$78.2 million.

Each principal intended use of the Invitation proceeds and major expenses is set out below:-

		Estimated amount for each dollar raised from the Invitation
	\$'000	(cents)
Use of proceeds		
(a) Expand our production capacity of premium differentiated fine polyester yarn	33,000	39.66
(b) Expand our downstream fabric manufacturing business	35,000	42.07
(c) Strengthen our “华港” (HuaGang) and “大华威” (DaHuaWei) brand recognition and expand our sales and marketing network	3,000	3.61
(d) Increase our product development capabilities	3,000	3.61
(e) General working capital	4,245	5.10
Net proceeds	78,245	94.05
Expenses		
(a) Listing fees	54	0.06
(b) Professional fees	1,940	2.33
(c) Underwriting commission, placement commission and brokerage	2,671	3.21
(d) Miscellaneous expenses	290	0.35
Gross proceeds from the Invitation	83,200	100.00

Additional information on our future plans may be found under the “Business Strategies and Future Plans” section of this Prospectus. Our future plans may be funded, apart from the Invitation proceeds, either through internally generated funds and/or external borrowings.

Pending the specific deployment of the net proceeds as aforesaid, the funds will be placed in short-term deposits with financial institutions, used as working capital or invested in short-term money market instruments as our Directors may, in their absolute discretion, deem fit.

Our Company will make periodic announcements as and when the net proceeds from the issue of the New Shares are materially disbursed and will provide a status report on the use of the net proceeds in our annual report.

In the event that any part of our proposed uses of the net proceeds from the issue of New Shares does not materialise or proceed as planned, our Directors will carefully evaluate the situation and may reallocate the intended funding to other purposes and/or hold such funds on short-term deposits for so long as our Directors deem it to be in the interest of our Company and our Shareholders, taken as a whole. Any change in the use of the net proceeds will be subject to the listing rules of the SGX-ST and appropriate announcements will be made by our Company on SGXNET.

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

If the Over-allotment Option is exercised in full, the additional net proceeds (after the payment of relevant fees, commissions and expenses) which we will receive is approximately S\$17.0 million. Such net proceeds will be used for our working capital.

None of the proceeds of the Invitation will be used to discharge, reduce or retire any indebtedness of our Group. We do not currently have any intention to use the Invitation proceeds to purchase assets outside the ordinary course of business.

Net Proceeds From The Sale Of Vendor Shares

The estimated net proceeds attributable to the Vendor from the sale of the Vendor Shares (after deducting the Vendor's share of expenses related to the Invitation of \$0.9 million) will be approximately S\$14.7 million.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

Pursuant to the management and underwriting agreement dated 9 September 2009 ("**Management and Underwriting Agreement**") entered into between our Company, the Vendor, the Issue Manager and Joint Underwriters, our Company and the Vendor appointed the Issue Manager and the Joint Underwriters, and the Issue Manager and the Joint Underwriters have agreed, to manage the Invitation and underwrite the Offer Shares (as the case may be). Collins Stewart will receive a management fee from us and the Vendor for its services rendered in connection with the Invitation.

Pursuant to the Management and Underwriting Agreement, the Joint Underwriters agreed to underwrite the Offer Shares for a commission of 2.75% of the Invitation Price for each Offer Share payable by us and the Vendor (as the case may be) in the proportion in which the number of Offer Shares offered by each of us and the Vendor pursuant to the Offer bears to the total number of Offer Shares. The Joint Underwriters may, at their absolute discretion, appoint one or more sub-underwriters to underwrite the Offer Shares.

The Management and Underwriting Agreement may be terminated by the Issue Manager or Joint Underwriters at any time on or before the close of the Application List if there shall have been prior to or on the close of the Application List:-

- (i) any breach of the warranties or undertakings in the Management and Underwriting Agreement; or
- (ii) any occurrence of certain specified events which comes to the knowledge of the Issue Manager or Joint Underwriters; or
- (iii) any material adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) of our Company or of our Group as a whole; or
- (iv) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive, whether or not having the force of law (including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) in Singapore or elsewhere, or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority; or
- (v) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise, adverse changes in foreign exchange controls in Singapore or overseas, or any combination of any such changes or developments or crisis, or any deterioration of such conditions); or
- (vi) any imminent threat or occurrence of any local, national, regional or international outbreak or escalation of hostilities, insurrection, terrorist attacks or armed conflict (whether or not involving financial markets in any jurisdiction); or
- (vii) any regional or local outbreak of disease that may have an adverse effect on the financial markets; or
- (viii) any other occurrence of any nature whatsoever, which event or events shall in the reasonable opinion of the Issue Manager or Joint Underwriters:-
 - (1) results or is likely to result in a material adverse fluctuation or material adverse conditions in the stock market in Singapore or overseas; or
 - (2) is likely to materially prejudice the success of the Invitation; or

- (3) makes it impracticable, inadvisable, inexpedient or not commercially viable to proceed with any of the transactions contemplated in the Management and Underwriting Agreement; or
- (4) is likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group; or
- (5) is such that no reasonable underwriter would have entered into the Management and Underwriting Agreement; or
- (6) result or is likely to result in the issue of a stop order by the Authority; or
- (7) makes it non-commercial or otherwise contrary to or outside the usual commercial customs or practices of underwriters in Singapore for the Joint Underwriters to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement.

The Issue Manager and the Joint Underwriters may also terminate the Management and Underwriting Agreement if:-

- (i) at any time up to the close of the Application List, a stop order has been issued by the Authority in accordance with Section 242 of the SFA; or
- (ii) at any time after the registration of the Prospectus with the Authority but before the close of the Application List, our Company fails and/or neglects to lodge a supplementary or replacement prospectus (as the case may be) if we become aware of:-
 - (1) a false or misleading statement in the Prospectus; or
 - (2) an omission from this Prospectus with the Authority of any information that should have been included in it under Section 243 of the SFA; or
 - (3) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the SFA to be included in this Prospectus if it had arisen before this Prospectus was lodged,
 that is materially adverse from the point of view of an investor; or
- (iii) the Invitation Shares have not been admitted to the Official List of the SGX-ST on or before 18 September 2009 (or such other date as our Company, the Vendor and the Issue Manager and the Joint Underwriters may agree).

Pursuant to the placement agreement dated 9 September 2009 ("**Placement Agreement**") entered into between our Company, the Vendor and the Joint Placement Agents, the Joint Placement Agents agreed to subscribe for and/or purchase and/or procure subscriptions and/or purchasers for the Placement Shares for a placement commission of 3.0% of the Invitation Price for each Placement Share to be paid by our Company and the Vendor, in the proportion in which the number of Placement Shares offered by each of us and the Vendor pursuant to the Placement bears to the total number of Placement Shares. The Joint Placement Agents may, at their absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Brokerage will be paid by our Company and the Vendor at the rate of 0.25% of the Invitation Price for each Offer Share (as the case may be) in the proportion in which the number of Offer Shares offered by each of us and the Vendor pursuant to the Offer bears to the total number of Offer Shares. In respect of the Offer Shares, the brokerage will be paid to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs or internet banking websites. In addition, DBS Bank levies a minimum brokerage fee of S\$10,000. Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Joint Placement Agents (including the prevailing goods and services tax, if applicable).

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

The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement, and may be terminated on the occurrence of certain events, including those specified above. In the event that the Management and Underwriting Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors and the Vendor, to cancel the Invitation.

Save as disclosed above, we do not have any material relationship with the Issue Manager, the Joint Underwriters and the Joint Placement Agents.

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information set forth in this Prospectus before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions and the securities market and ownership of the Shares, including possible future sales of Shares. To the best of our Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgement of our Group have been set out below. If any of the following considerations, uncertainties or material risks develop into actual events, our business, financial condition and/or results of operations could be materially and adversely affected. In such cases, the trading price of our Shares could decline and you may lose all or part of your investment in our Shares.

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

RISKS RELATING TO OUR BUSINESS

We are dependent on the PRC textile and garment industries

As all our products are sold to textile and garment manufacturers in the PRC, we are affected by any significant decline in consumer demand for our customers' end products (such as garments, home furnishings and other industry products made in the PRC). In the event our customers suffer a downturn in their industry arising from a significant decline in demand for their products, including as a result of any economic downturn in the consumer market, our business and financial performance will be materially and adversely affected.

We are subject to fluctuations in the cost of PET chips

Our primary raw material in the production of premium differentiated fine polyester yarn and warp knit fabric is PET chips which accounted for more than 90% of our total cost of sales in the periods under review. PET chips are derivative products of crude oil. The price of PET chips therefore generally fluctuates in line with the price of crude oil. The price of PET chips is also affected by changes in supply and demand conditions. Although we have not previously encountered any shortage in the supply of or an upsurge in the demand for PET chips, such fluctuations, if they arise, may lead to an increase in its price and our cost of sales. During the periods under review, the average cost of PET chips has increased by approximately 16% from RMB7,700 per ton in FY2006 to RMB8,900 per ton in FY2008. If we are not able to increase our selling prices in order to pass on any increase in the cost of PET chips to our customers, our profitability and financial performance will be adversely affected.

We are dependent on our major suppliers

Our top two suppliers of PET chips, namely Fujian Jinlun Petrochemical Fibre Industry Co., Ltd (福建金纶石化纤维实业有限公司) and Zhuhai Yingfutong Investment Co., Ltd (珠海盈富通投资有限公司), accounted for 75.5% and 55.9% of our purchases of PET chips in FY2007 and FY2008 respectively. Our ability to deliver our products to our customers is dependent on our ability to obtain sufficient quantities of PET chips from our approved list of more than 20 suppliers. As we generally do not have long term supply contracts with our suppliers, there can be no assurance that we will continue to be able to obtain sufficient quantities of PET chips at competitive prices from our suppliers. In the event that our suppliers are unable to fulfil our orders, we may have to seek alternative sources of PET chips from other suppliers and may be charged higher prices by such alternative suppliers. As a result, our financial performance will be adversely affected. Further, any delay or disruption in the delivery of PET chips may delay or disrupt our production and delivery of our products to customers. Such failure to meet customers' orders in a timely manner will result in loss of competitiveness and expose us to claims from customers, which will adversely affect our revenue and profitability.

We do not own the land use rights for the production facilities of New Huawei which contributed approximately 65.0% of our Group's total revenue and approximately 74.3% of our Group's production capacity for FY2008

The land use rights for the production facilities of our subsidiary, New Huawei, are leased from Fujian Huawei for a term of three years commencing on 1 November 2008, with an option to renew for an additional three years upon expiry and a first right of refusal to purchase the land use rights from Fujian Huawei (please refer to the "Restructuring Exercise" section of this Prospectus for further details). Our production facilities located at Fujian Huawei Property has an annual production capacity of 106,500 mt of polyester yarn and 15,000 mt of warp knit fabric, and contributed approximately 65.0% of our Group's total revenue and approximately 74.3% of our Group's production capacity for FY2008. Please refer to the "Manufacturing Facilities and Utilisation" section of this Prospectus for more information. Should we be unable to enforce our rights under the lease agreement (including in the event Fujian Huawei undergoes liquidation) or be unable to renew the lease when it expires or if the lease is renewed on terms and conditions which are not favourable to us or the lease agreement is terminated by Fujian Huawei (please refer to the "Restructuring Exercise" section of this Prospectus for more information), and we are unable to find alternative premises to relocate our machinery and recommence production promptly at similar costs, our business operations will be disrupted and our financial performance will be adversely affected. As the rental rates are based on market valuation, should there be an increase in the rental rates, our financial performance will also be adversely affected.

Major disruptions at our production facilities will affect our business

Our business will be affected by disruptions at our production facilities due to causes such as natural calamities, fire or equipment breakdown. The occurrence of power failure or power surges at our production plants may also result in damage to our production equipment and facilities or cause a production halt or delay in our production schedule. Although we have not previously encountered any aforesaid major disruptions to our production facilities, such disruptions, if they arise, will have a material adverse impact on our operations, business and financial performance. Although we have taken general insurance coverage in respect of damage to our production facilities, our existing insurance may nonetheless not be sufficient to fully compensate us for actual losses or damages, if this develops into actual events, our profitability will be adversely affected.

We will lose our competitiveness if we are unable to adopt the latest production methods and technologies or develop new and innovative products to meet changing market demands

Our future success depends upon our ability to address the advancements in production methods and technologies by adopting the latest production technologies, and changes in the consumer trends by developing and introducing new and innovative products on a timely basis and in accordance with the changing demands. If we do not anticipate or adopt the latest production methods and technologies or keep pace with the changes in customers' demands, we may not be able to manufacture our products at competitive prices or our sales may decline as the market demand for our current products declines. In addition, it may also render our production facilities or products obsolete. Hence, if we are unable to adopt the latest production methods and technologies or fail to develop new and innovative products that are broadly accepted by our customers, we will lose our competitiveness and our financial performance will be adversely affected.

We may fail to implement successfully our expansion strategy

As set out in the "Prospects, Business Strategies and Future Plans" section of this Prospectus, our Directors intend to expand our production capacity by investing in new production facilities and ancillary machinery and equipment. Our growth and future success will be dependent on, among others, the successful completion of such expansion proposed to be undertaken by us and the sufficiency of demand for our new products. Should we fail to implement our expansion plans or there is insufficient demand for our new products, our business, results of operations and financial position will be materially and adversely affected.

We are subject to the credit risk of our customers

We may grant credit terms of up to 90 days to our customers, depending on our assessment of their creditworthiness. Our average trade receivables turnover for FY2006, FY2007 and FY2008 were 37, 46, and 43 days respectively. In the event we grant our customers any credit, we may be exposed to the risks of default in payment by such customers, particularly if our customers experience cash flow difficulties or deterioration in their business performance. During economic downturns, such as the current global recession, our customers may suffer an impact on their finances and the possibility of defaults in payment will be greater. Hence, we may not be able to collect our trade debts fully or within a reasonable period of time. Please refer to the “Credit Policy and Management” section of this Prospectus for more information.

Failure to retain services of our key personnel will adversely affect our operations and results

The success of our Group to-date has largely been attributable to the contributions and experience of our key management personnel who are familiar with our business and understand our customers’ needs and requirements. Our continued success is therefore dependent, to a large extent, on our ability to retain their services, and our ability to identify, recruit, train and retain qualified employees for technical, marketing and managerial positions. The loss of the services of any of our key management personnel without suitable and timely replacement would inevitably affect the business and profitability of our Group. Please refer to the “Directors, Executive Officers and Staff” section of this Prospectus for further details.

Our business may be affected if our current banking facilities are withdrawn or if we are unable to obtain additional funding for our future growth

Apart from internal sources of funding, we rely on short term bank loans and bills payable to banks to finance our operations. Please refer to the “Capitalisation and Indebtedness” section of this Prospectus for details of our bank borrowings. If all or a substantial portion of our facilities are withdrawn and we are unable to secure alternative funding on acceptable commercial terms, our operations and financial position will be adversely affected. This is especially a risk in a credit crunch environment, whereby banks are generally reluctant to lend to borrowers.

Our interest expenses for the last three financial years ended 31 December 2008 were RMB6.4 million, RMB11.6 million and RMB13.6 million respectively. The interest rates for most of our facilities are subject to review from time to time by the relevant financial institutions. As at 30 April 2009, we had been granted RMB212.0 million of short term loans and RMB92.8 million of bills payable facilities, of which the amount utilised and outstanding were RMB161.8 million and RMB92.8 million respectively. Given that we rely on these facilities to finance our business operations and that interest expenses represent a significant percentage of our operating expenses, any increase in interest rates of the facilities extended to us will have a material adverse impact on our profitability and financial performance.

In addition, we may need additional financing to fund our business in future. There is no assurance that we will be able to obtain additional financing on terms that are acceptable to us or at all. If we are unable to do so, our future plans and growth prospects will be adversely affected.

Additional debt financing may also include restrictive covenants that:-

- (a) limit our ability to pay dividends or require us to seek consents from the relevant financial institutions for the payment of dividends;
- (b) require us to maintain certain financial ratios, failing which repayment of the debt may be accelerated; and/or
- (c) restrict our ability to undertake or require us to obtain consents from the relevant financial institutions for corporate restructuring, additional financing or other fund-raising activities.

We may face rising production costs in the PRC

Prices for raw materials and labour costs in the PRC have been on an upward trend in the last few years, though this has somewhat been moderated in the recent global financial turmoil. However, there is no assurance that the production costs will not continue to increase in the future. If we fail to offset such increase in production costs against a corresponding increase in the prices of our products so as to pass on such increasing costs to our customers, our financial performance will be adversely affected.

We face possible infringements of our intellectual property rights and the counterfeiting of our “华港” (HuaGang) and “大华威” (DaHuaWei) brand products in the market

We believe our intellectual property rights are important to our success and competitive position. Therefore, we have registered trademarks which are, or will be, used for the branding, marketing and sale of our products, in particular under our “华港” (HuaGang) and “大华威” (DaHuaWei) brands, details of which are set forth in the “Intellectual Property Rights” section of this Prospectus.

Our efforts to build our brands may be undermined by the sale of counterfeit goods under such brands, if any. As at the Latest Practicable Date, we are not aware of any violations or infringements of our intellectual property rights. Nevertheless, there can be no assurance that actions taken by us to protect our trademarks will be adequate to prevent brand infringement, product imitation or counterfeit by others. Such events could adversely affect our reputation, operating results and financial condition.

Our reputation may be affected by the quality of our products

We are dependent on the goodwill of our reputation and the quality of our products for the continued growth of our business. Failure to consistently deliver quality products necessary to develop and maintain our reputation may materially and adversely affect our ability to retain our existing customers, secure new customers or develop new market segments, thereby hampering our future business growth.

Although we place emphasis on the quality of our products and put in place stringent quality assurance measures, there may be complaints from customers from time to time in relation to any defect in our products. Such negative publicity, regardless of their validity, may result in a diminution in the goodwill associated with our products. In such events, our reputation may be adversely affected and consequently our business operations and financial performance will be adversely affected.

If we are unable to compete successfully against our existing and potential competitors, our business, financial condition and results of operations will be adversely affected

The chemical fibre industry in the PRC is highly competitive. Our competitors may have greater resources, longer operating histories, bigger client base, wider range of products or be better entrenched in the markets that we operate in or intend to venture into. We may face price cutting pressure from our competitors in their bid to maintain or expand their market share. If we are unable to respond with appropriate measures, our market share will decline and our profitability and financial performance will be adversely affected.

In addition, new competitors may enter the industry resulting in increased competition or saturation. There is no assurance that we can compete successfully against our existing or potential competitors in the future or that our business, financial condition and results of operations will not be adversely affected by the increased competition. Please refer to the “Competition” section of this Prospectus for more information on our competitors in the chemical fibre industry in the PRC.

The outbreak, or threatened outbreak, of any severe communicable disease in the PRC, will materially and adversely affect our Group’s business and results of operations

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza or H1N1 influenza) in the PRC, will materially and adversely affect overall business sentiments and environment in the PRC, particularly if such outbreak is inadequately controlled. This in turn will materially and adversely affect domestic consumption, labour supply and, possibly, the overall GDP growth of the PRC. Our Group’s revenue is currently derived mainly from our PRC operations and any labour shortages or slowdown in the growth of domestic consumption in the PRC will materially and adversely affect our Group’s business and results of operations. In addition, if any of our Group’s employees is affected by any severe communicable disease, it will adversely affect or disrupt our Group’s production at the relevant plants and materially and adversely affect our results of operations as our Group may be required to close our facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of our Group’s customers and suppliers, which will materially and adversely affect our Group’s business and results of operations.

We do not have insurance coverage for certain types of claim

We do not maintain product liability insurance, business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities. Although we have not experienced any of the above, should any of the above events occur, we may face significant losses or liabilities. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our financial condition and results of operations will be materially and adversely affected.

RISKS RELATING TO THE PRC

Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in

The PRC legal system is based on the PRC Constitution and is made up of, *inter alia*, written laws, regulations, circulars, administrative directives and internal guidelines as well as judicial interpretations. Furthermore, in line with its transformation from a centrally planned economy to a more free market oriented economy, the PRC government is still in the process of developing its legal system, so as to meet the needs of investors and encourage foreign investment. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still subject to policy changes. There is no assurance that the introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities will not have an adverse impact on our business or prospects.

Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited, and unlike other common law countries such as Singapore, decisions on precedent cases are not binding on lower courts. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other jurisdictions and it may be difficult to obtain swift or equitable enforcement of the laws in the PRC, or obtain enforcement of judgment by a court of another jurisdiction.

Changes in the PRC governmental rules, regulations and policies will have a significant impact on our business

Currently, our business and operations in the PRC entail the procurement of licences and permits from the relevant authorities. Thus, our business and operations in the PRC are subject to PRC government rules, regulations and policies. From time to time, changes in the rules, regulations and policies or implementation thereof may require us to obtain additional approvals and licences from the PRC authorities for the conduct of our operations in the PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business cost will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to us promptly or at all. If we experience delay in or are unable to obtain such required approvals or licences, our operations and business in the PRC as well as our overall financial performance will be adversely affected. Please refer to the “Government Regulations” section of this Prospectus for further details.

On 8 August 2006, MOC, SASAC, the State Administration of Taxation, SAIC, CSRC and SAFE promulgated a new regulation with respect to mergers and acquisitions of domestic enterprises by foreign investors (“**M&A Regulations**”). The M&A Regulations came into force on 8 September 2006 (“**Effective Date**”). Essentially, the M&A Regulations will apply to mergers and acquisitions of domestic investment enterprises by foreign investors. Pursuant to Articles 39 and 40 of the M&A Regulations, the listing of offshore special purpose vehicles (“**SPV**”), which are directly or indirectly established or controlled by PRC domestic companies or individuals, are required to obtain CSRC’s approval prior to the listing and trading of such SPV’s securities on an overseas stock exchange. The M&A Regulations were supplemented by the Guidelines on Domestic Enterprises indirectly issuing securities overseas or listing and trading their securities overseas (“**CSRC Guidelines**”) issued by the CSRC on 21 September 2006.

Tian Yuan has opined that as Zhejiang Huagang was a wholly-owned foreign enterprise with its entire equity interests owned by China Success, a Hong Kong company, prior to the Effective Date, and China Success subsequently transferred its interest in Zhejiang Huagang to our Company pursuant to the Restructuring Exercise, accordingly, the M&A Regulations and CSRC Guidelines are not applicable and the Restructuring Exercise is legal and valid under PRC laws.

However, we cannot assure you that the relevant Chinese government agency, including the CSRC, would reach the same conclusion as Tian Yuan. If the CSRC or any other Chinese regulatory bodies subsequently determine that we need to obtain the CSRC approval for the acquisition of our PRC Subsidiaries, we may face regulatory actions or other sanctions from the CSRC or other Chinese regulatory bodies. This may have a material adverse impact on our business, financial condition, results of operations, remittance of profits as well as the trading prices of our Shares.

PRC foreign exchange control may limit our ability to utilise our revenue effectively and affect our ability to receive dividends and other payments from our PRC Subsidiaries

Our PRC Subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of the RMB into foreign currencies. Currently, foreign investment enterprises (“**FIEs**”) are required to apply to SAFE for “Foreign Exchange Registration Certificates for FIEs” (for which our relevant PRC Subsidiary which is a FIE, Zhejiang Huagang, has obtained the same). With such registration certifications (which need to be examined annually), FIEs are allowed to open foreign currency accounts including the “current account” and “capital account”. Currently, conversion within the scope of the “current account” (e.g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in the “capital account” (e.g. for capital items such as direct investments, loans, securities, etc.) still requires the approval of SAFE.

The applicable law in respect of conversion of RMB into other currencies is the Regulation for Foreign Exchange Controls of the PRC (“**Regulation**”) which came into effect on 1 April 1996. Under the Regulation:-

- (a) Conversion of RMB into foreign currencies for the use of recurring items, including the distribution of dividends and profits to foreign investors of FIEs is permissible and the approval of SAFE is not required, and FIEs are permitted to remit foreign currencies from their foreign currency bank accounts in the PRC upon presentation to the banks of board resolutions which authorise the distribution of profits or dividends and subject to other requirements being satisfied.
- (b) However, conversion of RMB into foreign currencies for capital items, such as repatriation of capital, repayment of loans and for securities investment, is still under control and needs the approval of SAFE.

Pursuant to the amendment of 5 August 2008 by the State Council of the PRC, the Regulations on Management of Foreign Exchange of the PRC (《外汇管理条例》[2008修订]) (“**Revised Regulation**”) simplified the procedure for administrative examination and approval in relation to foreign direct investment. The Revised Regulation provides that the foreign exchange income of a domestic institution or individual may be transferred back into the territory of PRC or deposited overseas instead of the compulsory exchange settlement stipulated by the original Regulation.

However, there is no assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of the RMB. As all our revenue is derived from our PRC Subsidiaries and these revenues are mainly denominated in RMB, any future restriction on currency exchanges may limit the ability of our PRC Subsidiaries to repatriate such revenues to our Company in the form of dividend income or otherwise.

Further, as our Company is an investment holding company with no business operations, in the absence of such dividend income from our PRC Subsidiaries, our Company will not be able to distribute dividends to Shareholders even if our Group, on a consolidated basis, is profitable.

Our operating results and financial conditions are highly susceptible to changes in PRC's political, economic and social conditions as our revenue is currently wholly derived from our operations in PRC

Since 1978, the PRC government has undertaken various reforms of its economic systems. Such reforms have resulted in economic growth for PRC in the last three decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further adjustment of the reform measures. This refinement and adjustment process may consequently have a material impact on our operations in PRC or a material adverse impact on our financial performance. Our results and financial condition may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof.

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

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

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

Negative publicity on the safety of products made in the PRC, such as recent allegations of PRC-manufactured toys containing high level of toxic lead paint and PRC-made clothes containing dangerous levels of formaldehyde, may generally affect the demand for PRC goods. As such, any negative publicity on PRC products, whether relating to our industry or otherwise, may affect our customers' sales, which in turn may adversely affect our business and profits.

Adverse effects associated with the PRC's entry into the WTO and the abolishment of the quota system for textile products

The entry of the PRC to the WTO may lead to a higher level of competition in our industry with the reduction or abolishment of trade tariffs and import controls of foreign goods into the PRC. Lowering of trade tariffs and import controls will intensify competition arising from the entry of new foreign investments and the influx of similar imported products. In addition, enjoying lower production cost, PRC has been one of the major exporters of textile products in the world. With the abolishment of the quota system in 2005, export demand for PRC textile products is expected to accelerate, which may lead to increasing pressure for our major trading partners to implement anti-dumping or other protectionist measures to protect their local fabric and textile industries. If any of such anti-dumping or protectionist measures are imposed on PRC manufacturers, the PRC fabric and textile industries will be severely affected and this may eventually lead to a general downturn in our industry. Under such circumstance, our business and financial performance may also be adversely affected.

Cessation of income tax exemption and benefits for our PRC Subsidiaries will have an adverse impact on our net profit

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", our PRC Subsidiary, namely Zhejiang Huagang, which is a WFOE, has obtained approvals from the PRC tax authorities entitling it to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years, commencing from the first profitable year (after deducting losses carried forward). Zhejiang Huagang has since 2005 enjoyed full exemption from EIT.

Pursuant to the EITL which took effect on 1 January 2008, the EIT rate applicable to all resident enterprises, including foreign investment enterprises and domestic companies, in the PRC shall be 25.0%. According to the EITL, any enterprise established prior to the promulgation of the EITL and which enjoys tax incentives, is entitled to continue to enjoy such incentive for the rest of the tax incentive term, but if any enterprise starts to make profit later than 1 January 2008, the tax incentive term shall be regarded as starting from 1 January 2008.

Notwithstanding the foregoing, any removal, loss, suspension or reduction of the aforesaid tax benefits will result in Zhejiang Huagang being subject to higher tax, which will have an impact on its financial performance.

RISKS RELATING TO AN INVESTMENT IN OUR SHARES

New investors will suffer immediate dilution in NAV per Share

Our Invitation Price of 26.00 cents per Share is higher than our NAV per Share of 13.52 cents (adjusted for the net proceeds from the Invitation). Investors who subscribe for and/or purchase the Invitation Shares will therefore experience immediate dilution in the value of their Shares (please refer to the “Dilution” section of this Prospectus for more details).

There is no prior market for our Shares and the Invitation may not result in an active or liquid market for our Shares

Prior to this Invitation, there has been no public market for our Shares. The SGX-ST has approved our application to list our Shares on the SGX-ST. However, we cannot assure you that an active public market will develop or be sustained after the Invitation. Active and, liquid trading markets generally result in more efficient execution of buy and sell orders for investors. Liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties.

Control by our controlling shareholder, China Success, who will beneficially own approximately 59.09% of our enlarged share capital after the Invitation, may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

After the completion of the Invitation, our controlling shareholder, Cao Xiangbin, through China Success, will beneficially own approximately 59.09% of our enlarged share capital after the Invitation. As a result, he will be able to significantly influence all matters requiring approval by our Shareholders. Such concentration of ownership will place him in a position to affect significantly our corporate actions such as mergers or takeover attempts in a manner that could conflict with the interests of our public Shareholders.

Any substantial future sale of our Shares by our controlling shareholder, China Success, could adversely affect our Share price

The sale of a significant amount of our Shares in the public market after the Invitation, or the perception that such sales may occur could materially adversely affect the market price of our Shares. These factors also affect our ability to issue additional equity securities. Except as otherwise described under the “Moratorium” section of this Prospectus, there is currently no other restriction on the ability of our controlling shareholder, China Success, to sell its Shares.

Our Share price may be volatile, which could result in substantial losses for investors who subscribe for and/or purchase Shares pursuant to this Invitation

The Invitation Price was arrived at after consultation among our Company, the Vendor and the Issue Manager and after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Invitation Shares. The Invitation Price may not be indicative of prices which will prevail in the trading market after the Invitation and investors may not be able to resell their Shares at or above the Invitation Price.

Further, the market price of our Shares may fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our control:-

- (a) variations in our operating results;
- (b) changes in securities analysts' estimates of our financial performance;
- (c) changes in market valuations of similar companies;
- (d) announcements by our competitors or ourselves of gain or loss of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- (e) fluctuations in stock market price and volume;
- (f) our involvement in material litigation;
- (g) changes in general economic and stock market conditions; and
- (h) additions or departures of key personnel.

Negative publicity, including those relating to any of our Directors, controlling shareholders and Executive Officers may adversely affect our Share price

Any negative publicity or announcements relating to any of our Directors, controlling shareholders and Executive Officers may adversely affect the public's perception of our Group, whether or not this is justifiable.

INVITATION STATISTICS

INVITATION PRICE	26.00 cents
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NET TANGIBLE ASSETS⁽¹⁾

NTA per Share based on the audited combined balance sheet of our Group as at 31 December 2008:-

- | | |
|--|-------------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 1,120,000,000 Shares | 10.17 cents |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 1,440,000,000 Shares | 13.34 cents |

Premium of Invitation Price over the NTA per Share:-

- | | |
|--|--------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 1,120,000,000 Shares | 155.7% |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 1,440,000,000 Shares | 94.9% |

EARNINGS⁽²⁾

Historical net EPS based on the audited combined income statement of our Group for FY2008 and the pre-Invitation share capital of 1,120,000,000 Shares	7.08 cents
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Historical net EPS based on the audited combined income statement of our Group for FY2008 (assuming the Service Agreement had been effected since 1 January 2008) and the pre-Invitation share capital of 1,120,000,000 Shares	7.06 cents
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PRICE EARNINGS RATIO

Historical PER based on the historical net EPS of our Group for FY2008 and the pre-Invitation share capital of 1,120,000,000 Shares	3.7 times
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Historical PER based on the historical net EPS of our Group for FY2008 (assuming the Service Agreement had been effected since 1 January 2008) and the pre-Invitation share capital of 1,120,000,000 Shares	3.7 times
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NET OPERATING CASH FLOW⁽³⁾

Historical net operating cash flow per Share based on the audited combined income statement of our Group for FY2008 and the pre-Invitation share capital of 1,120,000,000 Shares	7.87 cents
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Historical net operating cash flow per Share based on the audited combined income statement of our Group for FY2008 (assuming the Service Agreement had been effected since 1 January 2008) and the pre-Invitation share capital of 1,120,000,000 Shares	7.85 cents
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PRICE TO NET OPERATING CASH FLOW

Ratio of Invitation Price to historical net operating cash flow per Share of our Group for FY2008 based on the pre-Invitation share capital of 1,120,000,000 Shares 3.3 times

Ratio of Invitation Price to historical net operating cash flow per Share of our Group for FY2008 (assuming the Service Agreement had been effected since 1 January 2008) and based on the pre-Invitation share capital of 1,120,000,000 Shares 3.3 times

MARKET CAPITALISATION

Market capitalisation based on Invitation Price of \$0.26 per Share and post-Invitation share capital of 1,440,000,000 Shares \$374.4 million

Notes:-

- (1) The NTA was computed based on the closing exchange rate of S\$1 to RMB4.772 as at 31 December 2008.
- (2) The earnings was computed based on the average exchange rate of S\$1 to RMB4.924 for FY2008.
- (3) Net operating cash flow is defined as net profit attributable to Shareholders with depreciation and amortisation charges added back. It was translated into S\$ based on the average exchange rate of S\$1 to RMB4.924 for FY2008.

DILUTION

Dilution is the amount by which the Invitation Price to be paid by the applicants for our Invitation Shares in the Invitation (“**New Investors**”) exceeds our NAV per Share immediately after the Invitation.

Our NAV per Share as at 31 December 2008 based on the audited combined balance sheet of our Group before adjusting for the estimated net proceeds from the Invitation and based on the pre-Invitation share capital of 1,120,000,000 Shares was 10.40 cents. Based on the issue of 320,000,000 New Shares at the Invitation Price pursuant to the Invitation and after adjusting for the estimated net proceeds from the Invitation and based on the post-Invitation share capital of 1,440,000,000 Shares, our NAV would have been 13.52 cents. This represents an immediate increase in NAV per Share of 3.12 cents to our existing Shareholders and an immediate dilution in NAV per Share of 12.48 cents (or approximately 48.0%) to our New Investors. The following table illustrates such dilution on a per Share basis:-

	Cents
Invitation Price	26.00
NAV per Share as at 31 December 2008	10.40
Increase in NAV per Share contributed by New Investors pursuant to the Invitation	3.12
NAV per Share after the Invitation	13.52
Dilution in NAV per Share to New Investors	12.48

The following table summarises the total number of Shares acquired by our Directors and Substantial Shareholders during the period of three years prior to the date of this Prospectus, the total consideration paid by them and the effective cash cost per Share to them, and to the New Investors pursuant to the Invitation:-

	Number of Shares acquired	Total consideration (\$)	Effective cash cost per Share (cents)
Directors			
Cao Xiangbin (曹祥彬)	—	—	—
Lau Chung Kong (刘忠光)	—	—	—
Chen Fen (陈奋)	—	—	—
Liu Yijie (刘宜杰)	—	—	—
Substantial Shareholder			
China Success ⁽¹⁾	932,500,000 ⁽²⁾	14,344,000	1.54
Carry Luck ⁽³⁾	150,000,000	14,776,505	9.85
Others			
Gainstars ⁽⁴⁾	37,500,000	3,694,126	9.85
Focus Ventures ⁽⁵⁾	21,600,000	Not applicable	Not applicable
New Investors	380,000,000	98,800,000	26.00

Notes:-

- (1) China Success is an investment holding company incorporated in Hong Kong on 21 January 2005. The legal and beneficial shareholders of the company are Cao Xiangbin (曹祥彬) (99.8%) and Chen Fen (陈奋) (0.2%). Mr Cao has a deemed interest in the Shares held by China Success. The consideration paid by China Success was converted into S\$ based on the exchange rate of S\$1 to US\$1.4344.
- (2) This number of Shares is inclusive of the 21,600,000 Shares which were subsequently transferred to Focus Ventures pursuant to a Consultancy Service Agreement. Please refer to footnote (4) for further details.

- (3) Carry Luck is an investment holding company incorporated in the British Virgin Islands on 1 May 2008. It is wholly, and legally and beneficially, owned by Hong Rong Zhi (洪榮智) who is not related to any of our Directors, Executive Officers and Substantial Shareholders. The consideration paid by Carry Luck was converted to S\$ based on the exchange rate of S\$1 to HK\$5.4140.
- (4) Gainstars is an investment holding company incorporated in the British Virgin Islands on 8 August 2008. It is wholly, and legally and beneficially, owned by Chen Jianxin (陳建新) who is not related to any of our Directors, Executive Officers and Substantial Shareholders. The consideration paid by Gainstars was converted to S\$ based on the exchange rate of S\$1 to HK\$5.4140.
- (5) Focus Ventures is an investment holding company incorporated in the British Virgin Islands. It is wholly, and legally and beneficially, owned by Tan Yam Siong Phillip who is not related to any of our Directors, Executive Officers and Substantial Shareholders. China Success transferred 21,600,000 Shares (equivalent to 1.5% of our post-Invitation share capital) to Focus Ventures pursuant to a Consultancy Service Agreement dated 25 November 2008 in consideration for consultancy services rendered by the latter to China Success and our Executive Chairman and CEO (being the controlling shareholder of China Success) in relation to the restructuring of his personal investment and assets in connection with the Invitation. The scope of services also include consultancy services to the Company including, amongst others, appointment of, and liaising with, professional advisers, and project management (including in relation to Invitation processes and procedures and financial and commercial issues).

SUMMARY OF OUR GROUP'S FINANCIAL INFORMATION

The following summary of our Group's financial information should be read in conjunction with the full text of this Prospectus, including the "Independent Auditors' Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008" as set out in Appendix A of this Prospectus.

COMBINED INCOME STATEMENTS OF OUR GROUP⁽¹⁾

	← Audited Combined →		
(RMB'000)	FY2006	FY2007	FY2008
Revenue	1,014,907	1,337,630	1,830,260
Cost of sales	(721,439)	(943,641)	(1,274,483)
Gross profit	293,468	393,989	555,777
Other items of income			
Financial income	1,689	3,418	3,447
Other income	5,957	5,913	6,577
Other items of expense			
Other expenses	(532)	(316)	(877)
Selling and distribution expenses	(4,214)	(4,697)	(4,905)
General and administrative expenses	(17,147)	(20,931)	(40,076) ⁽⁴⁾
Financial expense	(6,355)	(11,630)	(13,553)
Profit before tax	272,866	365,746	506,390
Income tax	(69,749)	(101,822)	(115,951)
Net profit attributable to shareholders	203,117	263,924	390,439
Pre-Invitation EPS (RMB cents)⁽²⁾	18.14	23.56	34.86
Post-Invitation EPS (RMB cents)⁽³⁾	14.11	18.33	27.11

Notes:-

- (1) The combined operating results of our Group for the periods under review have been prepared on the basis that our Group has been in existence throughout the periods under review.
- (2) For comparative purposes, the pre-Invitation EPS for the periods under review have been computed based on the net profit attributable to Shareholders and the pre-Invitation share capital of 1,120,000,000 Shares.
- (3) For comparative purposes, the post-Invitation EPS for the periods under review have been computed based on the net profit attributable to Shareholders and the post-Invitation share capital of 1,440,000,000 Shares.
- (4) In accordance with accounting standards FRS102 and INT FRS III, the general and administrative expenses includes a charge of approximately RMB19.6 million to the Group's income statements arising from the share transfer by China Success to Focus Ventures for consultancy services rendered by Focus Ventures to China Success and our Executive Chairman and CEO (being the controlling shareholder of China Success) in relation to the restructuring of his personal investments and assets in connection with the Invitation. The scope of services also include consultancy services to the Company including, amongst others, appointment of, and liaising with, professional advisers and project management (including in relation to the Invitation processes and procedures and financial and commercial issues) (see Note 26(c) of Appendix A).

COMBINED BALANCE SHEETS OF OUR GROUP

(RMB'000)	Audited Combined As at 31 December	
	2007	2008
ASSETS		
Non-current assets:-		
Property, plant and equipment	659,714	442,703
Land use rights	81,204	12,222
	740,918	454,925
Current assets:-		
Inventories	129,531	102,405
Prepayments	94,867	103,641
Trade and other receivables	199,098	243,724
Bank deposits (pledged)	130,984	30,198
Cash and cash equivalents	92,432	95,158
	646,912	575,126
TOTAL ASSETS	1,387,830	1,030,051
EQUITY AND LIABILITIES		
Current liabilities:-		
Trade payables	10,145	31,217
Short term bank loans	162,000	195,200
Other payables and accruals	77,333	40,333
Bills payable to banks	266,651	60,303
Due to holding company (non-trade)	—	5,184
Due to a related party (non-trade)	—	71,116
Due to a director (non-trade)	—	50,000
Provision for income tax	12,417	13,625
	528,546	466,978
NET CURRENT ASSETS	118,366	108,148
Non-current liability:-		
Deferred tax liability	—	7,427
TOTAL LIABILITIES	528,546	474,405
NET ASSETS	859,284	555,646
TOTAL EQUITY	859,284	555,646
TOTAL EQUITY AND LIABILITIES	1,387,830	1,030,051
NTA per share (RMB cents)⁽¹⁾	69.47	48.52

Note:-

- (1) The NTA per share as at 31 December 2007 and 31 December 2008 have been computed based on our pre-Invitation share capital of 1,120,000,000 Shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion of our results of operations and financial position should be read in conjunction with the "Independent Auditors' Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008" as set out in Appendix A of this Prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in the "Risk Factors" section of this Prospectus. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Issue Manager, the Joint Underwriters or the Joint Placement Agents or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the "Cautionary Note Regarding Forward-Looking Statements" section of this Prospectus.

OVERVIEW

We are one of the leading suppliers of premium differentiated fine polyester yarn and warp knit fabric in Changle City, Fujian Province and Huzhou City, Zhejiang Province where our production facilities are located. Our products are sold throughout the PRC to over 1,500 customers in the textile and garment industries. Our products are sold under our “华港” (HuaGang) and “大华威” (DaHuaWei) brand names and our customers are mainly textile and garment manufacturers in the PRC who will in turn apply our products to manufacture products such as apparels, upholstery for automobiles and aeroplanes, sports shoes and headgear, curtains, bedding, bags and umbrellas.

Revenue

We derive our revenue mainly from the sale of various types of premium differentiated fine polyester yarn and warp knit fabric. Our revenue can be broadly classified into the following products:-

(i) FDY

Our semi-dull FDY are almost fully drawn during the production process and have high tensile strength. We currently produce semi-dull FDY with filament count of 24f and linear densities of 35D and 50D. In addition, such FDY are semi-dull as the polyester fibres have been delustered during the production process. These are fine polyester yarn compared to the more commonly available polyester FDY 100D/48f which are coarser.

Our FDY are considered premium yarn as textiles manufactured from our semi-dull FDY have qualities which make them suitable for making high-end apparels and home furnishings. These qualities include softer and smoother feel, wrinkle resistance as well as airy and a soft luster instead of a hard shine which is often associated with low-end polyester textiles.

Our FDY products are also sought after for producing polyester blended fabrics. Durable press fabrics are frequently made from blends of cotton and polyester. Wool and polyester blends have a wool-like feel and appearance and some of the easy-care aspects of polyester. Furthermore, pleats and creases can be heat-set through the thermoplastic properties of polyester.

(ii) DTY

Our DTY combines some of the desired properties of natural fibre and synthetic fibre. The “textured” yarn is imparted with some of the qualities of natural fibres such as warmth, texture or feel, bulk and a soft luster while retaining the superior properties of polyester fibre such as high tensile strength, good elasticity and stretch and abrasion resistance.

This is achieved through a texturing process which first splits the filament bundle and then interlaces and entangles the yarn at regular intervals with the application of a perpendicular high pressure air stream. The entangled yarn is characterised by having tangle knots at very regular intervals and untwisted fibres between the tangle knots which allows the yarn to trap air between the fibres.

Fabric manufactured from DTY would thus feel warm due to the static air which is trapped between the fibres. The untwisted fibres in DTY also give the fabric a softer feel and greater volume. They also result in irregularities on, and reduce reflection of light from, the surface of textiles manufactured from our DTY thus giving the textile a matt appearance like that of cotton or wool.

(iii) **Blended yarn**

Arising from their production process, fabrics produced from blended polyester yarn have higher tensile strength and is more shock absorbent than ordinary fabrics. It provides high breathability and is soft and smooth to the touch.

They are highly suitable for making suits, gowns and sports apparels.

(iv) **Triangular-fibre yarn**

The triangular-fibre yarn is a new product developed in-house. The yarn is spun from polyester filaments which have a reflective surface due to its triangular cross sectional shape similar to that of silk. As such, fabrics manufactured from our triangular-fibre yarn which has low linear density of about 50D possess some of the desirable qualities of silk such as brilliant luster as well as a fine and smooth texture or feel while retaining the characteristics of polyester such as high abrasion resistance as well resistance to heat and moulds. Moreover, it is durable notwithstanding washing and heating and does not fade easily. Neither does it crease easily or attract mould.

(v) **Warp knit fabric**

Generally, the warp knit fabrics produced by us are tailored to meet the specifications of our customers. For example, customers may require certain fabrics to possess differing tensile strength, elasticity and texture for their specific purposes.

We recognise revenue upon the delivery of our yarn and warp knit fabric to our customers. We derive our revenue from sales to customers in the PRC and our revenue was denominated in RMB for the periods under review.

Please refer to the “Review of Operating Results” section of this Prospectus for a breakdown of our revenue by products for the last three financial years ended 31 December 2008.

The main factors affecting our revenue include the following:-

- (i) our ability to consistently supply high quality premium differentiated fine polyester yarn and warp knit fabric to our customers;
- (ii) our ability to keep up with trends and development in the textile industry;
- (iii) conditions of the textile or garment manufacturing industries in the PRC as well as the economies of those countries to which our customers’ products are exported, tariffs imposed by the PRC or foreign governments or the general demand for our polyester products;
- (iv) our ability to remain competitive relative to our existing competitors and new market entrants, in terms of the quality of products, product range and delivery capability; and
- (v) our ability to secure new customers for our existing and new premium differentiated fine polyester yarn and warp knit fabric.

The above should be read in conjunction with the “Risk Factors” section of this Prospectus.

Cost of Sales

Our cost of sales comprises cost of raw materials, manufacturing overheads and direct labour cost. Cost of sales accounted for approximately 71.1%, 70.5% and 69.6% of our revenue for FY2006, FY2007 and FY2008, respectively.

The main component of our cost of sales is the cost of raw materials which accounted for 90.4%, 90.7% and 89.2% of our cost of sales for FY2006, FY2007 and FY2008, respectively. Our raw materials used in the production of our premium differentiated fine polyester yarn and warp knit fabric include PET chips and chemical solvents. In particular, cost of PET chips accounted for more than 99% of the cost of raw materials. Our suppliers are located in the PRC and our purchases were denominated in RMB for the periods under review.

Our manufacturing overheads comprise mainly utilities and depreciation of property, plant and equipment. Utilities accounted for 4.6%, 3.9% and 5.4% of our total cost of sales for FY2006, FY2007 and FY2008, respectively while depreciation charges accounted for 3.3%, 3.7% and 3.4% of our total cost of sales in the same periods.

Direct labour comprises mainly salaries and related expenses of technicians, production workers, supervisory staff and others who are directly involved in the production. As our production processes are highly automated, direct labour costs constitute a small fraction of our total cost of production. Direct labour costs accounted for approximately 1.0%, 0.9% and 0.8% of our total cost of sales for FY2006, FY2007 and FY2008 respectively.

The main factors affecting our cost of sales include the following:-

- (i) movements in crude oil prices which indirectly affect prices of our main raw material, PET chips, which is a petrochemical product;
- (ii) our ability to negotiate for lower raw material prices from our suppliers; and
- (iii) our ability to source for alternative suppliers of raw materials.

Financial income

Our financial income is interest income from bank deposits.

Other income

Other income is mainly income from sale of scrap materials which accounted for more than 95.0% of other income for the periods under review.

Other expenses

Other expenses comprise mainly donations for charitable and educational purposes which accounted for 97.7%, 63.3% and 90.1% of other expenses in FY2006, FY2007 and FY2008, respectively.

Selling and distribution expenses

Selling and distribution expenses comprise mainly salaries of sales staff, freight charges and car allowances for sales staff. Our selling and distribution expenses were 0.4%, 0.4% and 0.3% of our revenue in FY2006, FY2007 and FY2008, respectively.

General and administrative expenses

General and administrative expenses comprise mainly telecommunication expenses, entertainment expenses, amortisation charges for land use rights, staff salaries, car allowances, depreciation charges, social security costs, utilities, property tax and provision for statutory welfare expenses. Our general and administrative expenses were 1.7%, 1.6% and 2.2% of our revenue in FY2006, FY2007 and FY2008 respectively.

Financial expense

Our financial expense is interest charges on short term bank loans and accounted for 0.6%, 0.9% and 0.7% of our revenue in FY2006, FY2007 and FY2008 respectively.

Income tax

During the periods under review, our provision for income tax was made on income derived from Zhejiang Huagang, Fujian Huawei and New Huawei.

Under the relevant PRC income tax law, Fujian Huawei, is subject to corporate income tax at 33% of taxable income for FY2006 and FY2007. Fujian Huawei and New Huawei are subject to the tax rate of 25% for FY2008.

Zhejiang Huagang is subject to EIT and the local income tax. Based on the Income Tax Law of the PRC for Enterprises with Foreign Investment, Zhejiang Huagang is entitled to an exemption from EIT for two years commencing from their first profit-making year of operation and 50% relief from EIT for the following three years ("**Tax Incentives**"). Zhejiang Huagang is exempted from EIT for FY2005 and FY2006 as its first profitable year commenced from 2005 and is subject to the reduced EIT of 12% for FY2007 and 12.5% for FY2008. The local income tax rate is 2.4% for FY2007 and this local tax was abolished with effect from 1 January 2008.

Our Company is subject to the tax rate of 18% for the financial period ended 31 December 2008.

Our Group's overall effective tax rates for the periods under review were as follows:-

	FY2006	FY2007	FY2008
Income tax (RMB'000)	69,749	101,822	115,951
PBT (RMB'000)	272,866	365,746	506,390
Effective tax rate	25.6%	27.8%	22.9%

Our effective tax rates for FY2006, FY2007 and FY2008 were lower than the statutory tax rate in the PRC in the respective periods due to the Tax Incentives that Zhejiang Huagang enjoys.

Inflation

For the periods under review, the performance of our Group has not been materially impacted by inflation.

Changes in Accounting Policies

Our accounting policies have been consistently applied by our Group for the periods under review.

REVIEW OF OPERATING RESULTS

For the purpose of discussion, we have segmented our revenue and gross profit by products for the periods under review. The following review of past performance should be read in conjunction with the “Independent Auditors’ Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008” and the related notes set out in Appendix A of this Prospectus.

Review of Past Performance by Products

The breakdown of our revenue and gross profit by products are as follows:-

Revenue

	← FY2006 →		← FY2007 →		← FY2008 →	
	RMB'000	%	RMB'000	%	RMB'000	%
FDY	1,014,907	100.0	1,337,630	100.0	732,372	40.0
DTY	—	—	—	—	311,296	17.0
Blended yarn	—	—	—	—	522,101	28.5
Triangular-fibre yarn	—	—	—	—	59,719	3.3
Warp knit fabric	—	—	—	—	204,772	11.2
	1,014,907	100.0	1,337,630	100.0	1,830,260	100.0

Gross Profit

	← FY2006 →		← FY2007 →		← FY2008 →	
	RMB'000	%	RMB'000	%	RMB'000	%
FDY	293,468	100.0	393,989	100.0	192,348	34.6
DTY	—	—	—	—	92,299	16.6
Blended yarn	—	—	—	—	174,806	31.5
Triangular-fibre yarn	—	—	—	—	21,940	3.9
Warp knit fabric	—	—	—	—	74,384	13.4
	293,468	100.0	393,989	100.0	555,777	100.0

Gross Profit Margin

	FY2006	FY2007	FY2008
FDY	28.9%	29.5%	26.3%
DTY	—	—	29.6%
Blended yarn	—	—	33.5%
Triangular-fibre yarn	—	—	36.7%
Warp knit fabric	—	—	36.3%
Average	28.9%	29.5%	30.4%

FY2006 vs FY2007

Revenue

Revenue increased by RMB322.7 million or 31.8% from RMB1,014.9 million in FY2006 to RMB1,337.6 million in FY2007. The increase was attributed to the continued strong growth of the textile industry in the PRC which led to an increase in both our sales volume and average unit selling price.

In FY2007, we increased our production capacity from approximately 108,300 mt per annum to approximately 123,000 mt per annum to harness the benefits of economies of scale. We also recognised our customers' preference of dealing with a single supplier who could fulfill most of their requirements for quality polyester yarn for textile production to ensure the consistency of the quality of the textiles produced. We also successfully commercialised the finer polyester FDY yarn, the FDY35D, which caters to textile manufacturers who produced thinner and softer fabrics which are positioned at the mid to higher price range. These developments enabled us to meet the growth in production of high quality textile products in the PRC.

Consequently, sales of FDY products increased by approximately 22,300 mt or 27.4% from approximately 81,400 mt in FY2006 to approximately 103,700 mt in FY2007. The increase in sales volume was mainly for sales of our new FDY35D while the sales volume of FDY50D remained relatively stable. Our customer base also expanded from approximately 1,200 customers in FY2006 to approximately 1,300 customers in FY2007. Sales to existing customers increased by approximately RMB42.9 million while sales to new customers amounted to approximately RMB279.8 million.

The average unit selling price of our FDY products increased by approximately RMB440 per mt or 3.5% from approximately RMB12,460 per mt in FY2006 to approximately RMB12,900 in FY2007 due to an increase in the average unit selling price of our FDY50D and the generally higher average unit selling price of our FDY35D. The increase in our average unit selling price was mainly in response to the increase in the price of our main raw materials, the PET chips. Our reputation as a reliable supplier of consistently high quality polyester FDY products had enabled us to achieve higher selling prices and to pass on the increase in raw material price to our customers.

Cost of Sales and Gross Profit

Our cost of sales increased by RMB222.2 million or 30.8% from RMB721.4 million in FY2006 to RMB943.6 million in FY2007. Raw materials, direct labour cost and manufacturing overheads increased by RMB203.9 million, RMB1.2 million and RMB17.1 million respectively in FY2007. Raw material costs increased due to an increase in the amount of raw materials used for production and an increase in the price of our main raw material, the PET chips. The increase in direct labour costs is a result of an increase in the number of production workers employed and an increase in the average salary of the production workers. The increase in manufacturing overheads was mainly due to higher utilities usage in line with higher production volume and higher depreciation charges for production plant and machinery.

Our gross profit increased by RMB100.5 million or 34.3% from RMB293.5 million in FY2006 to RMB394.0 million due mainly to the increase in revenue. Our gross profit margin increased marginally from 28.9% in FY2006 to 29.5% in FY2007 as our average unit selling price increased by approximately 3.5% while our average unit cost of sales increased by approximately 2.7%. Our average unit cost of sales increased due to higher prices of PET chips, our main raw material. Between FY2006 and FY2007, the price of PET chips increased from an average of approximately RMB7,700 per mt to an average of approximately RMB8,300 per mt. We were however, able to adjust our selling price to pass the increase in raw material costs to our customers.

Financial Income

Financial income increased by RMB1.7 million or 102.4% from RMB1.7 million in FY2006 to RMB3.4 million in FY2007 with the increase in cash and bank balances due to strong cash flows from operations.

Other Income

Other income was derived mainly from sale of scrap materials and remained relatively stable for FY2006 and FY2007 despite an increase in our production volume, reflecting the effectiveness of our quality control process.

Other Expenses

Other expenses decreased by RMB0.2 million or 40.6% from RMB0.5 million in FY2006 to RMB0.3 million in FY2007 due mainly to a decrease in donations.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB0.5 million or 11.5% from RMB4.2 million in FY2006 to RMB4.7 million in FY2007 due mainly to an increase in freight charges of RMB0.2 million and an increase in salary for sales staff of RMB0.4 million, partially offset by a decrease in car allowance of RMB0.2 million. The increase in selling and distribution expenses was in line with the increase in our sales and expansion of customer base.

General and Administrative Expenses

Our general and administrative expenses increased by RMB3.8 million or 22.1% from RMB17.1 million in FY2006 to RMB20.9 million in FY2007 in line with our business expansion. The increase in general and administrative expenses was mainly due to:-

- (i) an increase in provision for PRC statutory welfare expenses of RMB1.7 million;
- (ii) an increase in salary expenses of RMB0.3 million as we increased our staff strength to support the increase in our business activities;
- (iii) an increase in depreciation charges of RMB0.1 million; and
- (iv) an increase in social security expenses of RMB0.5 million due to an increase in the stipulated rate from 24% to 40.1%.

Financial Expense

Financial expense increased by RMB5.2 million or 83.0% from RMB6.4 million in FY2006 to RMB11.6 million in FY2007 due to an increase in the utilisation of short term bank loans and generally higher interest rates charged by banks on the credit facilities to augment our higher working capital requirements as a result of an expansion in our business. Our short bank loans increased from RMB119.0 million in FY2006 to RMB162.0 million in FY2007 and the interest rates on these short term bank loans ranges from about 6.12% to 7.66% for FY2007 compared to about 5.58% to 6.44% for FY2006.

Profit Before Tax

Our profit before tax increased by RMB92.8 million or 34.0% from RMB272.9 million in FY2006 to RMB365.7 million in FY2007 due mainly to the increase in revenue and an improvement in our gross profit margin.

FY2007 vs FY2008

Revenue

Revenue increased by RMB492.7 million or 36.8% from RMB1,337.6 million in FY2007 to RMB1,830.3 million in FY2008. The increase was attributed to an increase in sales volume and average unit selling price resulting from a change in product mix in line with our strategy of expanding our product offerings.

Since January 2008, we commenced the production and sales of several new yarn products such as blended yarn, DTY and triangular-fibre yarn which have selling prices which are, on average, approximately 8.1% higher compared to FDY. In FY2008, we also commenced production of warp knit fabric.

Overall, sales volume of our yarn products increased by approximately 8,100 mt from approximately 103,700 mt in FY2007 to approximately 111,800 mt in FY2008 driven mainly by sales of new products, namely, DTY, blended yarn and triangular-fibre yarn. Sales of FDY products decreased by RMB605.2 million or 45.2% from RMB1,337.6 million in FY2007 to RMB732.4 million in FY2008 as part of our

production capacity was channelled to the production of our new products such as DTY, blended yarn and triangular-fibre yarn and a portion of the FDY (about 12,000 tons) we produced were used for our own production of warp knit fabric. This was offset by sales of new products such as DTY, blended yarn, triangular-fibre yarn and warp knit fabric which registered sales of RMB311.3 million, RMB522.1 million, RMB59.7 million and RMB204.8 million respectively for the same period.

With the change in product mix, our average unit selling price of yarn increased by approximately RMB1,600 per mt or 12.7% from approximately RMB12,900 per mt in FY2007 to approximately RMB14,500 per mt in FY2008. The increase in our average unit selling price was due mainly to the generally higher selling prices of DTY, blended yarn and triangular-fibre yarn with unit selling prices of approximately RMB14,800 per mt, RMB15,100 per mt and RMB15,500 per mt respectively, compared to the unit selling price of FDY of approximately RMB14,000 per mt.

We commenced the production of polyester warp knit fabric in FY2008 and recorded sales of RMB204.8 million. We sold approximately 10,500 mt of warp knit fabric with average unit selling price of approximately RMB19,400 per mt. These warp knit fabric are sold mainly to manufacturers of sports apparel and casual wear.

Cost of Sales and Gross Profit

Our cost of sales increased by RMB330.9 million or 35.1% from RMB943.6 million in FY2007 to RMB1,274.5 million in FY2008 in tandem with the increase in production volume. Raw materials, direct labour cost and manufacturing overheads increased by RMB280.5 million, RMB1.5 million and RMB48.9 million respectively. Raw materials costs increased in line with the increase in the amount of raw materials used for production and an increase in the price of our main raw materials, PET chips. Direct labour costs increased due mainly to an increase in the number of production workers and salary for the production workers. Manufacturing overheads increased due to increased utilities usage in line with higher production volume and higher depreciation charges for production plant and machinery.

Gross profit increased by RMB161.8 million or 41.1% from RMB394.0 million in FY2007 to RMB555.8 million in FY2008 due to higher revenue and higher gross profit margin. Our overall gross profit margin increased from 29.5% in FY2007 to 30.4% in FY2008 despite a decrease in gross profit margin of FDY from 29.5% in FY2007 to 26.3% in FY2008. The gross profit margin of FDY products declined as the average unit selling price increased by approximately 8.4% while its average unit cost of sales increased by approximately 13.4% due mainly to higher raw material prices in the first nine months of FY2008. We had maintained a smaller degree of price increase for our FDY products as part of our strategy of ensuring that our products remain competitively priced. However, our overall gross profit margin increased due to our strategy of expanding our product range and focusing on products with higher gross profit margins such as DTY, blended yarn, triangular-fibre yarn and warp knit fabric which have gross profit margin of 29.6%, 33.5%, 36.7% and 36.3% respectively.

Financial Income

Financial income remained relatively stable at RMB3.4 million for FY2007 and FY2008.

Other Income

Other income increased by RMB0.7 million or approximately 11.2% from RMB5.9 million in FY2007 to RMB6.6 million in FY2008 due mainly to an increase in sales of scrap materials.

Other Expenses

Other expenses increased by RMB0.6 million or 177.5% from RMB0.3 million in FY2007 to RMB0.9 million in FY2008 due mainly to an increase in donations for charitable and educational purposes of RMB0.6 million.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB0.2 million or 4.4% from RMB4.7 million in FY2007 to RMB4.9 million in FY2008 due mainly to an increase in entertainment expenses of RMB0.3 million, increase in salary of sales staff of RMB0.3 million and an increase in repair and other miscellaneous expenses of RMB0.2 million, partially offset by a decrease in freight charges of RMB0.4 million and decrease in welfare expenses of RMB0.2 million. Freight charges decreased as more of our customers take delivery of our products at our warehouses.

General and Administrative Expenses

Our general and administrative expenses increased by RMB19.2 million or 91.5% from RMB20.9 million in FY2007 to RMB40.1 million in FY2008 due mainly to:-

- (i) an increase in salary expenses of RMB0.8 million resulting mainly from the increase in staff strength to support the increase in our business activities;
- (ii) expenses related to the Invitation of RMB5.6million;
- (iii) share grant to a consultant of approximately RMB19.6 million in the form of Shares to be transferred by China Success to Focus Ventures for consultancy services rendered by Focus Ventures to China Success and our Executive Chairman and CEO (being the controlling shareholder of China Success) in relation to the restructuring of his personal investments and assets in connection with the Invitation. The scope of services also include consultancy services to the Company including, amongst others, appointment of, and liaising with, professional advisers and project management (including in relation to the Invitation processes and procedures and financial and commercial issues); and
- (iv) an increase in rental expenses of RMB0.4 million relating to the rental of land and buildings of Fujian Huawei.

The overall increase was partially offset by a decrease in provision for PRC statutory welfare expenses of RMB8.8 million.

Financial Expense

Financial expense increased by RMB2.0 million or 16.5% from RMB11.6 million in FY2007 to RMB13.6 million in FY2008 due mainly to an increase in short term loans and generally higher interest rates charged by banks. Our short term bank loans increased from RMB162.0 million in FY2007 to RMB195.2 million in FY2008 and the interest rates on these bank loans ranged from about 6.66% to 10.44% for FY2008 compared to about 6.12% to 7.66% for FY2007.

Profit Before Tax

Our profit before tax increased by RMB140.7 million or 38.5% from RMB365.7 million in FY2007 to RMB506.4 million in FY2008.

Had the Restructuring Exercise been effected at the beginning of the financial year, the combined income statement for FY2008 would not be significantly different from that in the Independent Auditors' Report.

REVIEW OF FINANCIAL POSITION

Non-Current Assets

Our non-current assets comprise property, plant and equipment as well as land use rights over the plot of state-owned land in the PRC where the Group's manufacturing and storage facilities reside.

As at 31 December 2007, the net book value of our non-current assets amounted to RMB740.9 million or 53.4% of our total assets, of which RMB659.7 million was property, plant and equipment and RMB81.2 million was land use rights. The property, plant and equipment comprised mainly production and office buildings, plant and machinery as well as construction-in-progress with net book values of RMB206.3 million, RMB290.4 million and RMB160.4 million respectively.

As at 31 December 2008, the net book value of our non-current assets amounted to RMB454.9 million or 44.2% of our total assets of which RMB442.7 million was property, plant and equipment and RMB12.2 million was land use rights. The property, plant and equipment comprised mainly production and office buildings, plant and machinery as well as construction-in-progress with net book values of RMB14.8 million, RMB320.7 million and RMB104.6 million respectively.

The decrease in net book value of non-current assets was due mainly to the restructuring exercise undertaken in connection with the Invitation pursuant to which certain assets and liabilities of Fujian Huawei (such as the production and office buildings, land use rights and plant and machinery which has ceased production) were not acquired by New Huawei. For more information, please refer to the "Restructuring Exercise" section of this Prospectus.

Current Assets

Our current assets comprise inventories, prepayments, trade and other receivables, bank deposits pledged as well as cash and cash equivalents. As at 31 December 2007, current assets amounted to RMB646.9 million and accounted for 46.6% of our total assets. As at 31 December 2008, current assets amounted to RMB575.1 million and accounted for 55.8% of our total assets. The decrease in current assets was due mainly to the decrease in bank deposits pledged which were mainly used to secure the bills payable facilities granted by banks.

Inventories amounted to RMB129.5 million and RMB102.4 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 20.0% and 17.8% of our current assets as at the respective balance sheet dates. Our average inventory turnover for FY2007 and FY2008 were 59 days and 33 days respectively. The decrease in average inventory turnover reflected the higher demand for our premium differentiated fine polyester yarn and warp knit fabric.

Prepayments amounted to RMB94.9 million and RMB103.6 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 14.7% and 18.0% of current assets as at the respective balance sheet dates. These prepayments were mainly made to our suppliers of raw materials as well as prepayments relating to acquisition of property, plant and equipment.

Trade and other receivables amounted to RMB199.1 million and RMB243.7 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 30.8% and 42.4% of our current assets as at the respective dates. Trade receivables amounted to RMB194.1 million and other receivables (comprising mainly bills receivables from banks and deposits) amounted to RMB5.0 million as at 31 December 2007. Trade receivables amounted to RMB232.8 million and other receivables (comprising mainly VAT receivables and deposits) amounted to RMB10.9 million as at 31 December 2008. Our trade receivables as at 31 December 2008 increased in comparison to the trade receivables as at 31 December 2007 due mainly to higher sales towards the end of FY2008 as our customers usually increase production to cope with expected higher sales in the months leading up to the festive seasons, particularly Chinese New Year. Our average trade receivables turnover for FY2007 and FY2008 were 46 days and 43 days respectively.

Bank deposits pledged amounted to RMB131.0 million and RMB30.2 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 20.2% and 5.3% of our current assets as at the respective balance sheet dates. The bank deposits were pledged as security for bills payable to banks. We utilise bills payable to pay our suppliers in advance or upon delivery of goods to secure favourable pricings which enable us to maintain our cost competitiveness. The amount of bank deposits pledged decreased as they were not acquired by New Huawei from Fujian Huawei pursuant to the Restructuring Exercise.

Cash and cash equivalents amounted to RMB92.4 million and RMB95.2 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 14.3% and 16.5% of our current assets as at the respective balance sheet dates.

Current Liabilities

Our current liabilities comprise trade payables, short term bank loans, other payables and accruals, bills payable to banks, amount due to holding company, amount due to a related party, amount due to a director as well as provision for income tax. Our current liabilities amounted to RMB528.5 million and RMB467.0 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 100.0% and 98.4% of total liabilities as at the respective balance sheet dates.

Trade payables amounted to RMB10.1 million and RMB31.2 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 1.9% and 6.7% of current liabilities as at the respective balance sheet dates. The increase in trade payables as at 31 December 2008 was due mainly to our increase in purchases of raw materials for production needs in order to meet the increase in demand for our products. Short term bank loans amounted to RMB162.0 million and RMB195.2 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 30.7% and 41.8% of our current liabilities as at the respective balance sheet dates. These short term bank loans are secured by certain property, plant and equipment and land use rights as well as corporate and personal guarantees. The interest rates on the short term loans ranged from about 6.12% to 7.66% per annum in FY2007 and about 6.66% to 10.44% per annum in FY2008. The increase in short term loans was due to an increase in working capital requirement to support our operations.

Other payables and accruals amounted to RMB77.3 million and RMB40.3 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 14.6% and 8.6% of current liabilities as at the respective balance sheet dates. Other payables and accruals comprised amount payable to suppliers of property, plant and equipment, VAT and other operating tax payable, advances from customers, welfare expense payable as well as provision for PRC statutory welfare fund. The decrease in other payables and accruals was due mainly to a decrease in amounts payable to suppliers of property, plant and equipment subsequent to completion of construction of one of our factory buildings in FY2008.

Bills payable to banks amounted to RMB266.7 million and RMB60.3 million as at 31 December 2007 and 31 December 2008 respectively, and accounted for 50.4% and 12.9% of current liabilities as at the respective balance sheet dates. The decrease in bills payable to bank was due mainly to bills payable facilities of Fujian Huawei not being acquired by New Huawei pursuant to the restructuring exercise as they were not transferable. We usually utilise bills payable to banks for procurement of our main raw material, the PET chips. The bills payable to banks enable us to secure favourable pricings for our PET chips and improve our cost competitiveness. They are secured by bank deposits and certain production machinery and land use rights of our Group. Our bills payable to banks have maturity period of between 90 and 180 days.

Amounts due to holding company, a related party and a director amounted to RMB5.2 million, RMB71.1 million and RMB50.0 million respectively as at 31 December 2008 and in aggregate accounted for 27.0% of current liabilities. The amount of RMB5.2 million due to holding company was in relation to Invitation expenses. The amount of RMB71.1 million due to a related party (Fujian Huawei) was a loan extended to New Huawei for its working capital purposes subsequent to the acquisition of the Acquired Assets by New Huawei from Fujian Huawei. As at the Latest Practicable Date, New Huawei has repaid RMB21.1 million and the outstanding amount owing to Fujian Huawei is RMB50 million. The amount of RMB50.0 million due to a director (our Executive Chairman and CEO) was a loan extended to New Huawei for purposes of acquiring the Acquired Assets from Fujian Huawei. Please refer to the "Interested Person Transactions" section of this Prospectus for more information on the amounts due to Fujian Huawei as well as our Executive Chairman and CEO.

The remaining balance of our current liabilities which amounted to RMB12.4 million and RMB13.6 million as at 31 December 2007 and 31 December 2008 respectively were provision for income tax.

Non-current liability

As at 31 December 2008, our deferred tax liability amounted to RMB7.4 million relating to withholding tax on undistributed profits of the PRC Subsidiaries pursuant to the PRC tax law. No deferred tax was recognised as our Group did not have any significant temporary differences which gave rise to a deferred tax asset or liability as at 31 December 2007.

Shareholders' Equity

Between 31 December 2007 and 31 December 2008, our shareholders' equity decreased from RMB859.3 million to RMB555.6 million due mainly to a negative merger reserve arising from the Restructuring Exercise.

LIQUIDITY AND CAPITAL RESOURCES

Our business growth and expansion have been financed mainly through a combination of cash generated from our operating activities and borrowings from banks. Our principal uses of cash have been for the purchase of raw materials, meeting operating expenses and capital expenditure.

As at 30 April 2009, we have cash and cash equivalents (including bank deposits pledged) of RMB158.8 million and bank borrowings of RMB254.6 million. Our Directors are of the opinion that, as at the Latest Practicable Date, after taking into account our cash position, cashflow from operating activities and the amounts available under our existing bank facilities, our Group has adequate working capital to meet its present requirements. Please refer to the "Capitalisation and Indebtedness" section of this Prospectus for details on our banking facilities.

We set out below a summary of our combined statements of cash flows for FY2006, FY2007 and FY2008. The following summary of combined statements of cash flows should be read in conjunction with the full text of this Prospectus, including the "Independent Auditors' Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008" as set out in Appendix A of this Prospectus:-

	FY2006 RMB'000	FY2007 RMB'000	FY2008 RMB'000
Net cash generated from operating activities	133,260	341,210	357,809
Net cash used in investing activities	(148,669)	(315,149)	(395,523)
Net cash generated from financing activities	26,325	32,296	115,334
Net increase in cash and cash equivalents	10,916	58,357	77,620
Cash and cash equivalents not transferred on acquisition of business of Fujian Huawei	—	—	(74,894)
Cash and cash equivalent at beginning of year	23,159	34,075	92,432
Cash and cash equivalent at end of year	34,075	92,432	95,158

FY2006

In FY2006, we generated net cash flow from operating activities before changes in working capital of RMB304.4 million. Net cash used in working capital amounted to RMB171.1 million due mainly to:-

- (i) increase in inventories of RMB71.9 million as we built up our inventories of raw materials to cater to higher production volume and increase our inventories of finished goods in view of the continued growth in demand for our FDY yarn;
- (ii) increase in trade and other receivables of RMB85.5 million as a result of the increase in sales and longer credit terms of up to 90 days to some customers to strengthen our relationships with the customers by improving our sales terms; and
- (iii) payment of income tax of RMB68.2 million.

Our working capital outflow was partially offset by an increase in bills payable to banks of RMB54.0 million as we continued to increase utilisation of this bank credit facility for more favourable pricings from our suppliers.

Net cash used in investing activities amounted to RMB148.7 million as we continued to make significant investments in plant and machinery as well as production and office buildings in view of the continued growth in demand for our products.

Net cash generated from financing activities of RMB26.3 million was due mainly to a net increase in cash contributions to paid-up capital of RMB16.0 million as well as net proceeds from short term bank loans of RMB47.0 million which was partially offset by an increase in bank deposits of RMB36.7 million pledged as security for these bills payable.

FY2007

In FY2007, we generated net cash flow from operating activities before changes in working capital of RMB411.7 million. Net cash used in working capital amounted to RMB70.5 million due mainly to:-

- (i) increase in trade and other receivables of RMB52.6 million in line with the increased revenue achieved in FY2007; and
- (ii) increase in prepayments to suppliers of RMB30.4 million in line with the increase in purchases in response to the continued strong sales of our products and in anticipation of higher production volume; and
- (iii) payment of income tax of RMB95.3 million.

The working capital outflow was partially offset by a decrease in inventories. Our inventories decreased by RMB44.4 million mainly to the decrease in finished goods of RMB55.5 million partially offset by an increase in raw materials of RMB11.1 million. This reflected the strong demand for our premium differentiated fine polyester yarn products. The working capital outflow was also partially offset by an increase in bills payable of RMB61.2 million as we increased the utilisation of our bank facilities to support our working capital requirements in line with business expansion.

Net cash used in investing activities amounted to RMB315.1 million due to:-

- (i) acquisition of plant and machinery as well as construction of new plant and machinery; and
- (ii) construction of a production building to cater to production of new products and to increase the production volume of existing products.

Net cash generated from financing activities of RMB32.3 million was due mainly to a net increase in short term bank loans of RMB43.0 million to augment our working capital. This increase in short term bank loans was partially offset by an increase in bank deposits of RMB10.7 million which was pledged as security for bank loans and bills payable.

FY2008

In FY2008, we generated net cash flow from operating activities before changes in working capital of RMB577.7 million. Net cash used in working capital amounted to RMB219.9 million due mainly to:-

- (i) increase in trade and other receivables of RMB301.2 million in line with the increased revenue achieved in FY2008; and
- (ii) payment of income tax and interest expense of RMB100.6 million and RMB11.9 million respectively.

The working capital outflow was partially offset by a decrease in inventories of RMB27.1 million due to improvement in inventory management. Our procurement staff maintain close contact with our suppliers and work closely with our sales and marketing staff as well as our production staff in determining the optimum levels of raw materials and finished products in view of the movements in PET chip prices in FY2008. The working capital outflow was also partially offset by an increase in trade payables of RMB21.1 million, an increase bills payable to banks of RMB14.5 million and amounts due to holding company, a related party and a director of RMB126.3 million. The amounts due to holding company, a related party and a director arose as a result of the acquisition of the Acquired Assets by New Huawei from Fujian Huawei pursuant to the Restructuring Exercise.

Net cash used in investing activities amounted to RMB395.5 million mainly due to the acquisition of the Acquired Assets by New Huawei from Fujian Huawei.

Net cash flow generated from financing activities of RMB115.3 million was due to net proceeds from short term bank loans of RMB122.2 million, partially offset by an increase in bank deposits pledged of RMB6.9 million.

MATERIAL CAPITAL EXPENDITURE AND DIVESTMENT

Capital Expenditure

The capital expenditures and divestments made by our Group in the last three financial years ended 31 December 2008 were as follows:-

RMB'000	FY2006	FY2007	FY2008
Additions ⁽¹⁾			
Production and office buildings	—	50	—
Plant and machinery	55,953	34,733	8,395
Office equipment and furniture	32	219	192
Motor vehicles	709	849	855
Construction-in-progress	184,727	188,372	14,818
	241,421	224,223	24,260
Divestments ⁽²⁾			
Production and office buildings	—	—	—
Plant and machinery	—	—	57
Office equipment and furniture	—	—	17
Motor vehicles	—	52	6
Construction-in-progress	—	—	—
	—	52	80

Notes:-

- (1) This relates to the cost of property, plant and equipment acquired during the respective financial years.
- (2) This relates to the carrying amount of property, plant and equipment disposed off during the respective financial years.

COMMITMENTS

Capital commitments

As at 31 December 2008, our capital commitments are as follows:-

	RMB'000
Construction of production and office buildings	76,424
Purchase of production machinery	—
	76,424

Operating lease commitments

As at 31 December 2008, we have operating lease agreements for Fujian Huawei Property in the PRC. Our operating lease commitments are as follows:-

	RMB'000
Not later than 1 year	11,000
Later than 1 year but not later than 5 years	22,000
	33,000

Please refer to the section on “Properties and Fixed Assets” of this Prospectus for more information.

We intend to finance the above operating lease commitments by internally generated funds.

CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the “Independent Auditors’ Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008” in Appendix A of this Prospectus.

The following table shows the cash and cash equivalents as well as capitalisation and indebtedness of our Group as at 30 April 2009 based on:-

- (a) our unaudited management accounts as at 30 April 2009; and
- (b) as adjusted for the issue of New Shares pursuant to the Invitation and the application of net proceeds, after deducting estimated issue expenses incurred in connection with the Invitation.

(RMB’000)	As at 30 April 2009	As adjusted for the net proceeds from the issue of the New Shares
Cash and cash equivalents and bank deposits pledged	158,793	529,909
Indebtedness		
Current		
- secured	254,600	254,600
- unsecured	—	—
Total indebtedness	254,600	254,600
Total shareholders’ equity	682,891	1,054,007
Total capitalisation and indebtedness	937,491	1,308,607

As at 30 April 2009, our total credit facilities (utilised and unutilised) were as follows:-

	Facilities granted (RMB’000)	Utilised (RMB’000)	Unutilised (RMB’000)	Interest rates	Maturity profile
Short term loans	212,000	161,800	—	6.66% to 10.44%	12 months
Bills payable	92,800	92,800	—	Nil	Up to 180 days
Total	304,800	254,600	—		

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

The above facilities are secured by short term bank deposits, pledge of certain property, plant and equipment and certain land use rights as well as personal guarantees by a Director and Fujian Huawei. Please refer to the section on “Interested Person Transactions” for further details of the guarantees provided by our Executive Directors.

Contingent liabilities

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

FOREIGN EXCHANGE MANAGEMENT

Foreign Exchange Exposure

The accounting records of the companies in our Group are maintained in RMB. For the periods under review, we are not subject to any foreign exchange exposure as all our revenue, purchases and expenses are denominated in RMB. As such, presently, we do not have any formal hedging policy. However, we will continue to monitor our foreign exchange exposure and may use financial instruments to manage our foreign exchange exposure should the need arise. We will prior to entering any hedging transactions, seek board approval on the policy for entering into any foreign exchange hedging transactions and put in place adequate procedures which must be reviewed and approved by our Audit Committee. Our Audit Committee will monitor the implementation of the policy, including reviewing the instruments, processes and practices in accordance with the policy approved by the Board.

DIVIDEND POLICY

No dividend has been declared by our Company since incorporation. For FY2006, FY2007 and FY2008, Zhejiang Huagang did not declare any dividend. New Huawei did not declare any dividend for FY2008. Distribution of dividends by our PRC Subsidiaries to our Company is subject to prevailing PRC laws and regulations (please refer to the “Description of Relevant PRC Laws and Regulations” in Appendix C of this Prospectus).

We currently do not have a formal dividend policy. We may declare annual dividends with the approval of our Shareholders in a general meeting, but the amount of such dividends shall not exceed the amount recommended by our Directors. Our Directors may, without the approval of Shareholders, also declare interim dividends. We must pay all dividends in accordance with the Companies Act and applicable accounting standards.

The declaration and payment of future dividends will depend upon our operating results, financial conditions, other cash requirements including capital expenditure, the terms of borrowing arrangements (if any), dividend yield of comparable companies (if any) listed in Singapore and other factors deemed relevant by our Directors. No inference should or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends.

For information relating to taxes payable on dividends, please refer to “Taxation” in Appendix E of this Prospectus.

GENERAL INFORMATION ON OUR GROUP

SHARE CAPITAL

Our Company was incorporated in Singapore on 9 September 2008 under the Companies Act as a private company limited by shares under the name “China Gaoxian Fibre Fabric Holdings Pte. Ltd.”. On 6 August 2009, our Company changed its name to “China Gaoxian Fibre Fabric Holdings Ltd.” in connection with its conversion to a public company limited by shares.

On 25 November 2008, pursuant to the Restructuring Exercise, our issued and paid-up share capital was increased to S\$99,713,215 comprising 1,120,000,000 Shares, following the allotment and issue of a total of 1,119,999,999 Shares. As at the Latest Practicable Date, our Company has an issued and paid-up share capital of S\$99,713,215, which Shares are held by China Success (83.26%), Carry Luck (13.39%) and Gainstars (3.35%).

At an extraordinary general meeting held on 7 July 2009, our Shareholders approved, *inter alia*, the following:-

- (a) the conversion of our Company into a public limited company and the consequential change of name to “China Gaoxian Fibre Fabric Holdings Ltd.” (中国高纤控股有限公司);
- (b) the adoption of a new set of Articles of Association;
- (c) the issue of the New Shares pursuant to the Invitation, which when allotted, issued and fully paid, will rank *pari passu* in all respects with the existing issued Shares;
- (d) that authority be and is hereby given to our Directors to:-
 - (a) (1) issue Shares in the capital of our Company whether by way of rights (including renounceable and non-renounceable rights), bonus or otherwise; and/or
 - (2) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by our Directors while this resolution was in force,

provided that:

- (1) (subject to sub-paragraph (2) below pertaining to pro rata renounceable rights issue) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50 per cent. of the total number of issued Shares (excluding treasury Shares) in the capital of our Company (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of our Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20 per cent. of the total number of issued Shares (excluding treasury Shares) in the capital of our Company (as calculated in accordance with sub-paragraph (3) below);
- (2) in relation to pro rata renounceable rights issue, the aggregate number of Shares to be issued pursuant to this resolution does not exceed 100 per cent. of the total number of issued Shares (excluding treasury Shares) in the capital of our Company (as calculated in accordance with sub-paragraph (3) below);

- (3) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraphs (1) and (2) above, the percentage of issued share capital shall be based on the post Invitation issued share capital of our Company immediately following the close of the Invitation, after adjusting for:-
- (i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and
 - (ii) any subsequent bonus issue or consolidation or subdivision of Shares;
- (4) in exercising the authority conferred by this resolution, our Company shall comply with the provisions of the Listing Manual of the SGX-ST (including supplemental measures thereto) for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of our Company; and
- (5) (unless revoked or varied by our Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier; and
- (e) that contingent upon the passing of the above resolution, authority be and is hereby given to our Directors to issue Shares other than on a pro rata basis at a discount exceeding 10 per cent. but not more than 20 per cent., which discount is calculated based on the weighted average price for trades done on the SGX-ST on the full market date on which the agreement relating to such issue of Shares is executed (or if trading is not available for a full market day, on the preceding market day up to the time such agreement is executed).

At an extraordinary general meeting held on 9 September 2009, our Shareholders further approved the issue of the Additional Shares in the event the Over-allotment Option is exercised by the Joint Underwriters. The Additional Shares, when issued and fully paid-up, will rank *pari passu* in all respects with the existing issued Shares.

As at the date of this Prospectus, there is only one class of shares in the capital of our Company, being ordinary shares. The rights and privileges of our Shares are stated in our Articles of Association. There are no founder, management or deferred shares. Save for the Over-allotment Option, no person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or any of its subsidiaries.

As at the date of this Prospectus, the issued and paid-up share capital of our Company is S\$99,713,215 divided into 1,120,000,000 Shares. Upon the allotment and issue of the New Shares, the resultant issued and paid-up share capital of our Company will be approximately S\$181,812,104 divided into 1,440,000,000 Shares.

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

	Number of Shares	Resultant issued share capital (S\$)
Issued and paid-up ordinary shares as at date of incorporation	1	1
After issuance of new ordinary shares pursuant to the Restructuring Exercise	1,120,000,000	99,713,215
New Shares to be issued pursuant to the Invitation	320,000,000	82,098,889 ⁽¹⁾
Post-Invitation issued and paid-up share capital	1,440,000,000	181,812,104

Note:-

- (1) This is net of estimated expenses payable by our Company in connection with the Invitation, such treatment being in accordance with applicable accounting standards.

The shareholders' equity of our Company, before and after adjustment to reflect the Restructuring Exercise and the Invitation are set forth below. This should be read in conjunction with the "Independent Auditors' Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008" set out in Appendix A of this Prospectus.

(S\$')	As at Incorporation	After adjusting for the Restructuring Exercise	After Invitation
Shareholders' equity			
Share capital	1	99,713,215	181,812,104
Reserve	—	(1,409,184)	(5,263,073)
Total Shareholders' equity	1	98,304,031	176,549,031

Save as set out below, there was no change in the issued and paid-up share capital of our Company or our PRC Subsidiaries within the three years preceding the date of lodgement of this Prospectus:-

Our Company

Date	Purpose of Issue	Issue Price	Number of Shares	Resultant Issued Share Capital (S\$)
9 September 2008	Subscriber share on incorporation	S\$1.00 per share	1	1
25 November 2008	Restructuring Exercise	Share Swap	1,119,999,999	99,713,215

New Huawei

Date	Purpose of Issue	Increase in Registered Capital (RMB)	Resultant Registered Capital (RMB)	Total Investment Amount (RMB)
21 August 2008	Registered capital contribution	5,000,000	5,000,000	5,000,000

Save as disclosed in this section, no share in or debenture of our Company or any of our PRC Subsidiaries has been issued, or is proposed to be issued, as fully or partly paid-up for cash, or for a consideration other than cash, within the three years preceding the date of lodgement of this Prospectus.

Save for the Over-allotment Option, no option to subscribe for or purchase shares in or debentures of our Company or any of our PRC Subsidiaries has been granted to, or was exercised by any person.

RESTRUCTURING EXERCISE

Our Group was formed through the Restructuring Exercise which involved a series of acquisitions and the rationalisation of our corporate and shareholding structure for the purposes of the Invitation. Pursuant to the Restructuring Exercise, our Company became the holding company of our Group.

Tian Yuan has opined that the Restructuring Exercise has been carried out in accordance with PRC laws and regulations, and our Group has complied with PRC laws and regulations for the Restructuring Exercise and the Invitation to be undertaken.

The Restructuring Exercise involved the following steps:-

(a) Establishment of our Company

Our Company was incorporated on 9 September 2008 in Singapore with issued share capital of S\$1.00, comprising one ordinary share, which was held by a nominee of China Success. The sole share was subsequently transferred to China Success.

(b) Establishment of New Huawei

On 21 August 2008, Zhejiang Huagang established New Huawei as its wholly-owned subsidiary incorporated in the PRC with an initial registered capital of RMB5,000,000.

(c) Acquisition of the business as well as certain assets, liabilities and the trademark of Fujian Huawei by New Huawei

Pursuant to an Asset Transfer Agreement dated 1 July 2008 entered into between Zhejiang Huagang and Fujian Huawei, and an Asset Transfer Agreement dated 1 October 2008 entered into between Zhejiang Huagang, New Huawei and Fujian Huawei, New Huawei acquired all of Fujian Huawei's business together with certain of its assets, liabilities and its trademark (including certain plant and equipment, inventories, payables and accrued expenses but excluding, buildings, land use rights, plant and machinery which have ceased production, receivables, cash and bills payables as well as short term loans) ("**Acquired Assets**") with effect from 1 July 2008.

The aggregate cash consideration for the acquisition was approximately RMB330.4 million, based on the NAV of the Acquired Assets as at 30 June 2008, as valued by Fuzhou Minhang in its valuation report dated 26 August 2008, has been fully satisfied. Subsequent to New Huawei's acquisition of the Acquired Assets, Fujian Huawei's sole business activity is the leasing of the Fujian Huawei Property to New Huawei (see below). Fujian Huawei also extended a loan of RMB71.1 million to New Huawei for its working capital purposes. As at the Latest Practicable Date, New Huawei has repaid RMB21.1 million and the outstanding loan amount owing to Fujian Huawei is RMB50 million (see also the "Interested Person Transactions" section of this Prospectus).

In connection with the foresaid acquisition, the following agreements were further entered into between New Huawei and Fujian Huawei:-

(i) Lease of Fujian Huawei Property

New Huawei and Fujian Huawei entered into a Lease Agreement dated 23 November 2008 (as supplemented) ("**Lease Agreement**") whereby Fujian Huawei leased the Fujian Huawei Property (which was excluded by the Company from the Acquired Assets as it would otherwise have required considerable additional capital outlay of more than RMB260.0 million (based on the NAV of Fujian Huawei Property as at 30 June 2008) from New Huawei) to New Huawei for a period of three years, commencing from 1 November 2008 to 31 October 2011, for a lease amount of approximately RMB12.0 million per annum (based on an independent rental valuation by Fuzhou Minhang), with an option in favour of New Huawei to renew the lease for an additional three years for the same lease amount.

Under the terms of the Lease Agreement, Fujian Huawei shall not during the lease period transfer the property to any third party. In addition, for the duration of the lease period (including any extension to the lease period) in the event Fujian Huawei proposes to sell the property, it shall first offer to sell it to New Huawei which has a first right of refusal, being a preferential right, to purchase the Fujian Huawei Property from Fujian Huawei, based on,

and at no lower than, the market valuation of the property as at the time of such purchase. The Lease Agreement further provides that any appointment of a property valuer to determine the market valuation of the property will be made jointly by New Huawei and Fujian Huawei.

New Huawei may terminate the Lease Agreement at any time during the lease period. As for Fujian Huawei's right of termination, it may terminate the Lease Agreement in the event New Huawei:-

- (aa) subleases or assigns the whole or part of the Fujian Huawei Property to a third party without the prior consent of Fujian Huawei. In this regard, we will not undertake such subleasing or assignment without Fujian Huawei's prior consent and the prior approval of our Audit Committee; or
- (bb) uses the Fujian Huawei Property for purposes other than envisaged under the Lease Agreement or conducts illegal activities on the Fujian Huawei Property which is detrimental to the benefit of Fujian Huawei or the public.

The Lease Agreement can also be terminated by mutual consent of the parties.

(ii) Assignment of “大华威” (DaHuaWei) Trademark

New Huawei and Fujian Huawei also entered into a Trademark Assignment Agreement dated 24 November 2008 whereby Fujian Huawei assigned, as part of New Huawei's acquisition of the Acquired Assets, all its intellectual property rights to the “大华威” (DaHuaWei) trademark to New Huawei without any payment of additional consideration by New Huawei.

(iii) Non-Competition

Fujian Huawei further entered into a Deed of Non-Competition Undertaking dated 25 November 2008 in favour of the Company whereby Fujian Huawei undertook subsequent to the acquisition of the Acquired Assets by New Huawei and as a continuing obligation without limitation in time, *inter alia*:-

- (1) not to carry out, engage or participate in any activities or business in the PRC or otherwise, in any capacity, whether directly or indirectly, which is in competition or may be in competition, with our Group and in any way solicit any employee, customer and supplier of our Group; and
- (2) not to use any name, trademark, trade device or logo or any intellectual property right of our Group, including but not limited to the words “华港”, “HuaGang”, “大华威” or “DaHuaWei” or any words which are similar thereto or which may result in confusion with the words “华港”, “HuaGang”, “大华威” or “DaHuaWei”.

The acquisition of PRC domestic enterprises by affiliated foreign enterprises established or controlled by PRC domestic companies, enterprises or individuals are subject to the “Provisions on Acquisition of Domestic Enterprises by Foreign Investors” (关于外国投资者并购境内企业的规定) (“**M&A Rules**”) which were promulgated by, collectively, MOC, SASAC, the State Administration of Taxation, SAIC, CSRC and SAFE on 8 August 2006 and took effect on 8 September 2006.

Tian Yuan has opined that the M&A Rules do not apply to the acquisition of the Acquired Assets by New Huawei for the following reasons:-

- (i) Zhejiang Huagang was established in July 2003 as a WFOE by China Success before the promulgation of the M&A Rules. As such, according to Article 55 of the M&A Rules, the acquisition of a domestic enterprise by such WFOE is not required to be approved by the MOC or its local counterparts; and
- (ii) New Huawei, a PRC subsidiary of Zhejiang Huagang, is considered a domestic enterprise. The acquisition of the Acquired Assets by New Huawei from Fujian Huawei, both being domestic enterprises, is not regarded as the acquisition of a domestic enterprise by foreign investors under the M&A Rules.

Fujian Changle Foreign Trade and Economic Cooperation Bureau (福建省长乐市对外贸易经济合作局) (“**Changle Bureau**”), a local counterpart of the MOC, issued an administrative letter on 13 November 2008 confirming that the M&A Rules do not apply to the acquisition of the Acquired Assets by New Huawei from Fujian Huawei. On 14 November 2008, the Fujian Fuzhou Foreign Trade and Economic Cooperation Bureau (福建省福州市对外贸易经济合作局) (“**Fuzhou Bureau**”), being the higher responsible authority to the Changle Bureau and the primary authority examining the aforesaid acquisition, confirmed that the aforesaid acquisition of the Acquired Assets is not subject to the approval of the Fuzhou Bureau and not subject to the M&A Rules.

The Department of Foreign Trade and Economic Cooperation of Fujian Province (福建省对外贸易经济合作厅) has further issued an Administrative Notice of Non-Applicability (行政许可事项不予受理通知书) on 10 December 2008 confirming that the acquisition does not fall within the scope of the M&A Rules.

(d) Acquisition of Zhejiang Huagang by our Company

On 20 November 2008, our Company and China Success entered into an Equity Transfer Agreement pursuant to which China Success transferred its entire equity interest in Zhejiang Huagang to our Company at a consideration of RMB452 million, based on the proforma NAV of Zhejiang Huagang as at 30 September 2008. The acquisition was approved by Wuxing Foreign Trade and Economic Cooperation Bureau (湖州市吴兴区外经贸局) on 22 November 2008. The consideration was satisfied by the issue and allotment of 1,119,999,999 Shares by our Company to China Success.

Tian Yuan has opined that our Company’s acquisition of the entire equity interest in Zhejiang Huagang has been undertaken and completed in accordance with all applicable PRC laws and regulations.

Tian Yuan has also opined that the M&A Rules are not applicable to the acquisition of Zhejiang Huagang by our Company as Zhejiang Huagang is a WFOE and not a domestic enterprise, and therefore, the acquisition of Zhejiang Huagang by our Company falls outside the scope of the M&A Rules. Instead, the applicable regulations are the “Provisions for the Alteration of Investors’ Equities in Foreign Funded Enterprises” (外商投资企业投资者股权变更的若干规定). Pursuant thereto, Zhejiang Huagang obtained the “Approval Letter for Equity Transfer of Zhejiang Huagang (No.吴外经贸字[2008]74)” (关于同意浙江华港涤纶实业有限公司股权转让的批复), issued by Wuxing Foreign Trade and Economic Cooperation Bureau (吴兴区对外贸易经济合作局) on 22 November 2008.

(e) Sale of Shares by China Success to Carry Luck and Gainstars

China Success subsequently entered into a sale and purchase agreement with Carry Luck and Gainstars on 25 November 2008, whereby China Success sold:-

- (a) 150,000,000 Shares to Carry Luck for the sale consideration of HK\$80,000,000; and
- (b) 37,500,000 Shares to Gainstars for the sale consideration of HK\$20,000,000.

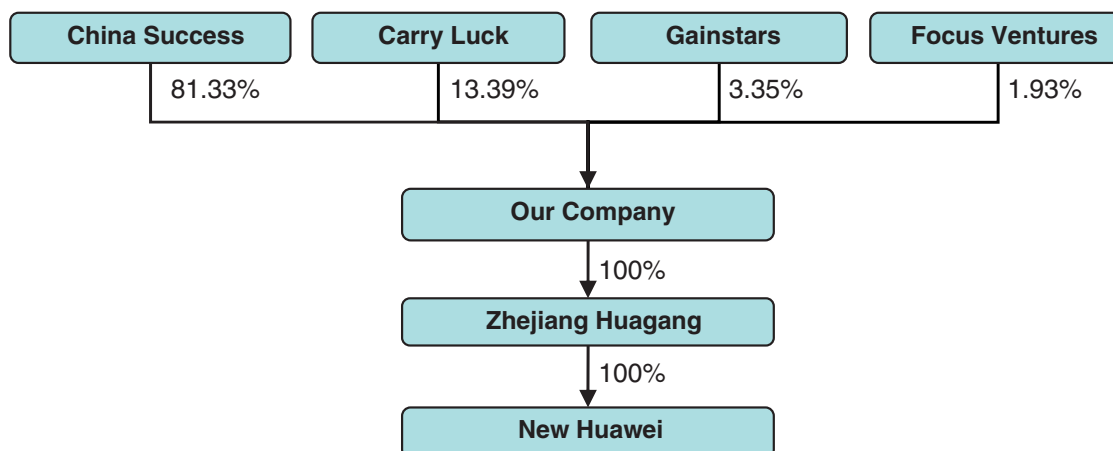
The sale price was negotiated on a willing buyer and willing seller basis, and took into account, amongst others, the risk assumed by Carry Luck and Gainstars in acquiring equity in the Company without assurance that the Invitation would be successfully completed.

(f) Transfer of Shares by China Success to Focus Ventures

China Success transferred 21,600,000 Shares (comprising 1.5% of our post-Invitation share capital) to Focus Ventures pursuant to a Consultancy Service Agreement dated 25 November 2008 in consideration for the latter’s consultancy services rendered by the latter to China Success and our Executive Chairman and CEO (being the controlling shareholder of Chinese Success) in relation to the restructuring of his personal investments and assets in connection with the Invitation. The scope of services also include consultancy services to the Company including, amongst others, appointment of, and liaising with, professional advisers and project management (including in relation to the Invitation processes and procedures and financial and commercial issues).

GROUP STRUCTURE

The corporate structure of our Group following the Restructuring Exercise and immediately before the Invitation is as follows:-



SUBSIDIARIES

The details of our subsidiaries as at the date of this Prospectus are as follows:-

Name of company	Date and place of incorporation	Principal place of business and principal activities	Issued and paid-up capital	Equity interest held by our Company
New Huawei	21 August 2008, Changle City, Fujian Province, PRC	No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province The production and sale of premium differentiated fine polyester yarn and fabric	RMB5,000,000	100% wholly-owned by our subsidiary, Zhejiang Huagang
Zhejiang Huagang	29 July 2003, Zhejiang Province, PRC	Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province Production and sales of various specifications of premium differentiated fine polyester yarn, warp knit fabric and chemical fibre materials	US\$10,000,000	100%

None of our subsidiaries is listed on any stock exchange. We do not have any associated company.

SHAREHOLDING AND OWNERSHIP STRUCTURE

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

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Cao Xiangbin (曹祥彬)	—	—	910,900,000	81.33	—	—	850,900,000	59.09
Lau Chung Kong (刘忠光)	—	—	—	—	—	—	—	—
Chen Fen (陈奋)	—	—	—	—	—	—	—	—
Liu Yijie (刘宜杰)	—	—	—	—	—	—	—	—
Chan Wai Meng	—	—	—	—	—	—	—	—
Tham Wan Loong, Jerome	—	—	—	—	—	—	—	—
Substantial Shareholders								
China Success ⁽¹⁾	910,900,000	81.33	—	—	850,900,000	59.09	—	—
Carry Luck ⁽²⁾	150,000,000	13.39	—	—	150,000,000	10.42	—	—
Executive Officers								
Wong Wai Kan, Raymond (王维勤)	—	—	—	—	—	—	—	—
Cao Yunbin (曹云斌)	—	—	—	—	—	—	—	—
Lu Songmin (陆松民)	—	—	—	—	—	—	—	—
Yang Yong (杨勇)	—	—	—	—	—	—	—	—
Yin Jianfeng (尹剑峰)	—	—	—	—	—	—	—	—
Others								
Gainstars ⁽³⁾	37,500,000	3.35	—	—	37,500,000	2.60	—	—
Focus Ventures ⁽⁴⁾	21,600,000	1.93	—	—	21,600,000	1.5	—	—
Public	—	—	—	—	380,000,000	26.39	—	—
Total	1,120,000,000	100.00			1,440,000,000	100.00		

Notes:-

- (1) China Success is an investment holding company incorporated in Hong Kong on 21 January 2005. The legal and beneficial shareholders of the company are Cao Xiangbin (曹祥彬) (99.8%) and Chen Fen (陈奋) (0.2%). Mr Cao has a deemed interest in the Shares held by China Success.

- (2) Carry Luck is an investment holding company incorporated in the British Virgin Islands on 1 May 2008. It is wholly, and legally and beneficially, owned by Hong Rong Zhi (洪榮智) (being its sole director) who is not related to any of our Directors, Executive Officers or Substantial Shareholders.
- (3) Gainstars is an investment holding company incorporated in the British Virgin Islands on 8 August 2008. It is wholly, and legally and beneficially, owned by Chen Jianxin (陳建新) (being its sole director) who is not related to any of our Directors, Executive Officers or Substantial Shareholders.
- (4) Focus Ventures is an investment holding company incorporated in the British Virgin Islands. It is wholly, and legally and beneficially, owned by Tan Yam Siong, Phillip (being its sole director) who is not related to any of our Directors, Executive Officers or Substantial Shareholders. China Success transferred 21,600,000 Shares (equivalent to 1.5% of our post-Invitation share capital) to Focus Ventures pursuant to a Consultancy Service Agreement dated 25 November 2008 in consideration for consultancy services rendered by the latter to China Success and our Executive Chairman and CEO (being the controlling shareholder of China Success) in relation to the restructuring of his personal investments and assets in connection with the Invitation. The scope of services also include consultancy services to the Company including, amongst others, appointment of, and liaising with, professional advisers and project management (including in relation to the Invitation processes and procedures and financial and commercial issues).

The Shares held by our Directors and Substantial Shareholders do not have different voting rights from other shareholders of the Company.

Each of China Success, Carry Luck, Gainstars and Focus Ventures has confirmed that it holds its respective Shares for its own beneficial interest (and not as nominee).

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

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

As at the Latest Practicable Date, there has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation.

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

VENDOR

The name of the Vendor and the number of Vendor Shares it will offer pursuant to the Invitation are set out below:-

Name and address of Vendor	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		No. of Shares held after the Invitation	
	No. of Shares	% of pre-Invitation share capital	No. of Shares	% of pre-Invitation share capital	No. of Shares	% of post-Invitation share capital
China Success	910,900,000	81.33	60,000,000	5.36	850,900,000	59.09

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Wellborne Comm
Building,
8 Java Road,
North Point
Hong Kong

MORATORIUM

Substantial Shareholders

To demonstrate their commitment to our Group, China Success and Carry Luck, holding in aggregate approximately 69.51% of our post-Invitation share capital, have each undertaken not to sell, realise, transfer or otherwise dispose of any part of their Shares for a period of 12 months commencing from the date of admission of our Company to the Official List of the SGX-ST ("**Moratorium Period**").

In conjunction with such undertaking, the shareholders of China Success and Carry Luck have also undertaken not to sell, realise, transfer or otherwise dispose of any part of their shares in China Success and Carry Luck (as the case may be) during the Moratorium Period.

Other Shareholders

Focus Ventures and Gainstars which hold in aggregate approximately 4.10% of our post-Invitation share capital have similarly undertaken not to sell, realise, transfer or otherwise dispose of any part of their Shares for the Moratorium Period. In conjunction with such undertaking, the shareholders of Focus Ventures and Gainstars have also undertaken not to sell, realise, transfer or otherwise dispose of any part of their shares in Focus Ventures and Gainstars (as the case may be) during the Moratorium Period.

HISTORY AND BUSINESS

HISTORY

Our Company was incorporated in Singapore on 9 September 2008 under the Companies Act as a private limited company under the name of “China Gaoxian Fibre Fabric Holdings Pte Ltd”. On 6 August 2009, our name was changed to “China Gaoxian Fibre Fabric Holdings Ltd.” in connection with our conversion to a public company limited by shares. Pursuant to the Restructuring Exercise, our Company became the holding company of our wholly-owned PRC Subsidiaries, namely Zhejiang Huagang and New Huawei. Please refer to the “Restructuring Exercise” section of this Prospectus for further details of our Group restructuring which resulted in our current Group structure.

Fujian Huawei and New Huawei

Fujian Huawei was established by Messrs Cao Xiangbin (曹祥彬) and Chen Fen (陈奋) in 1997 under the name Fujian Changle Huawei Fiber Dyeing Co., Ltd. (福建省长乐市华威化纤染织有限公司) (which was subsequently changed to its present name in September 2003) and commenced operations in June 1998. At the time of establishment, Fujian Huawei’s production facilities occupied a gross floor area of approximately 1,400 sq m and its annual production capacity was approximately 12,000 mt of premium differentiated fine polyester yarn. Fujian Huawei produced and sold mainly 50D/24f FDY under the “大华威” (DaHuaWei) brand name.

Demand for Fujian Huawei’s premium differentiated fine polyester yarn grew rapidly in the next two years due to their high quality. To capitalise on the increased demand and the growth of the textile industry in the PRC, Fujian Huawei invested in additional production machinery and equipment and increased its annual production capacity to approximately 14,500 mt by the end of year 2000. By end 2001, the gross floor area of its production facilities increased to approximately 6,000 sq m. In 2002, as part of its continued expansion, Fujian Huawei’s registered capital was increased to RMB96.0 million and it acquired an additional parcel of land of approximately 112,000 sq m forming the Fujian Huawei Property. Thereafter, it commenced construction of new buildings with gross floor area of approximately 39,000 sq m. The construction was completed in 2002. With the addition of 72 production stations, Fujian Huawei’s annual production capacity increased to approximately 43,500 mt. In December 2002, as a testament to the stringent internal controls and quality management system adopted during its production process, Fujian Huawei was accredited with ISO9001:2000 certification.

Recognising the importance of differentiating its products and increasing the range of product offerings, Fujian Huawei set up a product development team in 2003, headed by Yin Jianfeng (尹剑峰). The product development team is also responsible for improving production techniques and processes and increasing the utilisation rate of existing production facilities to increase production efficiency.

To cope with increasing demand for its products, Fujian Huawei acquired additional advanced yarn spinning machinery in 2004 to expand its production capacity. By end 2004, Fujian Huawei had 168 production stations with annual production capacity of approximately 51,300 mt.

Fujian Huawei built additional buildings with gross floor area of approximately 57,000 sq m in 2005, which together with the other existing buildings, housed 264 production stations, which had a production capacity of approximately 70,600 mt. By end 2006, the production capacity had increased to approximately 78,000 mt due to improvement in production efficiency.

Fujian Huawei continued to grow rapidly and by end 2007, its annual production capacity had reached approximately 90,000 mt. Its production facilities occupied approximately 103,700 sq m and comprised 348 production stations. In 2008, Fujian Huawei successfully developed and produced two new products namely, DTY and warp knit fabric. By end 2008, New Huawei’s production capacity was approximately 106,500 mt for yarn and 15,000 mt for warp knit fabrics, having acquired the Acquired Assets (including 79 warp knitting machines) from Fujian Huawei pursuant to the Restructuring Exercise (please refer to the “Restructuring Exercise” section of this Prospectus).

On 1 July 2008, pursuant to the Restructuring Exercise, our PRC Subsidiary, New Huawei acquired all of Fujian Huawei's business and certain of its assets and liabilities. As part of the acquisition, New Huawei also leased the Fujian Huawei Property from Fujian Huawei. Please refer to the "Restructuring Exercise" section of this Prospectus for more information relating to the acquisition. Subsequently in September 2008, New Huawei was accredited with ISO9001:2000 certification for our quality management system in respect of the manufacture and sales of premium differentiated fine polyester yarn and tricot. In February 2009, Fujian Huawei was awarded the Fujian Famous Trademark recognition by the Fujian Provincial Administration for Industry and Commerce for the period from 2009 to 2012. We are in the process of liaising with the Fujian Provincial Administration for Industry and Commerce to have the award issued in the name of New Huawei, in view of New Huawei's acquisition of the Acquired Assets from Fujian Huawei.

Zhejiang Huagang

In 2003, recognising the potential demand for our products in the Zhejiang Province, being one of the most prominent centres for the textile industry in the PRC, our Executive Directors, Cao Xiangbin (曹祥彬) and Chen Fen (陈奋), established Zhejiang Huagang with an initial registered capital of US\$10 million. In 2004, Zhejiang Huagang commenced operations at the Zhejiang Huagang Property in Huzhou City, Zhejiang Province. Then, Zhejiang Huagang's production facilities occupied a gross floor area of approximately 10,500 sq m and comprised 144 production stations, and our production capacity in the first year was approximately 10,000 mt of FDY. Zhejiang Huagang's products were sold under the "华港" (HuaGang) brand.

Over the next two years, sales grew rapidly due to the high quality of our products. In 2006, in response to the increased demand for our products, we embarked on capacity expansion with the construction of factory buildings with gross floor area of approximately 36,000 sq m. By end 2006, our production capacity had increased to approximately 30,300 mt. With further improvement in production efficiency, our production capacity was increased to approximately 33,000 mt by end 2007. The construction was completed in 2008 and the gross floor area of Zhejiang Huagang's production facilities increased to approximately 46,500 sq m. We also made additional investments in production machinery and equipment, increasing the number of production stations to 184 and production capacity to approximately 42,000 mt.

In January 2008, as testament to our stringent quality process, Zhejiang Huagang was accredited with the ISO9001:2000 certification. In the same year, we successfully developed and commercialised our new products, blended polyester yarn (涤纶复合丝) and triangular-fibre yarn (有光三角异形丝).

On 20 November 2008, pursuant to the Restructuring Exercise, our Company acquired the entire equity interest in Zhejiang Huagang from China Success. Please refer to the "Restructuring Exercise" section of this Prospectus for more information relating to the acquisition.

BUSINESS

Overview

Polyester is a category of polymer developed from polyethylene terephthalate (PET). Polyester fibre is a chemical fibre synthesised from petrochemicals through the melting of PET chips, which is then drawn or stretched after cooling to achieve the desired properties in terms of its tensile strength and dyeability.

Polyester is by far the most widely used synthetic fibre in the manufacturing of clothing, artificial leather and other industrial products due to a balance of properties which gives it versatility. Polyester has strength and abrasion resistance next to nylon and also takes a permanent heat set. It also possesses good resilience (the nearest to wool of any synthetic fibre) and high modulus which means that it is springy and can recover well from strain. This combination of properties has led to many uses.

Polyester can be used instead of or with wool. It is ideal to blend with cotton, rayon or flax since it has wrinkle resistance and yet is fairly rigid. Its better stability gives it an advantage over other synthetic fibres as textured filament yarn in fabrics for more tailored articles as well as for sewing thread. Finally, filament polyester has been successfully altered to look and feel very much like silk.

Polyester Yarn and Fabric

Polyester yarn is made by spinning polyester fibres together. The number and thickness of the fibres used in the spinning process will determine the fineness of the yarn produced. Generally fibres of lower denier produce finer yarn. For example, a 35D/24f polyester yarn would be finer than a 150D/36f yarn. Polyester fibres and yarn have the following properties:-

(a) *Appearance*

Polyester fibres are manufactured in a variety of cross sections such as round, multi-lobal and hollow shapes. Under the microscope, round fibres appear as long, smooth rods with spots of pigment if the fibre has been de-lustered. Longitudinally, multi-lobal fibres appear striated.

Differences in cross-sectional shape and longitudinal contour contribute to differences in fibre characteristics such as luster, covering power, feel and surface texture. Thus, by varying the cross-sectional shape and contour of the fibre, a wide range of polyester yarn and fabrics can be produced.

(b) *Strength*

Polyester has high tensile strength which remains relatively consistent, whether wet or dry. It is also estimated to be approximately 20 times stronger than natural fibre fabrics.

(c) *Elongation and resilience*

Polyester fibres and yarn can almost fully recover to their original length from a stretch of 5% to 6%. Generally, polyester fibres and yarn are able to retain their shape and size and have better resistance to creasing than other fibres and yarn. For this reason, they are often blended with less wrinkle-resistant fibres and yarn to make easy-care fabrics.

(d) *Absorbency*

Although polyesters are non-absorbent, they do have wicking ability. Wicking takes place when liquid moisture travels along the surface of the fibre but is not absorbed into the fibre. This quality increases polyester's comfort in warm weather, as perspiration is carried to the surface of the fibre and evaporated. Multi-lobal fibre cross sections improve the wicking qualities of polyesters as liquid moisture is carried down the channels between the lobes. Special finishes can be applied to polyester to make it more water absorbent.

(e) *Resistance to environmental conditions, chemicals and abrasions*

Polyester possesses natural resistant properties and is resistant to heat, wear-and-tear, light, abrasion and corrosion. As such, it is often selected for products where durability is a consideration.

(f) *Dimensional stability*

Polyesters that have been given heat-setting treatments have good dimensional stability. If polyester fabrics have not been heat-set, they may shrink at high temperatures. Due to its low moisture retention, polyester does not shrink when wet and can stabilise fabrics when it is blended with other fibres.

Polyester fabric is in turn manufactured through the process of weaving or knitting polyester yarn. The quality of the fabric is dependent on the yarn used as well as the weaving or knitting process.

Our Business

Our Group is principally engaged in the production and sale of premium differentiated fine polyester yarn and warp knit fabric. By varying the physical properties of the fibre such as cross-sectional shape of the polyester fibres, thickness of the fibres as well as the filament count and appearance of the yarn, we are able to produce a wide range of premium differentiated fine polyester yarn and cater to a wide range of customers. The variety of polyester yarn could be further increased by changing the mechanical properties (such as strength and resilience) and chemical properties of the fibres as well as blending polyester fibres with different physical, mechanical and chemical properties during the production process. A proportion of the polyester yarn we produce is used for the production of warp knit fabric.

We source our main raw materials, PET chips, from suppliers in the PRC. Our products are sold under our “华港” (HuaGang) and “大华威” (DaHuaWei) brand names and our customers are mainly textile and garment manufacturers in the PRC who will in turn apply our products to manufacture apparels, upholstery for automobiles and aeroplanes, sports shoes and headgear, curtains, bedding, bags and umbrellas.

We carry out our production at our production facilities located at:-

- (i) Zhejiang Huagang Property, which houses 184 automated production stations with an annual production capacity of approximately 42,000 mt of polyester yarn; and
- (ii) Fujian Huawei Property, which houses 348 automated production stations with an annual production capacity of approximately 106,500 mt of polyester yarn and 79 warp knit machines with an annual production capacity of approximately 15,000 mt of warp knit fabric.

Each production station may be adapted to produce varied quality yarn as demanded by our customers. Our production facilities at Zhejiang Huagang Property and Fujian Huawei Property contributed to approximately 35.0% and 65.0% of our Group's total revenue for FY2008, respectively. Please refer to the “Properties and Fixed Assets” section of this Prospectus for further details on our properties and fixed assets.

PRODUCTS

A brief description of our products is set out below.

Polyester Yarn

Our high-end polyester yarn products consist of various premium differentiated fine polyester yarn, including FDY, DTY, blended polyester yarn and triangular-fibre yarn.

(a) *FDY (半消光网络丝)*

Our FDY products are almost fully drawn during the production process and have high tensile strength. We currently produce FDY products with filament count of 24f and linear densities of 35D and 50D. In addition, such FDY are semi-dull as the polyester fibres have been delustered during the production process. These are fine polyester yarn compared to the more commonly available polyester FDY 150D/48f which are coarser.

Our FDY products are considered premium yarn as textiles manufactured from our FDY products have qualities which make them suitable for making high-end apparels and home furnishings. These qualities include softer and smoother feel, wrinkle resistance as well as a soft luster instead of a hard shine which is often associated with low-end polyester textiles.

Our FDY products are also sought after for producing polyester blended fabrics. Durable press fabrics are frequently made from blends of cotton and polyester. Wool and polyester blends have a wool-like feel and appearance and some of the easy-care aspects of polyester. Furthermore, pleats and creases can be heat-set through the thermoplastic properties of polyester.

(b) *DTY (低弹丝)*

Our DTY combines some of the desired properties of natural fibre and synthetic fibre. The “textured” yarn is imparted with some of the qualities of natural fibres such as warmth, bulk and a soft luster while retaining the superior properties of polyester fibre such as high strength, good elasticity as well as stretch and abrasion resistance.

This is achieved through a texturing processing which first splits the filament and then interlaces and entangles the yarn at regular intervals with the application of a perpendicular higher pressure air stream. The entangled yarn is characterised by having tangle knots at very regular intervals and untwisted fibres between the tangle knots which allows the yarn to trap air between the fibres.

Fabric manufactured from DTY would thus feel warm due to the static air which is trapped between the fibres. The untwisted fibres in DTY also give the fabric a softer feel and greater volume. They also result in irregularities on, and reduce reflection of light from, the surface of textiles manufactured from our DTY and thus giving the fabric a matt appearance similar to cotton or wool.

(c) *Blended Polyester Yarn (涤纶复合丝)*

Arising from the production process, fabrics produced from blended polyester yarn have higher tensile strength, resilience, shape-retention and crease resistance than ordinary fabrics. It provides high breathability and is soft and smooth to the touch.

They are highly suitable for making suits, gowns and sports apparels.

(d) *Triangular-Fibre Yarn (有光三角异形丝)*

The triangular-fibre yarn is a new product developed in-house. The yarn is spun from polyester filaments which have a reflective surface due to its triangular cross sectional shape similar to that of silk. As such, fabrics manufactured from our triangular-fibre yarn which has low linear density of approximately 50D possess some of the desirable qualities of silk such as brilliant luster as well as a fine and smooth texture or feel while retaining the characteristics of polyester such as high abrasion resistance as well as resistance to heat and moulds. Moreover, it is durable notwithstanding washing and heating and does not fade easily. Neither does it crease easily or attract mould.

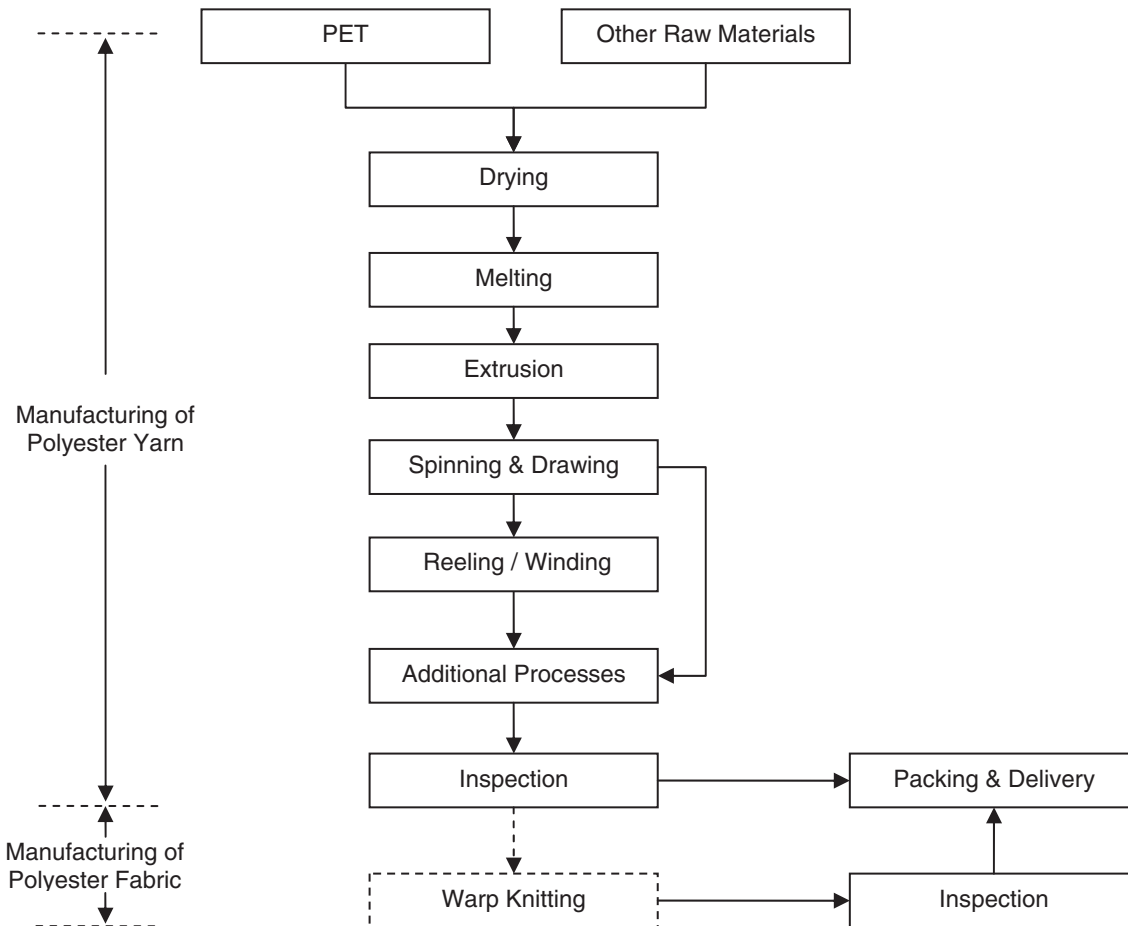
Warp Knit Fabric

Generally, the warp knit fabrics produced by us are tailored to meet the specifications of our customers. For example, customers may require certain fabrics to possess differing tensile strength, elasticity and texture for their specific purposes.

PRODUCTION PROCESS

Our polyester yarn are manufactured using the melt-spinning process whereby our essential raw material, PET chips, is melted and extruded through a constant stream of air under controlled temperature and humidity, solidified when cooled, and is subsequently spun into yarn.

A simplified description of our production process is illustrated and described below:-



Receipt of Raw Materials and Inspection

Upon receipt of PET chips supplies, we would inspect these supplies on a sampling basis for compliance with our internal specifications, including dryness, purity and adhesiveness.

Any raw materials which fail to conform will be immediately rejected, and the suppliers notified. The suppliers will also be asked to replace the rejected raw materials.

Drying

Inside the dryer, hot dry air (between 175°C to 185°C) is pumped into the bottom of the hopper containing the PET chips to remove any moisture. The hot wet air leaves the top of the hopper and is first run through an after-cooler (as it is easier to remove moisture from cold air than hot air).

The resulting cool wet air is then passed through a desiccant bed. Finally the cool dry air leaving the desiccant bed is re-heated in a process heater and sent back through the same processes in a closed loop.

Melting

PET chips in solid form (normally shaped in the form of rice beads) are fed into a chip hopper and then melted in the extruder under extreme high temperature to create molten PET chips.

Selected chemicals may also be applied, depending on the customers' specific requirements, to impart various attributes / characteristics to the molten PET chips.

Extrusion

A spinning pump is next used to create a pressure to push the molten PET through the spinneret pack. Each spinneret has a number of holes and each hole produces one filament fibre. The fineness of the polyester fibre is determined by the spinning pump and spinneret, whereas the shape of the spinneret hole decides the profile and cross-sectional shape (e.g. round, triangle or other angular forms) of each fibre.

The number and characteristics of the polyester yarn produced depends on the number and profile of the spinneret holes. It is at this stage that different specifications of polyester yarn are made.

Spinning and Drawing

Through spinning, fibres are drawn out to join them together in a continuous thread or yarn. As the fibres emerge from the spinneret orifices through a constant stream of air under a controlled temperature, pressure and humidity, the molten PET becomes solidified. Before the fibres are fully set, a spin-finish will be applied to them mainly to minimise static electricity in the fibres and increase the adhesiveness of these fibres. After that, the fibres will be either partially or fully drawn to form the polyester yarn.

Drawing involves stretching the fibres using an arrangement of rollers and the process defines the essential textile properties of the spun fibres, such as tensile strength, resilience and softness.

The spinning and drawing process together combine separate fibres into a single polyester yarn.

Reeling / Winding

The resultant polyester yarn is wound onto paper reels. The yarn will be cut when the polyester yarn has reached its desired length. Thereafter, the reels of yarn are sent for quality control inspection.

Additional Processes

Depending on customers' requirements, the polyester yarn may further be subject to stretching, drawing, blending, warping and/or other physical or chemical processes to enhance their physical characteristics.

Inspection

We next inspect and test the reeled polyester yarn before sending them for packing and delivery. Please refer to the "Quality Assurance" section of this Prospectus for a description of our quality control process.

Warp Knitting

To produce warp knit fabrics, a polyester yarn roll is ringed vertically. Subsequently, the loops are arranged in vertical direction and further linked by stitches in longitudinal direction on our special warp knitting machines.

Inspection

The resultant warp knit fabrics are subject to inspection by our quality assurance personnel before they are sent for packing and delivery. Please refer to the "Quality Assurance" section of this Prospectus for a description of our quality control process.

MANUFACTURING FACILITIES AND UTILISATION

We have two manufacturing facilities, located at:-

- (a) Zhejiang Huagang Property in Huzhou City, Zhejiang Province; and
- (b) Fujian Huawei Property in Changle City, Fujian Province

(Please refer to the “Properties and Fixed Assets” section of this Prospectus for more information on the Zhejiang Huagang Property and Fujian Huawei Property).

We own the land use rights to Zhejiang Huagang Property.

We currently lease the Fujian Huawei Property from Fujian Huawei. Should we be unable to enforce our rights under the lease agreement (including in the event Fujian Huawei undergoes liquidation) or be unable to renew the lease when it expires or if the lease is renewed on terms and conditions which are not favourable to us or the lease agreement is terminated by Fujian Huawei (please refer to the “Restructuring Exercise” section of this Prospectus for more information), and we are unable to find alternative premises to relocate our machinery and recommence production promptly at similar costs, our business operations will be disrupted and our financial performance will be adversely affected. Please refer to the “Risk Factor” section of this Prospectus for more information. However, barring unforeseen circumstances, in the event we are required to vacate the Fujian Huawei Property, our Directors do not expect significant difficulties in finding alternative premises to relocate our production facilities and machinery.

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

Equipment / Facility	No. of Units
Filament Spinning Machine (长丝纺丝机)	442
Coiling and Elongation Machine (平牵卷绕机(加弹机))	90
Warp Knitting Machine (经编机)	79

Processing Capacity and Utilisation

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

	FY2006		FY2007		FY2008	
	Estimated Maximum Capacity ⁽¹⁾ (mt)	Estimated Utilisation Rate ⁽²⁾ (%)	Estimated Maximum Capacity ⁽¹⁾ (mt)	Estimated Utilisation Rate ⁽²⁾ (%)	Estimated Maximum Capacity ⁽¹⁾ (mt)	Estimated Utilisation Rate ⁽²⁾ (%)
Fujian Huawei Property						
FDY	78,000	79.6	90,000	81.7	78,900	72.8
DTY	—	—	—	—	27,600	77.5
Warp Knit Fabric	—	—	—	—	15,000	78.3
Zhejiang Huagang Property						
FDY	30,300	70.8	33,000	75.1	—	—
Blended Polyester Yarn	—	—	—	—	37,400	94.7
Triangular-Fibre Yarn	—	—	—	—	4,600 ⁽³⁾	91.3

Notes:-

- (1) Our estimated maximum capacity is calculated based on the operation of our facilities (taking into account the number of days of commercial operation of each of the station) for 24 hours a day.
- (2) Our estimated utilisation rate is calculated based on our actual production output divided by our estimated maximum capacity.
- (3) Commenced production in July 2008.

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

QUALITY ASSURANCE

We believe that the ability to consistently supply high quality polyester yarn and warp knit fabric to our customers is a key competitive strength of our Group and is critical to our continued growth and success. We therefore place particular emphasis on quality assurance and ensuring the consistent quality of our products at all stages of our production and business processes.

As at the Latest Practicable Date, we have 60 quality assurance personnel, including our production staff responsible for quality control within their respective stations and job scopes. As a testimony to our commitment to quality services, Zhejiang Huagang and New Huawei have been awarded the following certifications:-

Subsidiary	Certification Year of certification	Certification Body
Zhejiang Huagang	ISO9001:2000 Quality Management of System in respect of the Manufacture and Sales of Polyester Silk Valid from 11 January 2008 to 10 January 2011	BM TRADA Certification Ltd
New Huawei	ISO9001:2000 Quality Management System in respect of the Manufacture and Sales of Fibre Drawn Yarn and Tricot Valid from 23 September 2008 to 22 September 2011	Moody International Certification Ltd

Our quality control system requires all our production staff to undergo internal training on our Group’s quality control policies, targets and procedures, as well as production and processing techniques. We have further established the following quality control procedures to ensure the consistent quality of our products:-

Use of approved suppliers

We maintain a list of approved suppliers in respect of their quality control efforts, product specification compliance and competitive pricing. Before we approve any suppliers, our procurement staff will visit the potential supplier and provide an assessment of its ability to provide raw materials conforming to our standards and requirements. Potential suppliers are assessed and selected based on their scale of operations, quality control measures, experience and management as well as reputation of their products in the market. We would usually obtain samples from our suppliers before proceeding to order full consignments from them. We review the list of preferred suppliers periodically through our dealings with them. Our procurement staff also make occasional visits to such suppliers as part of the review and monitoring processes and suppliers falling short of our standards and requirements will be removed from our list of approved suppliers.

As at the Latest Practicable Date, we have more than 20 approved suppliers who supply us with our main raw materials, PET chips and chemical solvents.

In-coming inspection and quality control

We conduct random sampling of each incoming batch of PET chips delivered to our warehouse. We usually inspect the condition of the PET chips such as its colour and size consistency as well as its packing to identify possible defects which might compromise the quality of our products. We also conduct tests to determine the moisture content and consistency. In the event we discover any defects, we will immediately return the particular batch and request the relevant supplier to replace the same. We similarly conduct sampling checks in respect of other materials utilised in our production process, including reels and packaging materials.

Final product quality control

All our finished products are examined for compliance with requirements as to elasticity, absorbency and fineness before delivery to ensure they meet our customers' requirements.

SALES AND MARKETING

Our sales and marketing department is spearheaded by our Sales and Marketing Manager, Cao Yunbin (曹云斌) who is assisted by a sales and marketing team comprising 59 sales personnel as at the Latest Practicable Date.

Our sales and marketing team is based in Changle City and Huzhou City, PRC. They are responsible for cultivating new customers as well as maintaining and strengthening relationships with existing customers.

Our primary sales activities are direct marketing pitches to potential and existing customers who are mainly engaged in textile and garment industry in the PRC. We believe that in the last 10 years, we have established ourselves as a reliable supplier of high quality polyester yarn in the PRC. Our “华港” (HuaGang) and “大华威” (DaHuaWei) brands are hallmarks of quality and we capitalise on these brands to expand our customer base. Our existing customers, suppliers and other business associates also refer new and potential customers to us.

Our sales and marketing staff visit our customers regularly to promote our products, to better understand our customers' needs and requirements and to obtain feedback on our products. Through these visits, we share information on market trends and introduce these customers to our new products and provide information on their properties. Our sales and marketing staffs together with our product development personnel and technicians also provide on-site assistance to ensure that any technical issues that customers might encounter when using our new products are promptly resolved. Although we do not have long term supply contracts with our customers, we believe this high level of responsiveness to customers' needs increases our chance of securing new orders from existing or potential customers and contribute to a high level of repeat sales to our customers. For FY2006, FY2007 and FY2008, sales to repeat customers accounted for approximately 73.0%, 79.0% and 92.0% of our revenue respectively.

AWARDS AND ACCOLADES

As a testimony to the quality of our products and our management capabilities in the PRC business community, Zhejiang Huagang and Fujian Huawei have received numerous awards and accolades to-date, of which some recent significant awards and accolades are listed below:-

Awarded to	Award	Organisation	Year of Conferment	Significance of Award
Zhejiang Huagang	Top Ten Rapid Growth Enterprise (规模进步奖前十名企业)	Huzhou City Wuxing Zone Committee, Wuxing Zone Local People's Government (中共湖州市吴兴区委、湖州市吴兴区人民政府)	2006	Recognition of progress
Zhejiang Huagang	Energy and Cost Savings Enterprise (节能减排先进企业)	Balidian Town Committee, Balidian Town Local People's Government (中共八里店镇委员会、八里店镇人民政府)	2007	Recognition of good industry practice
Zhejiang Huagang	Honorary Credential	Huzhou City Banking Association (湖州市银行业协会)	2007	Good Banking Credit
Fujian Huawei	Top 300 Fujian Industrial Enterprise, Top 10 Fujian Main Enterprise, Top 300 Most Competitive Industrial Enterprise (福建工业300强、福建工业主要行业前十强、福建工业竞争力300强)	Fujian Enterprise Evaluation Centre Association (福建省企业评价中心、福建省企业评价协会)	2006	Recognised most & highly competitive enterprise in Fujian

Awarded to	Award	Organisation	Year of Conferment	Significance of Award
Fujian Huawei	Star Enterprise with production value of over RMB800 million (2006年度产值超8亿元明星企业)	Changle Municipal Party Committee, Changle local government (中共长乐市委、长乐市人民政府)	2007	Recognised key enterprise with high production value in Changle
Fujian Huawei	The AAA Class Standard of International Quality Credit Rating Classification (国际质量信用AAA等级)	China Product Quality Association (中国产品质量协会)	2008	Internationally recognised quality credit rating
Fujian Huawei	Top 100 Fujian Private Enterprise (福建省私营企业100强)	Fujian Industrial Private Enterprise Association, Fujian Daily News (福建省个体私营企业协会、福建日报社)	2007	Recognised private enterprise in Fujian
Fujian Huawei	Star Enterprise with Production value of over RMB900 million (2007年度产值超9亿元明星企业)	Changle Municipal Party Committee, Changle local government (中共长乐市委、长乐市人民政府)	2008	Recognised key enterprise with high production value in Changle
Fujian Huawei	Four Star Enterprise. Rated as ranking 173rd out of 500 most competitive Enterprises in the Textiles and Clothings Industry for the period of 2007 to 2008 (2007-2008年度中国纺织服装企业竞争力500强第173强(四星企业))	PRC Textile Industry Association (中国纺织工业协会)	2008	Recognition of status and competitiveness in the PRC
Fujian Huawei	Top 100 Enterprise amongst the Textile and Clothing Industry in the PRC according to revenue for 2007 (2007年度中国纺织服装行业主营业务收入100强)	PRC Textile Industry Association (中国纺织工业协会)	2008	Recognition of Revenue
Fujian Huawei	Fujian Famous Trademark ⁽¹⁾	Fujian Provincial Administration for Industry and Commerce	2009 - 2012	Famous trademark of Fujian

Note:-

- (1) We are in the process of liaising with the Fujian Provincial Administration for Industry and Commerce to have the Fujian Famous Trademark award issued in the name of New Huawei, in view of New Huawei's acquisition of the Acquired Assets from Fujian Huawei.

PRODUCT DEVELOPMENT AND PRODUCTION IMPROVEMENT

We recognise that product development plays an important role if we are to maintain our product competitive edge. As at the Latest Practicable Date, our Product Development Manager, Yin Jianfeng (尹剑峰), works with a team of 13 professionals to:-

- (a) improve our production techniques and processes;
- (b) improve our product quality; and
- (c) identify and commercialise new products.

In addition, our product development team works closely with our sales and marketing team which provides regular commercial feedback on our products and market trends obtained from customers and other trade players in the PRC. We also regularly exchange ideas and information with our customers and constantly seek to raise our customers' satisfaction levels and general knowledge of our Group's products.

Our research and development team collects the latest production technology, technical know-how and market trends from various sources within the industry and uses the acquired knowledge to focus on developing and manufacturing new product types in order to satisfy market needs and demands. As a result, we are able to raise the overall quality of our Group's products and constantly strengthen our competitiveness in the industry.

Our research and development team also constantly seeks to advance our production processes and improve the efficiency and technical expertise of our staff. This in turn results in optimising our facilities utilisation rate while reducing our operating costs and expenses, thus maximising our Group's profit margin.

To position ourselves better to meet the challenges ahead as our Group expands, we intend to use part of the proceeds from the Invitation to extend our product development activities. Please see the "Business Strategies and Future Plans" section of this Prospectus for further details.

We did not incur any material expenditure on product development for the periods under review, and expenditure incurred in advancing our production processes to improve efficiency and manufacture new products is included as part of our production expenses.

STAFF TRAINING POLICY

We view our human resource as one of our key assets and place great emphasis on staff training that not only imparts job skills but also inculcates good work attitudes and team spirit. Our employees at all levels are required to undergo internal training relevant to their positions.

Our human resource department is responsible for developing yearly training and development programmes for our staff. Generally, we conduct regular training internally for our production staff to update them on our quality control policies, targets and procedures, production and processing techniques as well as work safety. In addition, our electricians and operators of specialised equipment are required to obtain professional training before commencing work.

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

We also provide external training for our technical and management staff through professional training workshops conducted by external speakers from institutions, consultancies and accreditation agencies on topics relevant to their work or encourage them to attend external trainings or programs.

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

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group owns the following trademarks:-

Trademark	Place of Registration	Class	Trademark No.	Date of Expiry	Applicable Products
	PRC	23	4418431	20 September 2018	Cotton yarn and fabric; fine cotton fabric; fine yarn and fabric; yarn and fabric for textiles; elastic yarn for textiles; long yarn; sewing yarn; elastic yarn and fabric for textiles; cotton sewing threads on cones
	PRC	24	4070581	20 November 2017	Upholstery fabrics; material; fabric for boots and shoes; cotton fabrics; lingerie fabric; elastic woven material; fabrics for textile use; towel cloth; mosquito-curtain cloth; nonwovens

Fujian Huawei has also been awarded by the Fujian Provincial Administration for Industry and Commerce in February 2009 the Fujian Famous Trademark recognition in respect of the above trademark for the period from 2009 to 2012. We are in the process of liaising with the Fujian Provincial Administration for Industry and Commerce to have the award issued in the name of New Huawei, in view of New Huawei's acquisition of the Acquired Assets from Fujian Huawei.

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

MAJOR SUPPLIERS

Our suppliers of core raw material for production, PET chips, are located in the PRC. Such PET chips for production accounted for more than 90% of our total cost of production for the periods under review.

Our major suppliers which accounted for more than 5% of our total purchases in any of the last three financial years ended 31 December 2008 are listed below. Suppliers which are related to one another have been grouped together and treated as a single supplier.

Name of Supplier	Percentage of Purchases (%)		
	FY2006	FY2007	FY2008
Fujian Jinlun Petrochemical Fibre Industry Co., Ltd (福建金纶石化纤维实业有限公司)	38.3	49.1	47.0
Zhuhai Yingfutong Investment Co., Ltd (珠海盈富通投资有限公司)	38.1	26.4	8.9
Xiamen Guomao Chemical Fibre Co., Ltd (厦门国贸化纤有限公司)	—	—	10.6
Zhejiang Lianda Fibre Co., Ltd (浙江联达化纤有限公司)	4.3	4.5	10.3
Xiamen Xianglu Chemical Fibre Company Limited (厦门翔鹭化纤股份有限公司)	1.6	6.2	3.2
Jiangyin Xingjia Industrial Plastics Co., Ltd (江阴兴佳塑化有限公司)	6.3	—	0.2
Hangzhou Sushan Rongsheng Fibre Co., Ltd (杭州肃山荣盛化纤集团)	—	5.7	—

The suppliers listed above are suppliers of PET chips. We do not have any long terms contracts with our suppliers. The year-to-year fluctuations in our purchases from each supplier are due to our procurement decisions taking into account the suppliers' product quality, our relationship with the suppliers, delivery lead time, price and payment terms offered by the suppliers. Our suppliers will usually notify us in advance in the event of any stoppage of production for any reason on their part, so that we are able to turn to other suppliers without affecting our production schedules. Our purchases from Zhuhai Yingfutong Investment Co., Ltd decreased in FY2008 as this supplier reduced its production volume for PET chips in 2008.

The supply market for PET chips in the PRC is relatively mature and stable, with many suppliers. However, this does not preclude short term price fluctuations due to varying market conditions. Our Directors believe that our business and profitability will not be materially affected by the loss of any single supplier or any particular industrial, commercial or financial contract with any supplier as we are able to source for PET chips of comparable quality from the many alternative suppliers available.

To the best of our Directors' knowledge, we are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in any of the above major suppliers.

MAJOR CUSTOMERS

As at the Latest Practicable Date, we have more than 1,500 customers located in the PRC and comprise mainly textile and garment manufacturers. Of these, on average approximately 1,000 customers are actively purchasing from us in any given year in the period under review. Our wide customer base ensures that we are not dependent on any particular customer. We do not have any customer which accounted for more than 5% of our revenue in any of the last three financial years ended 31 December 2008. In FY2008, our top 50 customers accounted for approximately 54.5% of our revenue and of these 50 customers, 45 are repeat customers.

We do not have long term contracts with our customers. However, our customers will usually provide an indicative order in which they state the products and estimated quantity they require over the next six months or one year. Such orders will be further confirmed upon receipt of a purchase order from our customers, at least one week prior to delivery of our products.

Being textile and garment manufacturers, our customers' demand for and purchase of our products are in turn dependent on the demand from their customers, being manufacturers of high-end apparel and other polyester products. To the best of our Directors' knowledge, most of our customers' products are sold in the domestic PRC market.

To the best of their knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major customers. Our Directors are of the opinion that our business or profitability is not materially dependent on any industrial, commercial or financial contract (including a contract with a customer or supplier) or any new manufacturing process.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in any of our major customers.

CREDIT POLICY AND MANAGEMENT

We generally require our customers to make payment before delivery of our products. We may grant credit terms of up to 90 days upon customers' request and completion of creditworthiness assessment by our sales and marketing staff. Credit terms recommended by our sales and marketing staff are subject to approval by our management. Credit terms vary from customer to customer depending on factors such as their payment track record, financial background, length of business relationship, frequency of purchase and size of transactions. We review the credit terms, including the credit period and limit, granted to customers periodically and any changes to the terms must be recommended by our sales and marketing staff and approved by management.

Our finance department is responsible for monitoring the payment status of our customers regularly. In the event there are any overdue payments, our sales personnel will follow up with the customer and we will decline additional orders from the customer until payment has been satisfactorily made. If repeated reminders to settle overdue payments fail to yield results, we may issue letters of demand and proceed with legal action to collect the debts after considering factors such as the quantum of the debts and our relationship with the customers. To-date, we have not had to resort to any legal actions for the recovery of any overdue payments.

Our average trade receivables turnover in the periods under review are as follows:-

	FY2006	FY2007	FY2008
Average trade receivables turnover (days) ⁽¹⁾	37	46	43

Note:-

- (1) For the last three financial years ended 31 December 2008, average trade receivables turnover (days) = (average trade receivables/revenue) x 365.

Between FY2006 and FY2008, our average receivables turnover have increased slightly in line with the increase in our turnover. Our Directors believe that this increase is not significant as it is within the 90 days credit terms we grant to certain customers.

The ageing schedule for our trade receivables outstanding as at 31 December 2008 is as follows:-

Total outstanding (RMB million)	Less than 30 days (RMB million)	31 to 60 days (RMB million)	61 to 90 days (RMB million)	More than 90 days (RMB million)
232.8	148.3	84.5	—	—

Provisions for impairment on trade receivables are made when the collectability of an outstanding debt is in doubt. We perform ongoing credit evaluation of our debtors' financial condition. For customers with payments outstanding of more than 90 days, provision for impairment on trade receivables will usually be made on a case-by-case basis, depending on the creditworthiness of the customer at the relevant time. For the last three financial years ended 31 December 2008, we have not had to make any provisions for trade receivables nor written off any bad debts. As at the Latest Practicable Date, all trade receivables outstanding as at 31 December 2008 had been collected.

Generally, our suppliers grant us credit terms of between 30 and 60 days. However, we usually pay our suppliers in advance or upon delivery of raw materials utilising our bills payable facilities granted by banks in consideration for favourable pricing. Generally, these bills payables have maturity period from 90 days to 180 days. Please refer to the "Capitalisation and Indebtedness" section of this Prospectus for more information on our bank borrowings.

Our average trade payables turnover in the periods under review are as follows:-

	FY2006	FY2007	FY2008
Average trade payables turnover (days) ^{(1) (2)}	96	111	61

Notes:-

- (1) Includes bills payable to banks.
- (2) For the last three financial years ended 31 December 2008, average trade payables turnover (days) = ((average trade payables and bills payable)/total purchases) x 365.

Prior to the Restructuring Exercise in November 2008, we usually purchase our main raw material, PET chips, in greater quantities utilising bills payable facilities granted by banks in consideration for favourable pricing from our suppliers. After the Restructuring Exercise, as the bills payable facilities of Fujian Huawei was not transferred to the Group, we have a lower amount of bills payable facilities to utilise. As such, we have increased our frequency of purchases of PET chips, with each purchase being of a smaller quantity, resulting in a lower average trade payable turnover for FY2008.

INVENTORIES MANAGEMENT

Our inventories comprise raw materials and finished goods of polyester yarn and warp knit fabric. Our main raw material is PET chips which accounted for more than 99% of our raw materials cost for the last three financial years ended 31 December 2008. We maintain stocks of raw materials and finished products at our production facilities at the Zhejiang Huagang Property and Fujian Huawei Property. Generally, we stock approximately one month's worth of raw materials and one month's supply of finished products.

Inventory policies for our raw materials and finished products are determined by our management. Factors which are taken into account in determining stock levels include the production targets and production plan. These factors are in turn affected by the indicative orders we received from customers and feedback from our sales and marketing team. As our main raw material, PET chips, is derived from petroleum, its price is subject to movements in crude oil price. As such, we may increase our purchases of PET chips in anticipation of an increase in crude oil price or when the prices of PET chips offered by our suppliers are favourable.

We believe that having readily available inventories at all times to maintain a high level responsiveness to our customers' needs is a competitive advantage which sets us apart from competitors. As such, we aim to maintain sufficient quantities of raw materials for our production needs and sufficient quantities of finished products to meet confirmed orders as well as anticipated demand from customers. We monitor our raw materials purchases by way of monthly management reports from our respective production facilities. In addition, the inventory levels of our finished products are monitored closely and any abnormality will be highlighted to management to rectify such abnormality, if necessary.

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method, and in the case of work-in-progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as a cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

We made no provisions for stock obsolescence or stocks written off or stocks written down to net realisable value in the periods under review.

Our average inventory turnover in the periods under review are as follows:-

	FY2006	FY2007	FY2008
Average inventory turnover (days) ⁽¹⁾	70	59	33

Note:-

(1) For each the last three financial years ended 31 December 2008, average inventory turnover (days) = (average inventories/cost of sales) x 365.

Generally, our inventory turnover (days) for the periods under review decreased steadily due mainly to our focus on changing our product mix to include products with stronger demand, such as blended polyester yarn and triangular-fibre yarn.

PROPERTIES AND FIXED ASSETS

Zhejiang Huagang

Land Use Rights

We own the land use rights to Zhejiang Huagang Property as comprised in the following certificates:-

<u>Certificate Reference No.</u>	<u>Location</u>	<u>Use</u>	<u>Date of Expiry of Land Use Right</u>	<u>Land area (sq m)</u>	<u>Encumbrances</u>	<u>Owner / User</u>
Hu Tu Guo Yong [2004] No. 16-11986 (湖土国用[2004]第16-11986号)	Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province	Industrial	10 February 2054	33,305	Mortgaged to the Bank of Communications, Huzhou Branch	Zhejiang Huagang
Hu Tu Guo Yong [2008] No. 16-17882 (湖土国用[2008]第16-17882号)	Shengshan Village, Balidian Town, Wuxing District, Huzhou City, Zhejiang Province (No. ZX75-1 Block of Zhixi Subarea)	Industrial	2 December 2058	34,063	Mortgaged to the Industrial and Commercial Bank of China, Huzhou Wuxing Branch	Zhejiang Huagang

Buildings

We also own the building rights to our production facilities sited on Zhejiang Huagang Property as follows:-

<u>Certificate Reference No.</u>	<u>Location</u>	<u>Use</u>	<u>Gross floor area (sq m)</u>	<u>Encumbrances</u>
Hu Fang Quan Zheng Hu Zhou Zi No. 0120578 (湖房权证湖州字第0120578号)	Zhejiang Huagang Property	Production facilities	10,482	Mortgaged to Bank of Communications, Huzhou Branch
Hu Fang Zi No. 010188412 (湖房字010188412号)	Zhejiang Huagang Property	Production facilities	7,929	Industrial and Commercial Bank of China, Huzhou Wuxing Branch
Hu Fang Zi No. 010188413 (湖房字010188413号)	Zhejiang Huagang Property	Production facilities	4,772	Industrial and Commercial Bank of China, Huzhou Wuxing Branch
Hu Fang Zi No. 010188414 (湖房字010188414号)	Zhejiang Huagang Property	Production facilities	4,772	Industrial and Commercial Bank of China, Huzhou Wuxing Branch
Hu Fang Zi No. 010188416 (湖房字010188416号)	Zhejiang Huagang Property	Production facilities	18,590	Industrial and Commercial Bank of China, Huzhou Wuxing Branch

Fujian Huawei

Pursuant to the Restructuring Exercise, Fujian Huawei which owns the land use rights to the Fujian Huawei Property free from encumbrances as comprised in the certificates below, has leased the property (and buildings thereon) to us for a period of 3 years commencing from 1 November 2008 to 31 October 2011 for a lease amount of approximately RMB12.0 million per annum (based on an independent rental valuation by Fuzhou Minhang), with an option for us to renew for an additional 3 years at no less favourable terms (please refer to the “Restructuring Exercise” section of this Prospectus for more information on the terms and conditions of the lease):-

Land Use Rights

<u>Certificate Reference No.</u>	<u>Location</u>	<u>Use</u>	<u>Date of Expiry of Tenure</u>	<u>Land area (sq m)</u>	<u>Lessor</u>	<u>Lessee / User</u>
Min Hang Guo Yong [2004] No. 609195 (闽航国用(2004)字第609195号)	No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province	Industrial	16 March 2054	106,665	Fujian Huawei	New Huawei
Min Hang Guo Yong [2004] No. 608232 (闽航国用(2004)字第608232号)	No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province	Industrial	19 February 2054	17,180	Fujian Huawei	New Huawei
Min Hang Guo Yong [2003] No. 606915 (闽航国用(2003)字第606915号)	No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province	Industrial	3 April 2051	22,170	Fujian Huawei	New Huawei

Buildings

<u>Certificate Reference No.</u>	<u>Location</u>	<u>Use</u>	<u>Gross floor area (sq m)</u>	<u>Lessor</u>	<u>Lessee / User</u>
Hang Fang Quan Zheng H Zi No. 0303273 (航房权证H字第0303273号)	Fujian Huawei Property	Production facilities	8,231	Fujian Huawei	New Huawei
Hang Fang Quan Zheng H Zi No. 0303274 (航房权证H字第0303274号)	Fujian Huawei Property	Production facilities	14,754	Fujian Huawei	New Huawei
Hang Fang Quan Zheng H Zi No. 0303275 (航房权证H字第0303275号)	Fujian Huawei Property	Production facilities	7,053	Fujian Huawei	New Huawei

Certificate Reference No.	Location	Use	Land area (sq m)	Lessor	Lessee / User
Hang Fang Quan Zheng H Zi No. 0303276 (航房权证H字 第0303276号)	Fujian Huawei Property	Production facilities	6,114	Fujian Huawei	New Huawei
Hang Fang Quan Zheng H Zi No. 0303277 (航房权证H字 第0303277号)	Fujian Huawei Property	Production facilities	6,673	Fujian Huawei	New Huawei
Hang Fang Quan Zheng H Zi No. 0400743 (航房权证H字 第0400743号)	Fujian Huawei Property	Production facilities	2,484	Fujian Huawei	New Huawei
Hang Fang Quan Zheng H Zi No. 0815674 (航房权证H字 第0815674号)	Fujian Huawei Property	Production facilities	8,793	Fujian Huawei	New Huawei
Hang Fang Quan Zheng H Zi No. 0815675 (航房权证H字 第0815675号)	Fujian Huawei Property	Production facilities	35,010	Fujian Huawei	New Huawei
Hang Fang Quan Zheng H Zi No. 0815676 (航房权证H字 第0815676号)	Fujian Huawei Property	Production facilities	14,603	Fujian Huawei	New Huawei

Further details on our production facilities are set out in the “Manufacturing Facilities and Utilisation” section of this Prospectus.

GOVERNMENT REGULATIONS

Our Directors confirm, to the best of their knowledge and belief, after having made all reasonable enquiries, that our Group has obtained all necessary approvals and complied with the relevant laws and regulations that would materially affect its business operations.

Save as disclosed under the “Risk Factors” and “Description of Relevant PRC Laws and Regulations” sections of this Prospectus, we are not subject to any government regulations in the countries where we operate, other than those generally applicable to companies and business in such countries, which will have a material effect on our business operations.

INSURANCE

We have the following insurance coverage:-

Insurance	Description
企业财产综合保险 (Asset Insurance)	Coverage for loss of current assets, fixed assets, raw materials, finished goods and semi-finished inventory due to fire, flood and theft, amongst other causes
机器损坏综合保险 (Machinery Insurance)	Coverage for damage to our operational equipment
意外伤害保险 (Accident Insurance)	Coverage for our employees in respect of accidents or illnesses and hospitalisation

Our Directors believe, having considered the risk levels and costs of procuring insurance for certain risks associated with our business, that the coverage from these insurance policies is adequate for the purpose of our business.

We periodically review the insurance coverage of our Group and will consider taking up additional insurance, if necessary.

Our insurance premium for FY2006, FY2007 and FY2008 amounted to approximately RMB0.3 million, RMB0.4 million and RMB0.4 million respectively.

SEASONALITY

Demand is usually higher in the months leading up to major festive seasons, particularly Chinese New Year, as our customers increase their orders to cope with expected higher sales during such period. It tends to fall during festive periods when our customers' factories are not operating.

COMPETITION

The synthetic fibre and textile industry in the PRC is highly fragmented with many manufacturers of different sizes and scale of operations producing a wide range of polyester yarn with varying qualities. Since our inception, we have largely focused on the production and sale of premium differentiated fine polyester yarn, in which market segment our products possess a competitive edge. Our Directors believe that competition in our market segment is generally moderate compared to the larger fibre market due to the relatively high capital and technical expertise requirements.

We believe the principal competitive factors in our industry include:-

- (a) pricing;
- (b) product quality;
- (c) delivery lead time;
- (d) customers and suppliers relationships; and
- (e) brand awareness.

We consider the following to be our closest competitors though our Directors believe that, to the best of their knowledge, these companies do not focus on the same range of polyester yarn (particularly in terms of yarn fineness):-

- (i) Jinjiang Baihong Textile Fibre Co. Ltd. (晋江百宏化纤实业有限公司);

- (ii) Jiangsu Shenghong Chemical Fibre Co. Ltd. (江苏盛虹化纤有限公司); and
- (iii) Zhejiang Huaxin Chemical Fibre Co., Ltd (浙江华鑫化纤有限公司).

None of our Directors, Substantial Shareholders or any of their respective Associates has any interest, direct or indirect, in any of our above competitors. Even though we operate in a highly competitive environment, we believe that our experience, track record, continued improvement and competitive advantages will help distinguish us from our competitors.

COMPETITIVE STRENGTHS

We have identified the following key competitive strengths that contribute to our ability to compete in our business:-

(a) We have the ability to produce new range of premium differentiated fine polyester yarn and warp knit fabric

We have the ability to produce new range of premium differentiated fine polyester yarn and warp knit fabric according to the specifications of our customers. Our product development team and our sales and marketing team work closely together to obtain regular feedback from our customers on their products needs and market trends. Depending on the requirements of our customers, we are able to produce new range of premium differentiated fine polyester yarn which possesses desirable properties suitable for high end apparels, home furnishings, automotive and aeroplane upholstery as well as sports shoes and headgear. We believe the ability of our experienced management team to utilise their technical know-how and to improvise our technical processes to produce new range of premium differentiated fine polyester yarn and warp knit fabric enable us to keep up with and capitalise on the rapidly changing trends of the various markets.

(b) We have an experienced management team

Our management team has extensive experience in our industry. Our Executive Directors, Cao Xiangbin (曹祥彬), Lau Chung Kong (刘忠光), Chen Fen (陈奋) and Liu Yijie (刘宜杰) have between them, accumulated more than 40 years of experience in the synthetic fibre and textile industries. Their extensive industry experience, network and in-depth knowledge of our customers' needs and requirements have enabled our Group to grow over the years to become a reputable supplier of premium differentiated fine polyester yarn and warp knitting fabric in the PRC with over 1,500 customers. Under their stewardship, our revenue grew at a CAGR of 34.3% between FY2006 and FY2008 from RMB1,014.9 million to RMB1,830.3 million.

Our Directors are assisted by a team of skilled Executive Officers who are entrusted with responsibilities covering different aspects of the business such as marketing, production and finance.

Our Directors believe that our experienced management team will continue to lead our employees in growing and expanding our Group in the future. For more details on our Executive Directors and Executive Officers, please refer to the "Directors, Executive Officers and Staff" section of this Prospectus.

(c) We produce high quality products and possess strong brand advantage

We recognise the importance of implementing stringent quality control procedures, from the procurement of raw materials to the delivery of finished products, to ensure that all our products are consistently of high quality and capable of meeting customers' expectations. We have not encountered any return of defective products from our customers for the periods under review. Our ability to consistently produce high quality premium differentiated fine polyester yarn and fabric has enabled us to build a strong brand advantage for our two trademarks, "华港" (HuaGang) and "大华威" (DaHuaWei). We believe that these trademarks are now synonymous with quality and reliability and this has been instrumental in our business expansion over the years.

(d) We have an established track record and strong customer relationships

We believe that we have established a reputation as a reliable supplier of premium differentiated fine polyester yarn in the PRC in the last 10 years. We have also commenced production of warp knit fabric since the beginning of FY2008 and our fabric has been well-received with sales of RMB204.8 million for FY2008. We are committed to providing our customers with quality products on a timely basis. Our technical staff will, at the request of customers, work together with their production personnel to adapt their production machinery to process our new polyester yarn products, so that our customers can in turn produce higher quality textiles with minimal production down-time. In addition, we allow our customers to obtain supplies from us at any time of the day upon request which ensures a high level of responsiveness to our customers' requirements and enables our customers to minimise their inventory holdings. We believe that this has led to a high level of customer satisfaction and repeat business from our customers. For FY2006, FY2007 and FY2008, sales to repeat customers accounted for approximately 73.0%, 79.0% and 92.0% of our revenue respectively.

(e) We are located in the PRC's major textile and garment production provinces

We are located in Fujian and Zhejiang Provinces, which are two of the major textile and garment production provinces in the PRC. This gives us easy access to labour and suppliers of raw materials and also positions us near to textile and garment manufacturers located in these areas. Such proximity helps us to tap into the region's fabric, textile and garment markets and the business opportunities they present.

(f) We have a diversified and large customer base

We have built an extensive customer base with over 1,500 customers in the PRC. This strategy of building and maintaining a well-diversified customer base ensures that we are not overly reliant on any particular customer. We believe it has also increased the resilience of our business and is an effective strategy in managing our business risks.

We also focus on producing and supplying premium differentiated fine polyester yarn and warp knit fabric (in particular, fine yarn in the range of 35D/24f to 50D/24f) which are targeted at the mid to high end markets. Customers in these markets generally require premium differentiated fine polyester yarn which possess desirable properties in terms of warmth, texture and feel, luster, tensile strength and abrasion resistance. In addition, our premium differentiated fine polyester yarn and warp knit fabrics for these markets provide us with better profit margins compared to the more generic polyester yarn that are widely available in the market.

(g) We are financially sound

We have been consistently profitable for the periods under review and our operating cash flows have been strong. Our financial strength has enabled us to pay our suppliers in advance or upon delivery of the raw material in order to secure more favourable prices from our suppliers which in turn enable us to maintain our cost competitiveness.

PROSPECTS, BUSINESS STRATEGIES AND FUTURE PLANS

PROSPECTS

The textile and garment industries in the PRC have experienced good growth and development over the past years. Notwithstanding a general slowdown in the synthetic fibre industry on the back of a decline in overseas demand, domestic demand for premium differentiated fine polyester yarn and fabrics have remained relatively firm.

Barring any unforeseen circumstances, the outlook for our business remains relatively positive based on the following developments:-

The growing affluence of the PRC population

The general population in the PRC enjoys increasingly high standards of living arising from modernisation and greater affluence. Higher disposable incomes have seen increased demand for lifestyle products, including clothing and apparel. This coupled with the government's various initiatives to promote the income levels and standard of living of the rural population will likely result in corresponding increase in demand for polyester yarn and fabrics. This would augur well for our Group's prospects.

Increasing focus on the quality of fabrics, garments and apparel

Improvement in production techniques and quality of textile products manufactured by PRC manufacturers has resulted in PRC garment and apparel manufacturers increasingly producing higher end and higher value apparels for both international and domestic markets. Premium polyester yarn and fabrics are often used in such apparels, and with the likely increasing demand for the latter market over the longer term, we expect to see corresponding higher demand for our products.

Increasing use of synthetic fabrics in automobile upholstery

Premium textiles and fabrics with special aesthetic properties such as sheen and texture as well as physical properties such as abrasion resistance are increasingly used to manufacture upholstery and internal furnishings for automobiles in the PRC, in particular for higher-end vehicles. It is estimated that only one-third of such demand is currently satisfied by PRC domestic producers, with the remaining two-thirds having to be imported.

A proportion of our warp knit fabrics is currently supplied to manufacturers of automobile seats and interior furnishings, and we expect to tap into the increasing demand.

TREND INFORMATION

Based on the revenue and operations of our Group as at the Latest Practicable Date, our Directors observed the following trends for FY2009:-

- (a) Our Directors expect the business environment to remain challenging in the current global economic downturn. However, we remain relatively optimistic about the prospects of the domestic PRC market given the various positive developments in the PRC such as the government's initiatives to stimulate domestic consumption, the increase in export rebates for the textile industry as well as initiatives to increase the income levels of the rural population. In particular, on 5 November 2008, an Executive Meeting of State Council of the PRC had promulgated additional measures to be taken to expand PRC domestic demand and enhance its economic performance. These measures which include raising average income in rural and urban areas, increasing subsidies for low-income urban residents and enhancing financial support to maintain economic growth could potentially have "knock-on" positive effects on our industry.

- (b) For the period from January 2009 to July 2009, the average unit selling price of our yarn products remained relatively stable, whereas the average unit selling price of our warp knit fabric has declined by approximately 2.9% in line with our strategy of stimulating sales through competitive pricing. Barring unforeseen circumstances, we expect the average unit selling prices of our products to remain generally stable for the rest of FY2009.
- (c) For the period from January 2009 to July 2009, the prices of PET chips have remained generally stable and barring unforeseen circumstances, our Directors expect such prices to remain stable for the rest of FY2009 subject to movement in crude oil prices.

As a result of the above, and barring unforeseen circumstances, our gross profit margin is expected to remain generally stable for the remainder of FY2009.

Order Book

As a matter of industry practice, customers do not generally place long term orders for our products. However, our customers usually provide indicative orders of their requirements for the next 6 to 12 months for production planning purposes. As at the Latest Practicable Date, we have purchase orders on hand amounting to approximately RMB291.0 million to be delivered over the next 60 days.

BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans for the growth and expansion of our business are as follows:-

(a) Expand our production capacity for premium differentiated fine polyester yarn

We intend to expand our production capacity by investing in new production facilities and ancillary machinery and equipment such as yarn spinning machines. We expect to apply approximately S\$33.0 million of our net Invitation proceeds to acquire additional machineries and equipment in 2009 which would add another 150 stations to our production facilities located at Fujian Huawei Property and increase our annual production capacity from approximately 176,200 mt as at the Latest Practicable Date to approximately 241,300 mt by 2010.

(b) Expand our downstream fabric manufacturing business

As our fabric manufacturing business has a higher profit margin, we intend to expand our downstream warp knit fabric manufacturing business in phases. As a start, we intend to invest approximately S\$35.0 million of the net proceeds of the Invitation for this purpose as follows:-

	S\$ 'million
Acquisition of land (approximately 33,000 sq m) located near the Fujian Huawei Property	6.0
Construction of factory (comprising gross floor area of approximately 15,000 sq m)	7.0
Purchase of 300 new warp knitting machines	22.0
Total	35.0

We intend to acquire the land within 3 to 6 months from our listing on the SGX. Thereafter construction of the factory will commence and is expected to be completed in approximately 6 to 9 months. When the factory is near completion, warp knitting machines would then be procured in various phases as the Group intends to increase its annual production capacity in phases, from approximately 17,000 mt as at the Latest Practicable Date to approximately 81,900 mt, subject to feasibility assessment taking into consideration prevailing market conditions and customers' demand for our warp knit fabric.

(c) Strengthen our “华港” (HuaGang) and “大华威” (DaHuaWei) brand names recognition and expand our sales and marketing network

We believe that branding and marketing are the key factors for our future business growth. Our future branding and marketing strategies include brand management and communication, advertisement and expanding sales and marketing network. We intend to utilise approximately S\$3.0 million of the net Invitation proceeds for this purpose. In particular:-

- (1) We have marketed and sold our products under our “大华威” (DaHuaWei) (for which Fujian Huawei won the Fujian Famous Trademark recognition awarded by the Fujian Provincial Administration for Industry and Commerce in February 2009 for the period from 2009 to 2012, and which we are liaising with the Fujian Provincial Administration for Industry and Commerce to have the award issued in the name of New Huawei, in view of New Huawei's acquisition of the Acquired Assets from Fujian Huawei) and “华港” (HuaGang) brand names since 1997 and 2003 respectively. We believe a strong branding is critical to increasing our market penetration, and we intend to strengthen our branding by maintaining the established goodwill of our brand names in association with quality products and increasing our participation in related trade associations, industry conferences, trade shows and seminars to boost market exposure of our products.
- (2) As at the Latest Practicable Date, we have approximately 59 sales and marketing staff and our products are mainly sold to Zhejiang and Fujian provinces in the PRC. We intend to enlarge our overall sales and marketing team and increase advertising expenses to, amongst others, promote our products to potential customers in regions in the PRC where we do not currently sell our products as well as industries which could potentially utilise our products. We may also consider selling our products directly to potential overseas customers. In addition, we plan to establish some product showrooms in PRC Light Textiles Center (中国轻纺城) (Zhejiang Province), Fujian Shishi Textiles Market (福建石狮布料市场) (Fujian Province) and Guangzhou Zhongda Textiles Market (广州中大布料市场) (Guangzhou Province) as part of our strategy of expanding our downstream fabric manufacturing business.

(d) Increase our product development capabilities

We further intend to utilise approximately S\$3.0 million of the net Invitation proceeds to strengthen our product development capability by recruiting new personnel and enhancing our existing product development team.

In addition to our internal product development efforts, we also intend to explore possible collaborative ventures with other players and institutions in the industry, including universities, on joint research and testing opportunities. While we presently have not entered into any formal collaborative ventures, if these collaborations materialise, we hope to be able to exchange ideas and technical expertise with our prospective partners so as to expedite our development of new technology or production process as well as to resolve any technical issues that our customers may encounter in their production process or we may encounter in our research development initiatives.

(e) Expansion of our business through acquisitions, joint ventures and strategic alliances

We may also expand our business through acquisitions, joint ventures and strategic alliances that we believe will complement our current and future businesses. We believe that suitable acquisitions, joint ventures and strategic alliances will give us access to new markets and customers as well as new businesses. They will also bring about greater economies of scale and provide an impetus for our future growth. As at the Latest Practicable Date, we are not engaged in any discussion with any party for acquisitions, joint ventures or strategic alliances. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders and the relevant authorities as required by the relevant rules and regulations.

Our future plans may be funded, apart from the Invitation proceeds, either through internally generated funds and/or external borrowings.

INTERESTED PERSON TRANSACTIONS

Save as disclosed below and under the “Restructuring Exercise” section of this Prospectus, none of our Directors, controlling shareholders or their respective Associates (collectively referred to as “**Interested Persons**” and individually an “**Interested Person**”) has any interest in any material transactions undertaken by our Group in the periods under review and up to the Latest Practicable Date (“**Relevant Period**”).

PAST INTERESTED PERSON TRANSACTIONS

Provision of guarantees by Zhejiang Huagang to secure banking facilities for Fujian Huawei

During the Relevant Period, Zhejiang Huagang provided corporate guarantees of an aggregate RMB85 million to China CITIC Bank and China Merchant Bank for the purpose of securing short term loans extended to Fujian Huawei (which is owned by our Directors, Messrs Cao Xiangbin (曹祥彬) (99.8%) and Chen Fen (陈奋) (0.2%)). As at the Latest Practicable Date, the short term loans have since been repaid and the corporate guarantees correspondingly discharged. As we did not receive any fee for such corporate guarantee, it was not provided on an arm’s length basis.

We have no intention of providing any further corporate guarantees for the benefit of Fujian Huawei or any Interested Persons in future.

Provision of guarantees by our Executive Chairman and CEO and Fujian Huawei to secure banking facilities for Zhejiang Huagang

During the Relevant Period, our Executive Chairman and CEO, Cao Xiangbin (曹祥彬) and Fujian Huawei provided guarantees of an aggregate RMB15 million to Hang Seng Bank (China) Limited (Ningbo Branch) for the purpose of securing short term loans extended to Zhejiang Huagang. The short term loans have since been repaid and the corporate guarantees correspondingly discharged. As we did not pay any fee to Cao Xiangbin (曹祥彬) or Fujian Huawei for such corporate guarantee, it was not provided on an arm’s length basis.

Provision of guarantees by Fujian Huawei to secure banking facilities for Zhejiang Huagang

During the Relevant Period, Fujian Huawei provided corporate guarantees of an aggregate RMB135.0 million to the Industrial and Commercial Bank of China (Huzhou Wuxing Branch) for the purpose of securing short term loans and bills payable facilities extended to Zhejiang Huagang. The corporate guarantee has been discharged and the banking facilities are currently secured by Zhejiang Huagang’s property. As at the Latest Practicable Date, the total amount of short term loans and bills payable outstanding was RMB63.5 million. As we did not pay any fee to Fujian Huawei for such corporate guarantee, it was not provided on an arm’s length basis.

Save as disclosed above, the Group has not entered into any other past Interested Person transactions.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Provision of guarantees by Fujian Huawei to secure banking facilities for Zhejiang Huagang

Fujian Huawei currently provides corporate guarantees to secure banking facilities granted by the following bank to Zhejiang Huagang:-

Bank	Type of Facility	Amount Guaranteed (RMB million)	Largest amount outstanding during the Relevant Period (RMB million)	Amount outstanding as at the Latest Practicable Date (RMB million)
Bank of Communications (Huzhou Branch) (交通银行湖州支行)	(1) Bills payable	47.3	47.3 ⁽¹⁾	43.3
	(2) Short term loan	66.8	82.0 ⁽²⁾	81.8

Notes:-

- (1) These bills payables are also secured by Zhejiang Huagang's properties and bank deposits.
- (2) These short term loans are also secured by Zhejiang Huagang's properties.

Messrs Cao Xiangbin and Chen Fen, the sole directors and shareholders of Fujian Huawei, have undertaken to procure Fujian Huawei to continue providing such corporate guarantees for so long as the Group requires. The corporate guarantees are not provided on arm's length basis as Zhejiang Huagang did not pay any fee to Fujian Huawei.

Provision of guarantees by Fujian Huawei to secure banking facilities for New Huawei

Fujian Huawei provides the following corporate guarantee to secure banking facilities granted to New Huawei:-

Bank	Type of Facility / Interest Rate (RMB million)	Amount Guaranteed (RMB million)	Largest amount outstanding during the Relevant Period (RMB million)	Amount outstanding as at the Latest Practicable Date (RMB million)
Rural Credit Union of China (Jinfeng, Changle City Branch) (长乐市农村信用合作联社金峰信用社)	Short term loan	50.0	50.0 ⁽¹⁾	50.0

Note:-

- (1) This short term loan was taken up by New Huawei in November 2008 in connection with the Restructuring Exercise.

Messrs Cao Xiangbin and Chen Fen have undertaken to procure Fujian Huawei to continue providing such corporate guarantee for so long as the Group requires. The corporate guarantee is not provided on arm's length basis as New Huawei did not pay any fee to Fujian Huawei.

Lease agreement with Fujian Huawei

New Huawei entered into a 3 year lease agreement (with an option to renew the lease for a further duration of 3 years) with Fujian Huawei on 23 November 2008, as more particularly described in the "Restructuring Exercise" section of this Prospectus.

Our Directors are of the view that the lease was entered into on normal commercial terms and on an arm's length basis as the annual rental of approximately RMB12.0 million was based on an independent market rental valuation. Please also refer to the "Properties and Fixed Assets" section of this Prospectus for more information on the leased property.

After the admission of our Company to the Official List of the SGX-ST, subsequent renewals of this lease agreement will be subject to the review procedures set out in the "Review Procedures for Future Interested Person Transactions" section of this Prospectus and shall be made in compliance with Chapter 9 of the Listing Manual (as applicable).

Advance from our Executive Chairman and CEO

Our Group received a loan of RMB50 million from our Executive Chairman and CEO for the acquisition of assets and undertakings by New Huawei from Fujian Huawei, as more particularly described in the “Restructuring Exercise” section of this Prospectus, which remains outstanding as at the Latest Practicable Date. The loan is unsecured, interest-free and has no fixed term of repayment. This loan is repayable on a date to be mutually agreed between Mr Cao and our Group, which is subject to review and approval by our Audit Committee taking into account the financial position of our Group (including the cash flow and financial position of our Group) and/or any other factors that may potentially affect the financial position of our Group. As such, the loan is not made on an arm’s length basis.

Loan from Fujian Huawei

Fujian Huawei extended a loan of RMB71.1 million to New Huawei for its working capital purposes subsequent to New Huawei’s acquisition of the Acquired Assets (see also the “Restructuring Exercise” section of this Prospectus). As at the Latest Practicable Date, New Huawei has repaid RMB21.1 million and the outstanding loan amount owing to Fujian Huawei is RMB50.0 million. The loan is unsecured, interest-free and has no fixed term of repayment. This loan is repayable on a date to be mutually agreed between Fujian Huawei and our Group, which is subject to review and approval by our Audit Committee taking into account the financial position of our Group (including the cash flow and financial position of our Group) and/or any factors that may potentially affect the financial position of our Group. As such, the loan is not made on an arm’s length basis.

Save as disclosed above, there are no present and on-going Interested Person transactions.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that future transactions with Interested Persons are undertaken on normal commercial terms and are consistent with our Group’s usual business practices and policies, which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by our Group.

In relation to any purchase of products or procurement of services from Interested Persons above S\$100,000, quotes from at least two unrelated third parties in respect of the same or substantially similar type of transactions are to be used as bases for comparison wherever possible. The purchase price or procurement price shall not be higher than the most competitive price of the two comparative prices from the two unrelated third parties. The Audit Committee will review the comparables, taking into account, the suitability, quality and cost of the product or service and the experience and expertise of the supplier.

In relation to any sale of products or provision of services to Interested Persons above S\$100,000, the price and terms of two other completed transactions of the same or substantially similar type of transactions with unrelated third parties are to be used as bases for comparison wherever possible. The Interested Persons shall not be charged at rates lower than those charged to the unrelated third parties.

All Interested Person transactions above S\$100,000 are to be approved by a Director who shall not be an Interested Person in respect of the particular transaction. Any contracts to be made with an Interested Person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated third parties and the terms are no more favourable than those extended to or received from unrelated third parties.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties are to be used as bases for comparison to determine whether the price and terms offered to or received from the Interested Person are no more favourable than those extended to unrelated third parties. In the event it is not possible for appropriate information for comparative purposes to be obtained, the matter will be referred to our Audit Committee and our Audit Committee will determine whether the relevant price and terms are fair and reasonable and consistent with our Group’s usual business practice.

In addition, we shall monitor all Interested Person transactions entered into by our Group by categorising the transactions as follows:-

- (a) a Category 1 Interested Person transaction is one where the value thereof is in excess of 3% of the latest audited NTA of the Group; and
- (b) a Category 2 Interested Person transaction is one where the value thereof is below or equal to 3% of the latest audited NTA of the Group.

All Category 1 Interested Person transactions must be approved by our Audit Committee prior to entry whereas Category 2 Interested Person transactions need not be approved by our Audit Committee prior to entry but shall be reviewed on a quarterly basis by our Audit Committee.

When renting properties from or to an Interested Person, our Directors shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties, obtaining suitable reports or reviews published by property agents (as necessary), and obtaining independent valuation report by property valuer, where appropriate. The rent payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant enquiries.

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

All Interested Person transactions (including lease (and renewal of lease, if applicable) of the Fujian Huawei Property by New Huawei from Fujian Huawei) shall be subject to review by our Audit Committee on a quarterly basis. We will prepare relevant information to assist our Audit Committee in its review. Our Audit Committee will include the review of Interested Person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board will also ensure that all disclosure, approval and other requirements on Interested Person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the Listing Manual.

POTENTIAL CONFLICTS OF INTERESTS

INTERESTS OF DIRECTORS, CONTROLLING SHAREHOLDERS OR THEIR ASSOCIATES

None of our Directors, controlling shareholders or their Associates has any interest, direct or indirect, in any company carrying on the same business or dealing in similar products as our Group.

Pursuant to a Deed of Non-Competition Undertaking dated 25 November 2008, our Executive Chairman and CEO has undertaken to our Company that for as long as he remains (i) a Director of our Company (or any of our subsidiary or associated companies); and/or (ii) a shareholder with an interest of 5 per cent or more (whether direct or indirect) in the voting shares of our Company:-

- (a) he will not, directly or indirectly carry on or be engaged or interested in any capacity in any other business, trade or occupation whatsoever, except in a business, trade or occupation which does not compete with any business carried on or proposed to be carried on by our Group; and
- (b) he will procure that his Associates will not conduct any business which will compete directly or indirectly with the business of our Group.

INTERESTS OF EXPERTS

None of the experts named in this Prospectus:-

- (a) is employed on a contingent basis by our Company or any of our subsidiaries;
- (b) has a material interest, whether direct or indirect, in our Shares or in the shares of any of our subsidiaries; or
- (c) has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.

DIRECTORS, EXECUTIVE OFFICERS AND STAFF

DIRECTORS

Our Directors are entrusted with the responsibility for the overall management of our Group. The particulars of our Directors are set out below:-

Name	Age	Address	Appointment
Cao Xiangbin (曹祥彬)	47	No. 574 Gongbian Road, Caozhu Village, Tantou Town, Changle City, Fujian Province, PRC (福建省长乐市潭头镇曹朱村宫边路574号)	Executive Chairman and CEO
Lau Chung Kong (刘忠光)	42	27 th Floor, Unit A, Guangzhou Building, Tsuen Wan Center, Hong Kong (香港荃湾中心广州楼27楼A座)	Executive Director and General Manager of Zhejiang Huagang
Chen Fen (陈奋)	36	No. 101 Ling Nan Street, Ling Nan Village, Tantou Town, Changle City, Fujian Province, PRC (福建省长乐市潭头镇岭南村岭南街101号)	Executive Director and General Manager of New Huawei
Liu Yijie (刘宜杰)	41	13 th Floor, No 58-2 Section 4, Chungyang Road, Tucheng City, Taipei County (台北县土城市中央路四段58-2号13楼)	Executive Director, Procurement
Chan Wai Meng	56	10G Braddell Hill #14-25, Singapore 579726	Lead Independent Director
Tham Wan Loong, Jerome	51	118 Coronation Road, Singapore 269516	Independent Director

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Directors are set out below:-

Cao Xiangbin (曹祥彬)

Mr Cao is our Executive Chairman and CEO and founder of our Group and has accumulated more than 20 years' experience in the synthetic fibre and textile industry. Mr Cao is responsible for the business direction and long term strategic planning of our Group and its overall management and operations.

Prior to establishing our Group in 1997, Mr Cao worked in the sales department of Changle Caozhu Textile Factory (长乐市曹朱纺织厂) from 1985 to 1988 and subsequently, as the deputy director of Changle Caozhu No. 3 Warp Knitting Factory (长乐曹朱第三经编厂) (which main business was the production and sale of polyester fabric) from 1989 to 1996. The latter company has been dormant since 1997.

Mr Cao graduated from the University of Fuzhou (福州大学) in 1984 with a degree in Bio-Engineering. He has been a Committee Member of Changle City Peoples' Representative Committee (长乐市人民代表大会) since 2003 and Vice Chairman of Changle Entrepreneur Association (中国长乐企业家协会) and Changle Chemical Fibre Association (长乐市化纤协会) since 2003.

Lau Chung Kong (刘忠光)

Mr Lau is our Executive Director and General Manager of Zhejiang Huagang. He assists our Executive Chairman and CEO in the overall management, operations and administration of Zhejiang Huagang.

Prior to joining our Group in 2003, Mr Liu was the office director of Fujian Changle City No. 2 Construction Co., Ltd (福建省长乐市第二建筑公司) from 1992 to 1995 before resigning and moving to Hong Kong to manage his personal real estate business from 1996 to 2002.

Mr Liu graduated from Fujian Normal University (福建师范大学) in 1991 with a diploma in Chemistry. He is currently serving his second term as director of Zhejiang Province Huzhou City Overseas Chinese Investment Enterprise Association (浙江省湖州市侨资企业商会), of which he has been a director since 2005. In 2008, he was also elected Vice President of the Huzhou City Foreign Investment Enterprise Association (湖州市外商投资企业协会).

Chen Fen (陈奋)

Mr Chen is our Executive Director and General Manager of New Huawei, and has been with us since 1997 (previously as General Manager of Fujian Huawei prior to the Restructuring Exercise). He assists our Executive Chairman and CEO in the overall management, operations and administration of New Huawei.

Mr Chen was the factory manager of Changle City Caozhou No. 3 Warp Knitting Factory (长乐市曹朱第三经编厂) from 1995 to 1997 and its business manager in 1994. The company's main business was the production and sale of polyester fabric. Changle City Caozhou No. 3 Warp Knitting Factory (长乐市曹朱第三经编厂) had been dormant since 1997.

Mr Chen graduated from Guangdong Institute of Textile Technology (广东纺织技术学院) in 1994 with a diploma in Textile Engineering. He is also the husband of the niece of our Executive Chairman and CEO.

Liu Yijie (刘宜杰)

Mr Liu is our Executive Director, Procurement. He has been with us since 2007 and is responsible for our Group's procurement matters.

Mr Liu was previously based in Taiwan as a marketing executive with Taiwan Jiu Qing Co Ltd (台湾久庆公司) from 2003 to 2006. Between 1993 and 2003, he was engaged in textile and clothing related trading businesses in the US.

Mr Liu graduated from Yang-En University (仰恩大学) in the PRC in 1992 with a degree in Administration and Management. He is also the brother-in-law of our Executive Chairman and CEO.

Chan Wai Meng

Mr Chan, aged 56, was appointed as our Lead Independent Director on 30 June 2009.

He has 30 years of experience in finance, corporate planning, sales and marketing. He has worked in management and financial positions in various organisations including Hewlett Packard Group, DBS Bank Group and Singapore Pools Pte Ltd where he held various senior positions and was their Chief Operating Officer from 1998 to 2003. Currently, he provides advisory services to investors seeking opportunities in the PRC, Hong Kong and Singapore.

Mr Chan graduated with a degree in Accountancy from the University of Singapore in 1977. He has been a member of the Institute of Certified Public Accountants of Singapore for more than 25 years.

Mr Chan has served as a member of the Audit Committee Guidance Committee set up in January 2008 by the Authority, SGX-ST and the Accounting & Corporate Regulatory Authority to develop practical guidance for audit committees.

Tham Wan Loong, Jerome

Mr Jerome Tham was appointed as our Director on 24 November 2008 and designated our Independent Director on 30 June 2009.

He brings with him over 25 years of experience in equity sales and private banking. He is currently a Senior Relationship Manager with OCBC Private Bank. Prior to joining OCBC Private Bank in March 2008, he held several senior positions in relationship management and business development in financial institutions such as UOB Bank Ltd, Credit Industriel et Commercial, Dexia BIL Asia Pte Ltd, DMG and Merrill Lynch (Singapore). His equity sales experience includes working for companies such as Japan Asia Holdings Ltd, DMG and Partners Securities Pte Ltd, BT Brokerage and Associates Pte Ltd and Daiwa Singapore Ltd. Mr Tham graduated with a degree in Social Science (with Honours) in Economics from the National University of Singapore in 1983.

Save as disclosed below and excluding the directorship held in our Company, none of our Directors currently holds or has held any directorships in the past five years preceding the date of this Prospectus:-

Name	Present Directorships	Past Directorship
Cao Xiangbin (曹祥彬)	<u>Group Companies</u>	<u>Group Companies</u>
	Zhejiang Huagang	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
Lau Chung Kong (刘忠光)	China Success Fujian Huawei	Nil
	<u>Group Companies</u>	<u>Group Companies</u>
	Zhejiang Huagang	Nil
Chen Fen (陈奋)	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
	<u>Group Companies</u>	<u>Group Companies</u>
Liu Yijie (刘宜杰)	Zhejiang Huagang New Huawei	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	China Success
Chan Wai Meng	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
Tham Wan Loong, Jerome	CG Technologies Holdings Ltd China Paper Holdings Limited China Hongxing Sports Limited Pine Agritech Limited Shenton Development Pte Ltd Synear Food Holdings Limited	Global Testing Corporation Limited Lin Yuan Property Development Limited Paradiz Investments Ltd Scottish & Oriental Estates Ltd NJ Foods Pte Ltd
	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Wellshare Pte Ltd Gene Asset Management Pte. Ltd.

EXECUTIVE OFFICERS

Our Directors are assisted by a team of experienced and qualified Executive Officers, each responsible for different functions.

The particulars of our Executive Officers are set out below:-

Name	Age	Address	Appointment
Wong Wai Kan, Raymond (王维勤)	57	No.1 Ho Man Tin Hill Road, Kowloon, Hong Kong, PRC	Chief Financial Officer
Yang Yong (杨勇)	27	No. 98 Jintai Road, Gulou District, Fuzhou City, Fujian Province (福建省福州市鼓楼区津泰路98号)	Finance Manager
Cao Yunbin (曹云斌)	49	Block 6-606, No. 116 Jiangbin Zhong Ave, Taijiang District, Fuzhou City, Fujian Province (福建省福州市台江区江滨中大道116号君临闽江 6座606号)	Sales and Marketing Manager
Lu Songmin (陆松民)	38	Block 2-602, Longting International, TongXiang City, Zhejiang Province (浙江省桐乡市龙庭国际2幢602室)	Production Manager
Yin Jianfeng (尹剑峰)	42	Block 2-305, No. 13 Ti Yu Chang Road, Xiling District, Yichang City, Hubei Province (湖北宜昌市西陵区体育场路13号2-305)	Product Development Manager

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of our Executive Officers are set out below:-

Wong Wai Kan, Raymond

Mr Wong joined our Group on 1 September 2008 as our Chief Financial Officer. He has more than 20 years of experience in corporate finance and accounting. He joined Gold Peak Industries (Holdings) Limited (“**Gold Peak**”), a Hong Kong listed company, in January 1986 as a finance manager. He was promoted to the position of director of finance and administration in GPI International Limited, an affiliated company of Gold Peak, in January 1988. He was later transferred back to Gold Peak as its financial controller in December 1988 and was subsequently promoted to take on the position of finance director in January 1990. In January 1991, he assumed the role of Gold Peak's company secretary and in October 1991, became the company's deputy general manager. In January 1993, he took over as general manager of Gold Peak and was responsible for managing the group's financial, regulatory compliance, corporate finance, banking, administration, audit and taxation matters. In January 1994, he further assumed the role of Gold Peak's chief financial officer on top of his responsibilities as general manager. He was appointed an executive director of Gold Peak from February 1997 to May 2006. He was also appointed as director of GP Industries Limited, being a group subsidiary, from October 1995 to May 2006, and a director of GP Batteries International Limited, being a group associated company, from January 1994 to May 2006. Both of these companies are listed on the SGX-ST. In May 2006, Mr Wong resigned from the Gold Peak group to pursue investment opportunities in the PRC property market. Subsequent to his departure, he was redesignated as a non-executive director of Gold Peak and remains serving in that capacity presently.

Mr Wong is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales as well as a fellow member of both the Institute of Company Secretaries and Administrators in the UK and the Hong Kong Institute of Chartered Secretaries.

Yang Yong (杨勇)

Mr Yang is our Finance Manager and works closely with our Chief Financial Officer in the supervision of the daily finance, accounting and tax operations of the Group. He joined our Group in 2003 as an accountant and was promoted to Finance Manager of our Group in 2005.

Mr Yang graduated from Xiamen University in 2003 with a degree in Accountancy.

Cao Yunbin (曹云斌)

Mr Cao is our Sales and Marketing Manager and is responsible for the Group's sales, marketing and distribution activities, as well as the implementation of any sales strategy determined by the Board. He has been with our Group since 2004.

Prior to joining us, Mr Cao was the factory manager of Fujian Changle Cao Zhu No. 3 Knitting Factory (福建长乐曹朱第三针织厂) from 1983 to 2003.

Mr Cao engaged in part time studies and graduated from Fujian Commercial College (福建商业高等专科学校) in 1995 with a diploma in Economics and Trade (Sales and Marketing).

Lu Songmin (陆松民)

Mr Lu is our Production Manager and is responsible for overseeing the day-to-day production operations of the Group. He has been with our Group since 2004.

Mr Lu was previously the vice manager of Hangzhou Lian Jia Chemical Fibre Co., Ltd (杭州联佳化纤有限公司) from 2002 to 2004. Prior to that, he was a vice manager with Fujian Huawei from 2000 to 2002 and a production manager with Zhejiang Dongchang Group (浙江东长集团) from 1993 to 2000.

Mr Lu graduated from Zhejiang Silk Engineering College (浙江丝绸工学院) in 1993 with a diploma in Textile Engineering.

Yin Jianfeng (尹剑峰)

Mr Yin, our Product Development Manager, is in charge of our Group's product development, and has been with our Group since 2003. He is also in charge of improving our production techniques and processes.

Prior to joining us, Mr Yin was a production supervisor with Yi Chang Chemical Fibre Co., Ltd from 1987 to 2003.

Mr Yin graduated from Wuhan Institute of Textile (武汉纺织学院) in 1987 with a degree specialising in Textile.

Save as disclosed below, none of our Executive Officers holds or has held any directorships in the past five years preceding the date of this Prospectus:-

Name	Present Directorships	Past Directorship
Wong Wai Kan, Raymond	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Gold Peak Industries (Holdings) Limited Golden Harvest Industries Holdings Limited	Advance Battery Technology International Ltd Best Companion Investments Limited Famingo Pte Limited Goldtek International Investment Limited GP Batteries (China) Limited GP Batteries International Limited GP Battery Markets (HK) Limited GP Electronics (Holdings) Limited GP Industries Limited GP Intellectual Properties Corporation Grand Prix Limited International Resolute Company Limited KH Automotive International Limited Kinnon International Limited Lockwood Limited LTK Industries Limited Makinen Properties Limited Peak Power Investment Limited Tarway Two Pty Limited Whitehill Investment Limited Yukind Investment Limited
Yang Yong (杨勇)	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
Cao Yunbin (曹云斌)	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
Lu Songmin (陆松民)	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil
Yin Jianfeng (尹剑峰)	<u>Group Companies</u>	<u>Group Companies</u>
	Nil	Nil
	<u>Other Companies</u>	<u>Other Companies</u>
	Nil	Nil

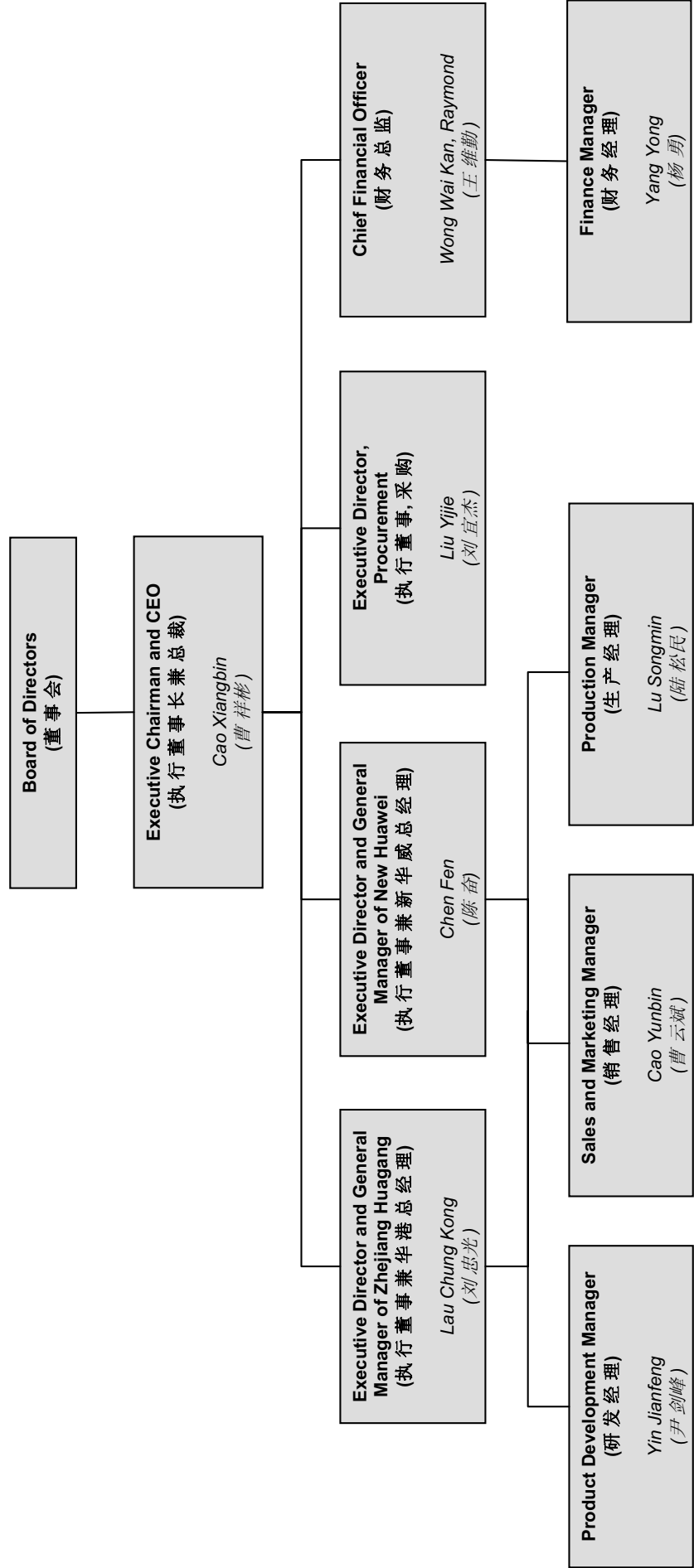
There is no arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or any other person, pursuant to which any of our officers was selected as our Director or Executive Officer.

Save as disclosed below, none of our Directors and Executive Officers are related by blood or marriage to one another nor are they so related to any Substantial Shareholders of our Company:-

- (a) our Executive Director and General Manager of New Huawei, Chen Fen (陈奋), is the husband of the niece of our Executive Chairman and CEO; and
- (b) our Executive Director, Procurement, Liu Yijie (刘宜杰), is the brother-in-law of our Executive Chairman and CEO.

MANAGEMENT REPORTING STRUCTURE

Our management reporting structure is set out below:-



SERVICE AGREEMENT

On 25 November 2008, our Company entered into a service agreement with our Executive Chairman and CEO for an initial period of three years (“**Initial Term**”) commencing with effect from the date of our listing on the SGX-ST, subject to automatic renewal for another three-year term on the same terms and conditions upon the expiry thereof unless either party notifies the other party by giving not less than six months’ notice in writing. We may also terminate the Service Agreement by notice upon the occurrence of certain events such as serious misconduct, bankruptcy or criminal conviction.

Pursuant to the terms of the Service Agreement, Mr Cao will receive a monthly salary of RMB90,000. Our Group will also provide him insurance, health and medical benefits and all entertainment expenses, travelling, hotel and other out-of-pocket expenses reasonably and properly incurred by him in connection with our Group’s business will also be borne by our Group.

Apart from the above, Mr Cao will be entitled to receive an annual incentive bonus (“**Incentive Bonus**”) of a sum calculated based on the audited PBT of our Group. If his employment with our Company is for less than a full financial year, the Incentive Bonus for that financial year shall be apportioned in respect of the actual number of days of his respective employment on the basis of a 365-day financial year. “PBT” for the purposes of computing the Incentive Bonus means the consolidated audited PBT of our Group (before deducting profit before tax attributable to minority interests) but before paying the Incentive Bonus as defined in the Service Agreement for any financial year.

The entitlement of Mr Cao to the Incentive Bonus is set out below:-

<u>PBT</u>	<u>Incentive Bonus</u>
PBT ≤ RMB500 million	Nil
RMB500 million < PBT ≤ RMB1 billion	1 % of PBT in excess of RMB500 million (“A”)
PBT > RMB1 billion	A + 1.5% of PBT in excess of RMB1 billion

Note:-

By way of illustration, in the event the PBT of the Group is RMB1.2 billion, Mr Cao will be entitled to an aggregate Incentive Bonus of RMB8 million, being the sum of:

- (a) 1% of RMB500 million; and
- (b) 1.5% of RMB200 million.

Had the Service Agreement been in existence for FY2008, the aggregate remuneration (including contributions, bonus and benefits-in-kind) paid to Mr Cao would have been approximately RMB1.1 million and the PBT of our Group would have been approximately RMB505.3 million instead of approximately RMB506.4 million.

Save as disclosed above, there are no existing or proposed service contract entered or to be entered into by our Directors with our Group. There is no existing or proposed service agreement entered into or to be entered into by our Directors with our Group which provide for benefits upon termination of employment.

Our Group has also previously entered into various letters of employment with our other Executive Directors and all our Executive Officers. Such letters typically provide for the salary payable to our other Executive Directors and Executive Officers, their working hours, medical benefits, grounds of termination and certain restrictive covenants.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The compensation paid to our Directors and our Executive Officers for FY2007 and FY2008, and the estimated compensation to be paid to our Directors and our Executive Officers for FY2009 (on an aggregate basis and in remuneration bands⁽¹⁾) are as follows:-

	FY2007	FY2008	Estimated amount for current FY2009 ⁽²⁾
Directors			
Cao Xiangbin (曹祥彬)	Band A	Band A	Band A
Lau Chung Kong (刘忠光)	Band A	Band A	Band A
Chen Fen (陈奋)	Band A	Band A	Band A
Liu Yijie (刘宜杰)	Band A	Band A	Band A
Chan Wai Meng	NA	NA	NA
Tham Wan Loong, Jerome	NA	NA	NA
Executive Officers			
Wong Wai Kan, Raymond (王维勤)	NA ⁽³⁾	Band A	Band A
Yang Yong (杨勇)	Band A	Band A	Band A
Cao Yunbin (曹云斌)	Band A	Band A	Band A
Lu Songmin (陆松民)	Band A	Band A	Band A
Yin Jianfeng (尹剑峰)	Band A	Band A	Band A

Notes:-

- (1) Band A means below S\$250,000.
- (2) The estimated amount of remuneration payable in FY2009 excludes any bonuses payable and profit sharing.
- (3) Not in our employment during the relevant periods.

Remuneration of Related Employees

As at the date of this Prospectus, there are two employees who are related to our Executive Chairman and CEO. They are our Directors, Chen Fen (陈奋) and Liu Yijie (刘宜杰). The former's spouse is the niece of Mr Cao while the latter is his brother-in-law. Each of their aggregate remuneration in FY2007 and FY2008, which included salary, bonus and benefits-in-kind, is less than S\$250,000. The remuneration of these related employees is determined on the same basis as those of unrelated employees.

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

EMPLOYEES

Our employees in New Huawei are unionised and registered with Changle City Federations of Trade Unions. Our employees in Zhejiang Huagang are currently in the process of establishing their labour union as they are entitled to under the PRC labour laws.

The relationship and co-operation between our management and staff have to-date been good and are expected to continue so in the future. There has not been any incidence of work stoppages or labour disputes which has affected our operations. We do not experience any significant seasonal fluctuations in the number of employees.

The number of temporary employees employed by us during the periods under review was not significant.

Save for our Chief Financial Officer who is based in Hong Kong, our other employees are based in the PRC.

The functional breakdown of our full-time employees as at the end of each of the periods under review is as follows:-

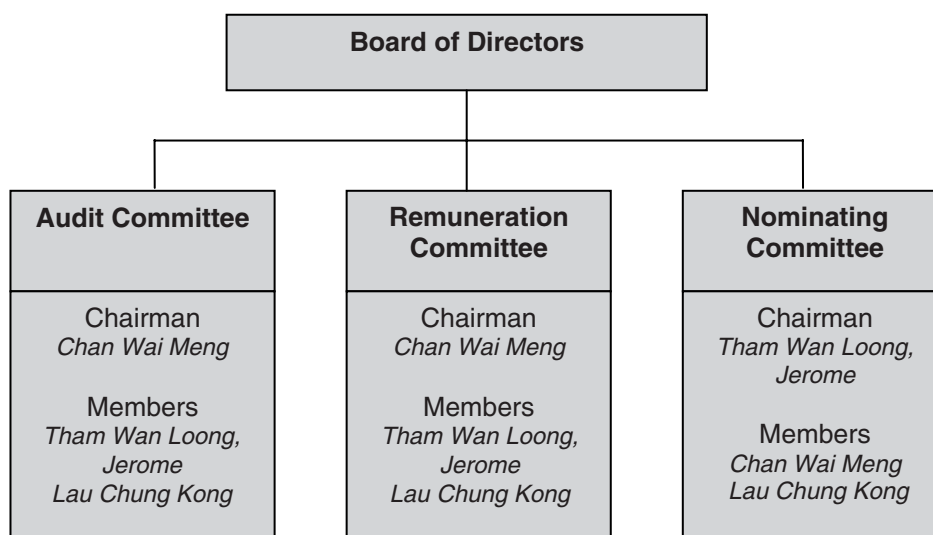
By function	FY2006	FY2007	FY2008
Management	10	12	13
Sales and Marketing	63	63	65
Administration	34	35	36
Finance	22	23	21
Production	358	385	517
Procurement	8	9	10
Quality Assurance	57	60	61
Product Development	10	12	13
Total number of employees	562	599	736

Our staff strength increased generally over the years in line with our business expansion. Other than as required under PRC labour laws, we have not set aside nor accrued any amount of money to provide for pension, retirement or similar benefits.

CORPORATE GOVERNANCE

Corporate governance refers to the processes and structure by which the business and affairs of a company are directed and managed, in order to enhance long-term shareholder value through enhancing corporate performance and accountability. Good corporate governance therefore embodies both enterprise (performance) and accountability (conformance).

Recognising the importance of corporate governance and the importance of offering high standards of accountability to our Shareholders, we have implemented the corporate governance model as set out below:-



Board of Directors

Our Articles provide that our Board will consist of not less than two Directors. We currently have six Directors on our Board, comprising four Executive Directors and two Independent Directors. We will endeavour to appoint an additional independent director to further strengthen our Board as soon as practicable after the listing of our Company on the SGX-ST.

None of our Directors are appointed for any fixed terms. Each Director shall retire from office at least once every three years. Directors who retire are eligible to stand for re-election.

Audit Committee

Our business and operations are presently under the management and close supervision of our Executive Directors who are assisted by our Executive Officers.

After our listing on the SGX-ST, our Executive Directors and Executive Officers will manage the business and operations of our Group. The Audit Committee will assist our Board of Directors with regards to discharging its responsibility to safeguard our Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that our management has created and maintained an effective control environment in our Company, and that our management demonstrates and stimulates the necessary aspect of our Group's internal control structure among all parties.

Our Audit Committee comprises our Independent Directors, Messrs Chan Wai Meng and Tham Wan Loong, Jerome as well as our Executive Director, Lau Chung Kong. Our Audit Committee will be chaired by Mr Chan Wai Meng.

Our Audit Committee will meet quarterly to discuss and review the following where applicable:-

- (a) review the audit plans and reports of our internal and external auditors;
- (b) review the co-operation given by our Company's officer to the external auditors;
- (c) review our financial statements before submission to our Board for approval;
- (d) review and consider the appointment or re-appointment of our external auditors and matters relating to resignation or dismissal thereof;
- (e) review Interested Person transactions (within the definition of the Listing Manual) involving our Group in accordance with the Listing Manual;
- (f) review and monitor the conflicts of interest positions of our Directors, controlling shareholders or their respective associates;
- (g) review the effectiveness and adequacy of our internal accounting and financial control procedures; and
- (h) generally undertake such other functions and duties as may be required by the Listing Manual.

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

In addition, all future transactions with related parties shall comply with the requirements of the Listing Manual. Our Directors shall also abstain from voting in any contract or arrangement or proposed contract/arrangement in which he has a personal material interest.

Suitability of our Chief Financial Officer

In relation to our Chief Financial Officer, our Audit Committee has over the course of our preparation for the Invitation worked closely with and evaluated and assessed Mr Wong's capability and suitability. Our Audit Committee is of the view that Mr Wong is a valuable member of the Company's management team and will perform his function and duties as Chief Financial Officer competently. The Audit Committee has taken into account in particular his considerable experience in accounting and financial management (please refer to the "Directors, Executive Officers and Staff" section of this Prospectus for further details on his professional experience).

Remuneration Committee

Our Remuneration Committee comprises our Independent Directors, Messrs Chan Wai Meng and Tham Wan Loong, Jerome as well as our Executive Director, Lau Chung Kong. Our Remuneration Committee is chaired by Mr Chan Wai Meng.

Our Remuneration Committee is responsible for the following:-

- (a) recommending to our Board a framework of remuneration for Directors and Key Executives, and to determine specific remuneration packages for each Executive Director and the CEO (or executive of equivalent rank). Such recommendations shall be submitted for endorsement by our entire Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, benefits in kind;

- (b) performing an annual review of the remuneration of employees related to our Directors and Substantial Shareholders to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities and to review and approve any bonuses, pay increases and/or promotions for these employees; and
- (c) in respect of such long-term incentive schemes (if any) including share schemes as may be implemented, to consider whether directors should be eligible for benefits under such long-term incentive schemes.

Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package or that of employees related to him.

Nominating Committee

Our Nominating Committee comprises our Independent Directors, Messrs Tham Wan Loong, Jerome and Chan Wai Meng as well as our Executive Director, Lau Chung Kong. Our Nominating Committee is chaired by Mr Tham Wan Loong, Jerome.

The Nominating Committee is responsible for the following:-

- (a) making recommendations to the Board on all board appointments, including re-nominations, having regard, to the Director's contribution and performance (for example, attendance, preparedness, participation and candour);
- (b) determining annually whether or not a Director is independent;
- (c) in respect of a Director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;
- (d) deciding how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value; and
- (e) assessing the performance of the Board and contribution of each Director to the effectiveness of the Board.

Each member of the Nominating Committee shall abstain from voting on any resolution relating to the assessment of his performance or his re-nomination as Director.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct securities account holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under our Articles, and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Articles of Association. A fee of \$10 for each withdrawal of 1,000 Shares or less and a fee of \$25 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$20 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value subject to a maximum of \$600 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore goods and services tax of 7%.

Dealings of our Shares will be carried out in S\$ and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

1. INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

(a) No Director or Executive Officer or controlling shareholder:-

- (i) has, at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time he was a partner or at any time within two years from the date he ceased to be a partner;
- (ii) has, at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or key executive at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (iii) has any unsatisfied judgement against him;
- (iv) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (v) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- (vi) has, at any time during the last 10 years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, nor has he been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (vii) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (viii) has ever been disqualified from acting as a director or equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (ix) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (x) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-
 - (aa) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
 - (bb) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere, or

- (cc) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
- (dd) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership entity or business trust; and

- (xi) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.
- (b) Save for the Over-allotment Option, no person (including any Director or Executive Officer) has been, or is entitled to be, given an option to subscribe for or purchase any shares in or debentures of our Company or PRC Subsidiaries.

2. MEMORANDUM AND ARTICLES OF ASSOCIATION

The nature of our Company's business has been stated earlier in this Prospectus. Our Memorandum of Association, which is available for inspection at our registered office, provides that our Company has full capacity, rights, powers and privileges to carry on or undertake any business or activity, do any act or enter into any transaction.

An extract of our Articles of Association relating to, *inter alia*, Directors' powers to vote on contracts in which they are interested, Directors' remuneration, Directors' borrowing powers, Directors' retirement, Directors' share qualification, rights pertaining to shares, convening of general meetings and alteration of capital are set out in Appendix B of this Prospectus. The Articles of Association of our Company is available for inspection at our registered office as mentioned in the "Documents for Inspection" section of this Prospectus.

3. SHARE CAPITAL

- (a) Save as set out in the "Share Capital" and "Restructuring Exercise" sections of this Prospectus, there were no changes in the issued and paid-up capital of our Company and PRC Subsidiaries within the three years preceding the Latest Practicable Date.
- (b) Save as disclosed in the "Share Capital" and "Restructuring Exercise" sections of this Prospectus and in respect of the Over-allotment Option, no shares in, or debentures of, our Company or our PRC Subsidiaries have been issued or are agreed to be issued, by our Company or our PRC Subsidiary, as fully or partly paid-up and whether for cash or for a consideration other than cash, within the three years preceding the date of this Prospectus.

4. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, to which our Company or any member of our Group is a party, for the period of two years before the date of lodgement of this Prospectus, and are or may be material:-

- (a) Asset Transfer Agreement dated 1 July 2008 between Zhejiang Huagang and Fujian Huawei, and Asset Transfer Agreement dated 1 October 2008 between Zhejiang Huagang, New Huawei and Fujian Huawei, pursuant to which the assets and undertakings of Fujian Huawei (other than those specifically excluded) were acquired by New Huawei (see the "Restructuring Exercise" section of this Prospectus);

- (b) Equity Transfer Agreement dated 20 November 2008 between our Company and China Success pursuant to which our Company purchased from China Success its entire equity interest in Zhejiang Huagang (see the “Restructuring Exercise” section of this Prospectus);
- (c) Lease Agreement dated 23 November 2008 between New Huawei and Fujian Huawei pursuant to which Fujian Huawei leased the Fujian Huawei Property to New Huawei (see the “Restructuring Exercise” section of this Prospectus);
- (d) Trademark Assignment Agreement dated 24 November 2008 between New Huawei and Fujian Huawei pursuant to which Fujian Huawei assigned its “大华威” (DaHuaWei) trademark to New Huawei;
- (e) Management and Underwriting Agreement between our Company, the Vendor, the Issue Manager and the Joint Underwriters dated 9 September 2009 for the management of the Invitation and the underwriting of the Offer Shares (see the “Management, Underwriting and Placement Arrangements” section of this Prospectus); and
- (f) Placement Agreement between our Company, the Vendor and the Joint Placement Agents dated 9 September 2009 for the placement of the Placement Shares (see the “Management, Underwriting and Placement Arrangements” section of this Prospectus).

5. LITIGATION

Neither our Company nor any of our PRC Subsidiaries is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or which have had in the 12 months immediately preceding the date of lodgement of this Prospectus, a material effect on our Group’s financial position or profitability, and our Directors have no knowledge of any proceedings pending or threatened against our Company or PRC Subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of our Company or PRC Subsidiaries.

6. FINANCIAL CONDITION AND OPERATIONS OF OUR GROUP

Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since 31 December 2008 (being the end of the period covered by the most recent financial statements of our Group included in the Prospectus) to the Latest Practicable Date which may have a material effect on the financial position and results of our Group.

7. CONSENTS

- (a) Ernst & Young LLP, the Reporting Auditors and Reporting Accountants, has given and have not withdrawn its respective written consent to the issue of this Prospectus with the inclusion herein of the “Independent Auditors’ Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008” in the form and context in which it appears in this Prospectus and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
- (b) Tian Yuan, the Legal Advisers to our Company on PRC laws, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name and its opinion in the sections entitled “Risk Factors – Risks Relating to PRC”, “Restructuring Exercise” and “Appendix C - Description of Relevant PRC Laws and Regulations” in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

- (c) Fuzhou Minhang, the independent valuer in relation to assets and undertakings of Fujian Huawei, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its valuation report dated 26 August 2008 in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
- (d) Collins Stewart has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
- (e) UOBKH has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
- (f) Rajah & Tann, the Solicitors to the Invitation, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

8. GENERAL

- (a) Unless specifically stated, otherwise the Solicitors to the Invitation, the Legal Advisers to our Company on PRC Law, the Receiving Banker, the Principal Bankers and the Share Registrar, do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.
- (b) The nature of our business is stated in the “Business” section of this Prospectus. As at the Latest Practicable Date, the corporations which are deemed to be related to us by virtue of Section 6 of the Companies Act are set out in the “Subsidiaries” section of this Prospectus.
- (c) Save as disclosed in this Prospectus under the “Risk Factors” section of this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks not mentioned elsewhere in this Prospectus which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and PRC Subsidiaries.
- (d) No expert is employed on a contingent basis by our Company or any of our PRC Subsidiaries, has a material interest, whether direct or indirect, in the shares of our Company or any of our PRC Subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.
- (e) There has not been any public take-over by a third party in respect of the Company’s Shares or by the Company in respect of the shares of another corporation or units of a business trust, which has occurred between FY2008 and the Latest Practicable Date.
- (f) Save as disclosed in the “Management, Underwriting and Placement Arrangements” section of this Prospectus, no Director, proposed Director or promoter of the relevant corporation or any expert is entitled to receive any commission for subscribing and/or purchasing or agreeing to subscribe for and/or purchase, or procuring or agreeing to procure a subscription and/or purchase, for any shares in, or debentures of our Company.

9. STATEMENT BY OUR DIRECTORS AND THE VENDOR

This Prospectus has been seen and approved by the Directors and the Vendor, and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no material facts the omission of which would make any statement herein misleading, and this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours for a period of six months from the date of this Prospectus:-

- (a) the Memorandum and Articles of Association of our Company;
- (b) the material contracts referred to in paragraph 4 of this section;
- (c) the Service Agreement referred to in the “Service Agreement” section of this Prospectus;
- (d) the valuation report of Fuzhou Minhang referred to in the “Restructuring Exercise” section of this Prospectus;
- (e) the Independent Auditors’ Report on the Audited Combined Financial Statements of the Company and its Subsidiaries for the Financial Years Ended 31 December 2006, 2007 and 2008; and
- (f) the letters of consent referred to in paragraph 7 of this section.

**INDEPENDENT AUDITORS' REPORT ON THE AUDITED COMBINED
FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR
THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008**

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

**Audited Combined Financial Statements
For The Financial Years Ended 31 December 2006, 2007 And 2008**

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China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

**Statement By Directors
For The Financial Years Ended 31 December 2006, 2007 And 2008**

We, Cao Xiangbin and Chen Fen, being two of the directors of China Gaoxian Fibre Fabric Holdings Ltd. (the “Company”), do hereby state that, in the opinion of the directors,

- (i) the accompanying combined financial statements together with notes thereto are drawn up so as to present fairly, in all material respects, the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and the results of the business, changes in equity and cash flows of the Group for the financial years ended on those dates, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors

Cao Xiangbin
Director

9 September 2009

Chen Fen
Director

Independent Auditors' Report On The Audited Combined Financial Statements Of China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries For The Financial Years Ended 31 December 2006, 2007 And 2008

9 September 2009

The Board of Directors
China Gaoxian Fibre Fabric Holdings Ltd.
77 Robinson Road
#05-00 Robinson 77
Singapore 068896

Dear Sirs

We have audited the accompanying combined financial statements of China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on page A-4 to A-51, which comprise the balance sheets of the Group as at 31 December 2006, 2007 and 2008, the income statements, statements of changes in equity and cash flow statements of the Group for the financial years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditors' Report On The Audited Combined Financial Statements Of China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries For The Financial Years Ended 31 December 2006, 2007 And 2008

Opinion

In our opinion, the accompanying combined financial statements of the Group present fairly, in all material respects, the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and the results, changes in equity and cash flows of the Group for the financial years ended on those dates in accordance with Singapore Financial Reporting Standards.

This report has been prepared solely for inclusion in the Prospectus in connection with the proposed listing of the Company's shares on the Singapore Exchange Securities Trading Limited.

ERNST & YOUNG LLP

Public Accountants and
Certified Public Accountants
Singapore

Partner in charge: Tan Peck Yen

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

Combined Income Statements

For The Financial Years Ended 31 December 2006, 2007 And 2008

(Amounts expressed in Renminbi unless otherwise stated)

	Note	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
Revenue	4	1,830,260	1,337,630	1,014,907
Cost of sales		(1,274,483)	(943,641)	(721,439)
Gross profit		555,777	393,989	293,468
Other items of income				
Financial income	9	3,447	3,418	1,689
Other income	5	6,577	5,913	5,957
Other items of expense				
Other expenses	5	(877)	(316)	(532)
Selling and distribution expenses		(4,905)	(4,697)	(4,214)
General and administrative expenses		(40,076)	(20,931)	(17,147)
Financial expense	9	(13,553)	(11,630)	(6,355)
Profit before tax	6	506,390	365,746	272,866
Income tax	10	(115,951)	(101,822)	(69,749)
Net profit attributable to shareholders		390,439	263,924	203,117
Earnings per share (Rmb cents)				
Basic and diluted	11	34.86	23.56	18.14

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

Combined Balance Sheets

As at 31 December 2006, 2007 And 2008

(Amounts expressed in Renminbi unless otherwise stated)

	Note	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	442,703	659,714	471,410
Land use rights	14	12,222	81,204	82,975
		454,925	740,918	554,385
Current assets				
Inventories	15	102,405	129,531	173,898
Prepayments	16	103,641	94,867	48,263
Trade and other receivables	17	243,724	199,098	146,504
Bank deposits pledged	18	30,198	130,984	120,280
Cash and cash equivalents	19	95,158	92,432	34,075
		575,126	646,912	523,020
TOTAL ASSETS		1,030,051	1,387,830	1,077,405
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables	20	31,217	10,145	10,596
Short term bank loans	21	195,200	162,000	119,000
Other payables and accruals	22	40,333	77,333	137,416
Bills payable to banks	23	60,303	266,651	205,420
Due to holding company (non-trade)	20	5,184	—	—
Due to a related party (non-trade)	20	71,116	—	—
Due to a director (non-trade)	20	50,000	—	3,759
Provision for income tax		13,625	12,417	5,854
		466,978	528,546	482,045
NET CURRENT ASSETS		108,148	118,366	40,975
Non-current liability				
Deferred tax liability	24	7,427	—	—
TOTAL LIABILITIES		474,405	528,546	482,045
NET ASSETS		555,646	859,284	595,360
Equity attributable to equity holders of the Company				
Share capital	25	452,000	178,437	178,437
PRC statutory reserve fund	26	40,934	68,302	44,685
Merger reserve	26	(378,684)	—	—
Share grant reserve	26	19,630	—	—
Translation reserve	26	(77)	—	—
Accumulated profits		421,843	612,545	372,238
TOTAL EQUITY		555,646	859,284	595,360
TOTAL EQUITY AND LIABILITIES		1,030,051	1,387,830	1,077,405

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

**Combined Statements Of Changes In Equity
For The Financial Years Ended 31 December 2006, 2007 And 2008**

(Amounts expressed in Renminbi unless otherwise stated)

	Share capital (Note 25) Rmb'000	PRC statutory reserve fund (Note 26) Rmb'000	Merger reserve (Note 26) Rmb'000	Share grant reserve (Note 26) Rmb'000	Translation reserve (Note 26) Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
Year ended							
31 December 2006							
At 1 January 2006	162,400	23,317	—	—	—	190,489	376,206
Additional contribution to paid in capital	16,037	—	—	—	—	—	16,037
Profit for the year, representing total recognised income for the year	—	—	—	—	—	203,117	203,117
Appropriation to reserves	—	21,368	—	—	—	(21,368)	—
At 31 December 2006	178,437	44,685	—	—	—	372,238	595,360
Year ended							
31 December 2007							
At 1 January 2007	178,437	44,685	—	—	—	372,238	595,360
Profit for the year, representing total recognised income for the year	—	—	—	—	—	263,924	263,924
Appropriation to reserves	—	23,617	—	—	—	(23,617)	—
At 31 December 2007	178,437	68,302	—	—	—	612,545	859,284

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

**Combined Statements Of Changes In Equity
For The Financial Years Ended 31 December 2006, 2007 And 2008**

(Amounts expressed in Renminbi unless otherwise stated)

	Share capital (Note 25) Rmb'000	PRC statutory reserve fund (Note 26) Rmb'000	Merger reserve (Note 26) Rmb'000	Share grant reserve (Note 26) Rmb'000	Translation reserve (Note 26) Rmb'000	Accumulated profits Rmb'000	Total equity Rmb'000
Year ended							
31 December 2008							
At 1 January 2008	178,437	68,302	—	—	—	612,545	859,284
Profit for the year, representing total recognised income for the year	—	—	—	—	—	390,439	390,439
Share grant reserve	—	—	—	19,630	—	—	19,630
Appropriation to reserves	—	20,632	—	—	—	(20,632)	—
Issuance of new ordinary share pursuant to the Restructuring Exercise	452,000	—	—	—	—	—	452,000
Adjustment arising from the Restructuring Exercise	(178,437)	(48,000)	(378,684)	—	—	(560,509)	(1,165,630)
Translation difference	—	—	—	—	(77)	—	(77)
At 31 December 2008	452,000	40,934	(378,684)	19,630	(77)	421,843	555,646

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

**Combined Cash Flow Statements
For The Financial Years Ended 31 December 2006, 2007 And 2008**

(Amounts expressed in Renminbi unless otherwise stated)

	Note	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
Profit before tax		506,390	365,746	272,866
<i>Adjustments:</i>				
Amortisation of land use rights		1,021	1,771	1,771
Depreciation of property, plant and equipment		42,324	35,867	25,078
Share grant to a consultant		19,630	—	—
Interest expense		13,553	11,630	6,355
Interest income		(3,447)	(3,418)	(1,689)
Loss on disposal of property, plant and equipment		43	28	—
Write-off of prepayment to trade suppliers		—	48	—
Adjustments arising from the Restructuring Exercise		(1,776)	—	—
Translation difference		(77)	—	—
Operating profit before working capital changes		577,661	411,672	304,381
<i>Decrease (increase) in:</i>				
Inventories		27,126	44,367	(71,867)
Prepayments		2,574	(30,390)	991
Trade and other receivables		(301,205)	(52,594)	(85,484)
<i>Increase (decrease) in:</i>				
Trade payables		21,072	(451)	(4,807)
Other payables and accruals		(1,101)	14,605	7,594
Bills payable to banks		14,462	61,231	54,012
Due to holding company (non-trade)		5,184	—	—
Due to a related party (non-trade)		71,116	—	—
Due to a director (non-trade)		50,000	(3,759)	1,350
Cash flows generated from operations		466,889	444,681	206,170
Interest income received		3,447	3,418	1,689
Interest expense paid		(11,942)	(11,630)	(6,355)
Income taxes paid		(100,585)	(95,259)	(68,244)
Net cash flows generated from operating activities		357,809	341,210	133,260
Cash flows from (used in) investing activities				
Purchase of property, plant and equipment	A	(65,208)	(315,173)	(148,669)
Proceeds from disposal of property, plant and equipment		37	24	—
Acquisition of business of Fujian Huawei	B	(330,352)	—	—
Net cash flows used in investing activities		(395,523)	(315,149)	(148,669)
Cash flows from (used in) financing activities				
Proceeds from short term bank loans		369,200	256,600	158,600
Repayment of short term bank loans		(247,000)	(213,600)	(111,600)
Decrease in bank deposits pledged		(6,866)	(10,704)	(36,712)
Cash contribution to paid-in capital of subsidiaries		—	—	16,037
Net cash flows generated from financing activities		115,334	32,296	26,325
Net increase in cash and cash equivalents		77,620	58,357	10,916
Cash and cash equivalents not transferred on acquisition of business of Fujian Huawei	B	(74,894)	—	—
Cash and cash equivalents at beginning of financial year		92,432	34,075	23,159
Cash and cash equivalents at end of financial year	19	95,158	92,432	34,075

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

Combined Cash Flow Statements

For The Financial Years Ended 31 December 2006, 2007 And 2008

(Amounts expressed in Renminbi unless otherwise stated)

Notes to combined cash flow statements

A. Property, plant and equipment

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
Additions to property, plant and equipment	24,260	224,223	241,421
Less: Prepayments made in prior year	(30,977)	(14,715)	(3,179)
Amount included in other payables	—	(29,600)	(104,288)
Add: Prepayments made in current year	42,325	30,977	14,715
Payments made for prior year purchase	29,600	104,288	—
Net cash outflow for purchase of property, plant and equipment	65,208	315,173	148,669

B. Acquisition of business of Fujian Huawei

Pursuant to an Asset Transfer Agreement dated 1 July 2008 entered into between Zhejiang Huagang and Fujian Huawei, and an Asset Transfer Agreement dated 1 October 2008 entered into between Zhejiang Huagang, New Huawei and Fujian Huawei, New Huawei acquired all of Fujian Huawei's business together with certain of its assets, liabilities and its sole trademark (including certain plant and equipment, inventories, payables and accrued expenses but excluding buildings and land use rights, plant and machinery which has ceased production, receivables, cash and bills payable as well as short term loans) ("Acquired Assets") with effect from 1 July 2008. The aggregate cash consideration for the acquisition was approximately Rmb 330,352,000, based on the net assets value of the Acquired Assets as at 30 June 2008, as valued by Fuzhou Minhong Assets Appraisal Real Estate Land Valuation Co., Ltd. as disclosed in Note 1.2(b).

The accompanying accounting policies and explanatory notes form an integral part of the combined financial statements.

(Amounts expressed in Renminbi unless otherwise stated)

1. Corporate information

1.1 The Company

The Company was incorporated as a private company limited by shares, in Singapore on 9 September 2008. The immediate and ultimate holding company is China Success Group (International Holdings) Limited. On 6 August 2009, the Company converted into a public limited company and the consequential change of name from "China Gaoxian Fibre Fabric Holdings Pte Ltd" to "China Gaoxian Fibre Fabric Holdings Ltd."

The registered office of the Company is at 77 Robinson Road, #05-00 Robinson 77, Singapore 068896 and the principal places of business of the Group are located at Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province and No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are as disclosed in Note 12.

1.2 The Restructuring Exercise

The Group was formed through the Restructuring Exercise which involved a series of acquisitions and the rationalisation of the corporate and shareholding structure for the purposes of the Invitation. Pursuant to the Restructuring Exercise, the Company became the holding company of the Group.

The Restructuring Exercise involved the following steps:

(a) Establishment of New Huawei

On 21 August 2008, Zhejiang Huagang established a wholly owned subsidiary, Fujian New Huawei Fibre Dyeing Co., Ltd ("New Huawei") in the PRC with an initial registered capital of Rmb 5,000,000.

(b) Acquisition of the business as well as certain assets, liabilities and the sole trademark of Fujian Huawei by New Huawei

Pursuant to an Asset Transfer Agreement dated 1 July 2008 entered into between Zhejiang Huagang and Fujian Huawei, and an Asset Transfer Agreement dated 1 October 2008 entered into between Zhejiang Huagang, New Huawei and Fujian Huawei, New Huawei acquired all of Fujian Huawei's business together with certain of its assets, liabilities and its sole trademark (including certain plant and equipment, inventories, payables and accrued expenses but excluding buildings and land use rights, plant and machinery which has ceased production, receivables, cash and bills payable as well as short term loans) ("Acquired Assets") with effect from 1 July 2008.

The aggregate cash consideration for the acquisition was approximately Rmb 330,352,000, based on the net assets value of the Acquired Assets as at 30 June 2008, as valued by Fuzhou Minhang Assets Appraisal Real Estate Land Valuation Co., Ltd. ("Fuzhou Minhang"). Subsequent to New Huawei's acquisition of the Acquired Assets, Fujian Huawei's sole business activity is the leasing of Fujian Huawei Property to New Huawei.

(Amounts expressed in Renminbi unless otherwise stated)

1. Corporate information (cont'd)

1.2 The Restructuring Exercise (cont'd)

(c) Lease of Fujian Huawei Property

In connection thereof, New Huawei and Fujian Huawei entered into a Lease Agreement dated 23 November 2008 whereby Fujian Huawei leased the Fujian Huawei Property (which was excluded by the Company from the Acquired Assets as it would otherwise had required considerable additional capital outlay of more than Rmb 260,000,000 (based on the net assets value of Fujian Huawei Property as at 30 June 2008) from New Huawei) to New Huawei for a period of three years, commencing from 1 November 2008 to 31 October 2011, for a lease amount of approximately Rmb 12,000,000 per annum (based on an independent rental valuation by Fuzhou Minhang), with an option in favour of New Huawei to renew the lease for an additional three years for the same lease amount.

Fujian Huawei Property refers to the property (including land use rights) owned by Fujian Huawei located at No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province, PRC. This property is currently used by New Huawei as office and production premises.

Under the terms of Lease Agreement, Fujian Huawei shall not during the lease period transfer the property to any third party. In addition, for the duration of the lease period (including any extension to the lease period), in the event Fujian Huawei proposes to sell the property, it shall first offer to sell it to New Huawei which has a first right of refusal, being a preferential right, to purchase the Fujian Huawei Property from Fujian Huawei, based on, and at no lower than, the market valuation of the property as at the time of such purchase.

(d) Acquisition of Zhejiang Huagang

On 20 November 2008, the Company and China Success entered into an Equity Transfer Agreement pursuant to which China Success transferred its entire equity interest in Zhejiang Huagang to the Company at a consideration of Rmb 452,000,000, based on the proforma net tangible assets value of Zhejiang Huagang as at 30 September 2008. The acquisition was approved by the Wuxing Foreign Trade and Economic Cooperation Bureau on 22 November 2008. The consideration was satisfied by the issue and allotment of 1,119,999,999 shares of the Company to China Success.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies

2.1 Basis of preparation

The combined financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The Group's principal operations are conducted in the PRC and thus the combined financial statements are prepared in Renminbi ("Rmb"), being the presentation currency of the Group. All values are rounded to the nearest thousand (Rmb'000) except when otherwise indicated.

The accounting policies have been consistently applied by the Group during the financial years ended 31 December 2006, 2007 and 2008, except for the changes in accounting policies discussed below.

2.2 Changes in accounting policies

(a) Adoption of new FRS

- (i) On 1 January 2007, the Group adopted the following financial reporting standards mandatory for annual financial periods beginning on or after 1 January 2007.

- FRS 107, Financial Instruments: Disclosures

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

Other new financial reporting standards mandatory for annual financial periods beginning on or after 1 January 2007 but do not apply to the activities of the Group include:

- FRS 40, Investment Property

(b) Adoption of revised FRS

- (i) On 1 January 2006, the Group adopted the following revised standards which did not result in any significant change in accounting policies:

- FRS 19 (revised), Employee Benefits
- FRS 39 (revised), Financial instruments

- (ii) On 1 January 2007, the Group adopted the following revised standard:

- FRS 1, Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)

The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

Notes To The Combined Financial Statements - 31 December 2006, 2007 And 2008

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(c) Adoption of INT FRS

On 1 January 2007, the Group adopted the following INT financial reporting standard.

	Effective for annual periods beginning on or after
INT FRS 108 Scope of FRS 102, Share-based Payment	1 May 2006

Other new INT financial reporting standards mandatory for annual financial periods beginning on or after 1 January 2007 but do not apply to the activities of the Group includes:

	Effective for annual periods beginning on or after
INT FRS 107 Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 109 Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110 Interim Financial Reporting and Impairment	1 November 2006

On 1 January 2008, the new standards effective for annual periods beginning on or after the dates as stated but not applicable to the Group's activities are as follows:

Reference	Description	Effective for annual periods beginning on or after
INT FRS 112	Service Concession Arrangements	1 January 2008
INT FRS 114	FRS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2008

On 1 January 2008, the Group adopted INT FRS 111 FRS 102 – Group and Treasury Share Transactions, which is effective for annual periods beginning on or after 1 March 2007. INT FRS 111 clarifies that the requirement of FRS 102 Share-based Payment to account for the goods and services received applies to arrangements involving equity instruments of the reporting entity's parent.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

Notes To The Combined Financial Statements - 31 December 2006, 2007 And 2008

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(d) Future changes in accounting policies

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective.

Reference	Description	Effective for annual periods beginning on or after
FRS 1	- Presentation of Financial Statements - Revised Presentation	1 January 2009
	- Presentation of Financial Statements - Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements - Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation - Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	- Financial Instruments: Recognition and Measurement - Amendments relating to Reclassification of Financial Assets	1 July 2008
	- Financial Instruments: Recognition and Measurement - Amendments relating to Embedded Derivatives	30 June 2009
	- Financial Instruments: Recognition and Measurement - Amendments relating to Eligible Hedged Items	1 July 2009
FRS 101	First-time Adoption of Financial Reporting Standards - Amendments relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
	Restructuring to FRS 101 - First-time Adoption of Financial Reporting Standards	1 July 2009
FRS 102	Share-based Payments - Amendments relating to Vesting Conditions and Cancellations	1 January 2009
FRS 103	Business combinations - Revision to FRS 103	1 July 2009
FRS 107	- Financial Instruments: Disclosures - Amendments relating to Reclassification of Financial Assets	1 July 2008
	- Financial Instruments: Disclosures - Amendments relating to Improving Disclosures About Financial Instruments	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 109	Amendments relating to Embedded Derivatives	30 June 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009
INT FRS 118	Transfers of assets from customers	1 July 2009

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 1, FRS 23 and FRS 108 as indicated below.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(d) *Future changes in accounting policies (cont'd)*

FRS 1 Presentation of Financial Statements - Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item.

In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group will adopt the single statement format.

FRS 23 Borrowing Costs

FRS 23 has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change.

Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

FRS 108 Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The directors expect that the adoption of this standard will have no material impact on the segment disclosures, the financial position or financial performance of the Group when implemented in 2009.

2.3 Functional and foreign currency

(a) *Functional currency*

The Group's principal operations are conducted in the PRC. The management has determined the currency of the primary economic environment in which the Company and its subsidiaries operate, that is, functional currency, to be Singapore Dollars ("SGD") and Renminbi ("Rmb") respectively. Sales prices and major costs of providing goods and services including major operating expenses of the subsidiaries in the PRC are primarily influenced by fluctuations in Rmb.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.3 Functional and foreign currency

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies and are recorded on initial recognition in the respective functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the respective balance sheet dates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

(c) Foreign currency translation

For the purpose of the presentation of financial statements of the Company in RMB, assets and liabilities of the Company are translated into RMB at the exchange rate ruling at balance sheet date while share capital and reserves are translated at the exchange rates at the date of transactions. All resultant exchange differences are taken directly to equity as foreign currency translation reserve.

2.4 Subsidiaries and combined financial statements

(a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

(b) Combined financial statements

The combined financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

The combined financial statements of the Group for the financial years ended 31 December 2006, 2007 and 2008 have been prepared in accordance with the principles of merger accounting as the Restructuring Exercise completed as described in Note 1.2 is a legal reorganisation of entities under common control. Under this method, the Company has been treated as the holding company of its subsidiaries for the financial years presented (or from the date of incorporation of the subsidiaries, if later) rather than from the date of completion of the Restructuring Exercise. Accordingly, the combined results of the Group for the respective financial periods include the results of the subsidiaries for the entire financial periods.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.4 Subsidiaries and combined financial statements (cont'd)

(b) Combined financial statements (cont'd)

Pursuant to this:

- Assets and liabilities are combined at their existing carrying amounts;
- No amount is recognised for goodwill;
- Prior to the incorporation of the Company and issue of shares by the Company in connection with the Restructuring Exercise, the aggregate paid-up capital of the Company and the aggregate paid-in capital and reserve fund of the subsidiaries are shown as the Group's share capital and reserve fund for the financial years under review; and
- Upon the completion of the Restructuring Exercise, any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve.

The financial statements of the Group included:

- the financial statements of Fujian Huawei for the financial years ended 31 December 2006 and 2007 and for the financial period from 1 January to 31 October 2008, adjusted for buildings and land use rights and plant and machinery which has ceased production, receivables, cash and bank balances, bills payable as well as short term loans which were not part of the Acquired Assets transferred from Fujian Huawei to New Huawei;
- the financial statements of New Huawei for the financial period from 1 November 2008 (commencement of operations) to 31 December 2008; and
- the financial statements of Zhejiang Huagang for the financial years ended 31 December 2006, 2007 and 2008.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with FRS. Profits reflected in the financial statements prepared in accordance with FRS may differ from those reflected in the PRC statutory financial statements of the subsidiaries, prepared for PRC reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

2.5 Related party

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or ii) it is subjected to common control or common significant influence.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.6 Property, plant and equipment (cont'd)

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis to write off the cost of property, plant and equipment over the estimated useful life of the assets as follows:

	Years
Production and office buildings	20 to 30
Plant and machinery	10 to 15
Office equipment and furniture	5 to 8
Motor vehicles	5 to 8

Construction-in-progress relates to production facilities and office buildings and plant and machinery and these are depreciated only when they become available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.7 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

Cost of acquisition of land use rights is capitalised and amortised on a straight-line basis over the lease terms of the land use rights. The amortisation period and method are reviewed at each financial year end. The amortisation expense is recognised in the income statement through the 'General and administrative expenses' line item.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.8 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement.

2.9 Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and unpledged bank deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables. The accounting policy for this category of financial assets is as disclosed in Note 2.9.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.11 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition is accounted for as follows:

- Raw materials – purchase cost on a weighted average basis
- Work-in-progress and finished goods – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.13 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.14 Financial liabilities

Financial liabilities include trade and other payables and bills payable to banks, which are normally settled on 30 to 180 days' terms. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in the fair value of derivatives are recognised in the income statement.

2.15 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.16 Operating lease

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.17 Employee benefits

(a) Defined contribution plans - pension benefits

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Pension contributions are recognised as an expense in the period in which the related services are performed.

(b) Provision for PRC statutory welfare fund

Provision for PRC statutory welfare fund is recognised at 5% of the subsidiaries' net profits as stated in their PRC statutory financial statements, in accordance with the relevant PRC regulations. This amount is charged to the income statement through the "General and administrative expenses" line item.

2.18 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods and scrap materials

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised as interest accrues (using the effective interest method).

2.19 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.19 Income taxes (cont'd)

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation accounting.

(Amounts expressed in Renminbi unless otherwise stated)

2. Significant accounting policies (cont'd)

2.19 Income taxes (cont'd)

(c) Value-added-tax ("VAT") / Goods and Services tax ("GST")

The Group's sales of goods in the PRC are subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net VAT receivable or payable is included in "Other receivables" or "Other payables".

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Where the VAT/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT/GST included.

The net amount of VAT/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.20 Share capital and share issue expenses

Contributions to capital of the Company are recognised as share capital in equity. Incremental costs directly attributable to such capital contributions are deducted against paid-in capital.

2.21 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

2.23 Share-based compensation

Share-based payment transactions in which the Group receives services as consideration for its own equity instruments to be settled by its shareholders are accounted for as equity-settled share-based compensation. Where the fair value of the services received cannot be estimated reliably, the Group measures the fair value of the services received by reference to the fair value of the share-based payment made to acquire the services. The compensation is charged to the income statement over the duration of the services and a corresponding share grant reserve is recognised.

(Amounts expressed in Renminbi unless otherwise stated)

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Income taxes

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current tax payable and deferred tax liabilities as at 31 December 2008 are Rmb 13,625,000 (2007: Rmb 12,417,000; 2006: Rmb 5,854,000) and Rmb 7,427,000 (2007: Rmb Nil; 2006: Rmb Nil) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of production plant and machinery

The cost of production plant and machinery is depreciated on a straight-line basis over the estimated useful life of the assets. Management estimates the useful life of the production plant and machinery to be 10 to 15 years. This is a common life expectancy applied in the manufacturing industry. The carrying amount of the Group's production plant and machinery as at 31 December 2008 was approximately Rmb 320,725,000 (2007: Rmb 290,428,000; 2006: Rmb 181,192,000). Changes in the expected level of usage and technological developments could impact the economic useful life of the production plant and machinery; therefore future depreciation charges could be revised. A 5% difference in the expected useful lives of the production plant and machinery from management's estimates would not result in any significant variance in profit for the respective years.

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4. Revenue

Revenue represents sales of goods net of discounts and value-added-tax ("VAT").

5. Other income/ (expenses)

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Other income			
- gain on sales of scrap materials	6,568	5,881	5,826
- others	9	32	131
	<u>6,577</u>	<u>5,913</u>	<u>5,957</u>
Other expenses			
- donations	(790)	(200)	(520)
- loss on disposal of property, plant and equipment	(43)	(28)	–
- others	(44)	(88)	(12)
	<u>(877)</u>	<u>(316)</u>	<u>(532)</u>

6. Profit before tax

This is determined after charging/ crediting items in Note 5 and the following:

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Amortisation of land use rights	1,021	1,771	1,771
Operating lease expenses	1,600	–	–
Depreciation of property, plant and equipment	42,324	35,867	25,078
Share grant to a consultant	19,630	–	–
Write-off of prepayment to trade suppliers	–	48	–
Bad non-trade debt expense	14	–	–
Listing expenses	5,608	–	–
Employee compensation* (Note 7)	16,255	22,638	18,454

* Includes directors' remuneration and remuneration of key management personnel as disclosed in Note 8.

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7. Employee compensation

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Salaries, wages and bonuses	13,266	10,671	9,056
Welfare expense	72	9,811	7,981
Labour union expense	65	45	32
Employer's contribution to defined contribution plans	2,852	2,111	1,385
	<u>16,255</u>	<u>22,638</u>	<u>18,454</u>

8. Related party transactions

During the financial years ended 31 December 2006, 2007 and 2008, in addition to those related party information disclosed elsewhere in the combined financial statements, the Group had the following transactions with related parties, on terms agreed between the respective parties:

(a) *Personal guarantees by a director*

There is no personal guarantee provided by directors as at 31 December 2008. As at 31 December 2007, a director of the Group has provided personal guarantees amounting to approximately Rmb 123,000,000 (2006: Rmb 15,000,000), to secure short term bank loans and bills payable to banks of the Group as disclosed in Notes 21 and 23 respectively.

(b) *Corporate guarantees by a related party*

Fujian Huawei, a related party, has provided corporate guarantees in respect of certain loans and bills payable facilities to the Group as disclosed in Notes 21 and 23.

(c) *Compensation of key management personnel*

In addition, related party transactions with key management personnel are as follows:

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Salaries and other short term employee benefits, representing total compensation to key management personnel	<u>858</u>	<u>518</u>	<u>414</u>

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8. Related party transactions (cont'd)

(c) Compensation of key management personnel (cont'd)

Comprises amounts paid to:

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
- Directors of the Company	320	304	226
- Other key management personnel	538	214	188
	<u>858</u>	<u>518</u>	<u>414</u>

The remuneration of key management personnel is determined by the board of directors having regards to the performance of individuals and market trends.

(d) Assets pledged for a related party

As at 31 December 2008, certain of the Group's production machinery are pledged as security for certain short term bank loans and bills payable to banks of Fujian Huawei, a related party of the Group, as disclosed in Note 13. These have been fully repaid as at the date of the financial statements.

9. Financial income/ (expense)

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Interest income from loans and receivables:			
- bank balances	<u>3,447</u>	<u>3,418</u>	<u>1,689</u>
Interest expense on:			
- short term bank loans	<u>(13,553)</u>	<u>(11,630)</u>	<u>(6,355)</u>

10. Income tax

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Income tax expense			
- Current year income tax expense	108,524	101,822	69,749
Deferred income tax			
- Temporary differences	<u>7,427</u>	<u>—</u>	<u>—</u>
Income tax expense recognised in the income statement	<u>115,951</u>	<u>101,822</u>	<u>69,749</u>

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10. Income tax (cont'd)

A reconciliation between tax expense and the product of profit before tax multiplied by the applicable tax rate for the financial years ended 31 December 2006, 2007 and 2008 is as follows:

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Profit before tax	506,390	365,746	272,866
Tax at the applicable domestic tax rates	128,435	113,156	85,344
Tax effects of:			
- Effect of tax exemption	(26,079)	(15,080)	(18,806)
- Expenses not deductible for tax purposes	6,168	3,746	3,211
- Withholding tax on unremitted earnings of subsidiaries	7,427	—	—
Income tax expense recognised in the combined income statements	115,951	101,822	69,749

China Gaoxian Fibre Fabric Holdings Ltd. (the "Company") is subjected to the tax rate of 18% for the financial period ended 31 December 2008.

In accordance with the Guofa [2007] No. 39, dated 26 December 2007, the PRC Enterprise Income Tax Law (the New Law) and the implementation rules of the New Law will come into effect on 1 January 2008. According to Article 57 of the New Law, the transition arrangements for preferential policies of Enterprise Income Tax ("EIT") are hereby promulgated.

From 1 January 2008, enterprises in the PRC which enjoy preferential treatment in the form of a reduced EIT tax rate are allowed for a gradual transition to the statutory tax rate over the five years period beginning from the effective date of the New Law.

Based on the Income Tax Law of the PRC for Enterprises with Foreign Investment, Zhejiang Huagang Polyester Industrial Co., Ltd (Zhejiang Huagang"), a PRC subsidiary of the Group, is entitled to exemption from PRC EIT and local income tax for two years commencing from its first profit-making year of operation and a 50% relief from PRC EIT for the following three years. As Zhejiang Huagang is engaged in the manufacturing business established in a special economic zone, it is entitled to a reduced EIT rate of 24% prior to the implementation of the New Law. Zhejiang Huagang is subjected to the reduced tax rate of 12.5% (2007: 12%; 2006: Nil %) for the financial year ended 31 December 2008 as its first profitable year commenced from 2005. Local income tax rate is at 2.4% for the financial year ended 31 December 2007 and this local tax was abolished with effect from 1 January 2008.

Under the relevant PRC income tax law, except for certain preferential treatment, companies in the PRC are subject to corporate income tax at 33% of taxable income. As such, Fujian Huawei Chemical Fibre Dyeing Co., Ltd ("Fujian Huawei") is subject to the tax rate of 33% for the financial years ended 31 December 2006 and 2007.

Fujian Huawei and Fujian New Huawei Fibre Dyeing Co., Ltd ("New Huawei") are subjected to the tax rate of 25% for the financial year ended 31 December 2008.

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11. Earnings per share

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders for the financial year by the share capital of 1,120,000,000 ordinary shares. Diluted earnings per share is similar to basic earning per share as there were no potential dilutive ordinary shares existing during the respective financial years.

12. Investment in subsidiaries

The Company has the following subsidiaries as at the date of this prospectus:

Name of company	Country of incorporation	Principal activities	Effective equity interest held by the Group		
			2008 %	2007 %	2006 %
Held by the Company					
Zhejiang Huagang Polyester Industrial Co., Ltd (“Zhejiang Huagang”) ⁽¹⁾	PRC	Production and sales of various specifications of premium differentiated fine polyester yarn, warp knit fabric and chemical fibre materials	100	100	100
Held by Zhejiang Huagang					
Fujian New Huawei Fibre Dyeing Co., Ltd (“New Huawei”) ⁽²⁾	PRC	Production and sale of premium differentiated fine polyester yarn and fabric	100	—	—

⁽¹⁾ Audited by XiaMen DeYiShe Certified Public Accountant Co., Ltd for PRC statutory audit purpose and audited by Ernst & Young LLP, Singapore for purposes of inclusion in the combined financial statements.

⁽²⁾ New Huawei's financial statements from 21 August 2008 (date of incorporation) to 31 December 2008 was audited by Xiamen Fang Hua Certified Public Accountant Co., Ltd for PRC statutory audit purpose. The financial statements were audited by Ernst & Young LLP, Singapore for purposes of inclusion in the combined financial statements. For the financial years ended 31 December 2006, 2007 and 2008, the combined financial statements included the results, states of affairs, changes in equity and cash flows of Fujian Huawei Chemical Fibre Dyeing Co., ("Fujian Huawei") prior to the acquisition of the business as well as certain assets and liabilities of Fujian Huawei.

On 9 September 2008, the Company was incorporated in Singapore for the purpose of acquiring the existing companies of the Group pursuant to the Group Restructuring Exercise as disclosed in Note 1.2.

On 21 August 2008, Zhejiang Huagang incorporated a wholly owned subsidiary, New Huawei, in the PRC with an initial registered capital of Rmb 5,000,000. Pursuant to group restructuring, New Huawei acquired the business as well as certain assets and liabilities of Fujian Huawei as disclosed in Note 1.2.

On 20 November 2008, the Company and China Success entered into an Equity Transfer Agreement pursuant to which China Success transferred its entire equity interest in Zhejiang Huagang to the Company at a consideration of Rmb 452,000,000, based on the proforma net assets value of Zhejiang Huagang as at 30 September 2008. The acquisition was approved by the Wuxing Foreign Trade and Economic Cooperation Bureau on 22 November 2008. The consideration was satisfied by the issue and allotment of 1,119,999,999 shares of the Company to China Success.

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13. Property, plant and equipment

	Production and office buildings	Plant and machinery	Office equipment and furniture	Motor vehicles	Construction- in-progress	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
31 December 2006						
Cost						
At 1 January 2006	113,362	210,064	326	2,966	581	327,299
Additions	—	55,953	32	709	184,727	241,421
Transfers	26,935	—	—	—	(26,935)	—
At 31 December 2006	140,297	266,017	358	3,675	158,373	568,720
Accumulated depreciation						
At 1 January 2006	(6,635)	(64,450)	(100)	(1,047)	—	(72,232)
Depreciation charge for the year	(4,099)	(20,375)	(59)	(545)	—	(25,078)
At 31 December 2006	(10,734)	(84,825)	(159)	(1,592)	—	(97,310)
Net carrying amount At 31 December 2006	129,563	181,192	199	2,083	158,373	471,410
31 December 2007						
Cost						
At 1 January 2007	140,297	266,017	358	3,675	158,373	568,720
Additions	50	34,733	219	849	188,372	224,223
Disposals	—	—	—	(91)	—	(91)
Transfers	82,083	104,288	—	—	(186,371)	—
At 31 December 2007	222,430	405,038	577	4,433	160,374	792,852
Accumulated depreciation						
At 1 January 2007	(10,734)	(84,825)	(159)	(1,592)	—	(97,310)
Depreciation charge for the year	(5,368)	(29,785)	(54)	(660)	—	(35,867)
Disposals	—	—	—	39	—	39
At 31 December 2007	(16,102)	(114,610)	(213)	(2,213)	—	(133,138)
Net carrying amount At 31 December 2007	206,328	290,428	364	2,220	160,374	659,714

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(Amounts expressed in Renminbi unless otherwise stated)

13. Property, plant and equipment (cont'd)

	Production and office buildings	Plant and machinery	Office equipment and furniture	Motor vehicles	Construction- in-progress	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
31 December 2008						
Cost						
At 1 January 2008	222,430	405,038	577	4,433	160,374	792,852
Additions	—	8,395	192	855	14,818	24,260
Disposals	—	(84)	(44)	(69)	—	(197)
Transfers	—	64,800	—	—	(64,800)	—
Assets not transferred	(204,204)	(44,706)	—	—	(5,756)	(254,666)
At 31 December 2008	18,226	433,443	725	5,219	104,636	562,249
Accumulated depreciation						
At 1 January 2008	(16,102)	(114,610)	(213)	(2,213)	—	(133,138)
Depreciation charge for the year	(4,064)	(37,159)	(76)	(1,025)	—	(42,324)
Disposals	—	27	27	63	—	117
Assets not transferred	16,775	39,024	—	—	—	55,799
At 31 December 2008	(3,391)	(112,718)	(262)	(3,175)	—	(119,546)
Net carrying amount						
At 31 December 2008	14,835	320,725	463	2,044	104,636	442,703

Assets pledged as security

As at 31 December 2006, 2007 and 2008, certain of the Group's production and office buildings, production machinery and construction-in-progress are pledged as security for the Group's short term bank loans and bills payable to banks as disclosed below.

	Short term bank loans (Note 21)			Bills payable to banks (Note 23)		
	2008	2007	2006	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
<u>Carrying amount of assets pledged as security</u>						
Production and office buildings	14,488	84,591	87,927	—	69,286	—
Production machinery	43,014	122,955	55,488	—	57,602	54,186
Construction-in-progress (production machinery)	—	29,600	22,638	—	29,600	—

As at 31 December 2008, certain short term bank loans and bills payable to banks of Fujian Huawei, a related party of the Group, are secured by certain production machinery of the Group with carrying amounts of approximately Rmb 41,518,000 and Rmb 72,299,000 respectively as disclosed in Note 8(d). These have been fully repaid as at the date of the financial statements.

(Amounts expressed in Renminbi unless otherwise stated)

13. Property, plant and equipment (cont'd)

Construction-in-progress

As at 31 December 2008, the Group's construction-in-progress relates to plant and machinery and production and office buildings with carrying amounts of approximately Rmb 11,352,000 (2007: Rmb 79,752,000; 2006: Rmb 104,288,000) and Rmb 93,283,000 (2007: Rmb 80,622,000; 2006: Rmb 54,085,000) respectively.

Asset transfer agreement

Pursuant to an Asset Transfer Agreement dated 1 July 2008 entered into between Zhejiang Huagang and Fujian Huawei, and an Asset Transfer Agreement dated 1 October 2008 entered into between Zhejiang Huagang, New Huawei and Fujian Huawei, New Huawei acquired all of Fujian Huawei's business together with certain of its assets, liabilities and its sole trademark (including certain plant and equipment, inventories, payables and accrued expenses but excluding buildings and land use rights, plant and machinery which has ceased production, receivables, cash and bills payable as well as short term loans) ("Acquired Assets") with effect from 1 July 2008.

The aggregate cash consideration for the acquisition was approximately Rmb 330,352,000, based on the net assets value of the Acquired Assets as at 30 June 2008, as valued by Fuzhou Minhang Assets Appraisal Real Estate Land Valuation Co., Ltd. ("Fuzhou Minhang"). Subsequent to New Huawei's acquisition of the Acquired Assets, Fujian Huawei's sole business activity is the leasing of Fujian Huawei Property to New Huawei.

Lease of Fujian Huawei Property / Assets not transferred

In connection thereof, New Huawei and Fujian Huawei entered into a Lease Agreement dated 23 November 2008 whereby Fujian Huawei leased the Fujian Huawei Property (which was excluded by the Company from the Acquired Assets as it would otherwise had required considerable additional capital outlay of more than Rmb 260,000,000 (based on the net assets value of Fujian Huawei Property as at 30 June 2008) from New Huawei) to New Huawei for a period of three years, commencing from 1 November 2008 to 31 October 2011, for a lease amount of approximately Rmb 12,000,000 per annum (based on an independent rental valuation by Fuzhou Minhang), with an option in favour of New Huawei to renew the lease for an additional three years for the same lease amount.

Fujian Huawei Property refers to the property (including land use rights) owned by Fujian Huawei located at No. 574, Caozhu Village Industry Zone, Tantou Town, Changle City, Fujian Province, PRC. This property is currently used by New Huawei as office and production premises.

Under the terms of Lease Agreement, Fujian Huawei shall not during the lease period transfer the property to any third party. In addition, for the duration of the lease period (including any extension to the lease period), in the event Fujian Huawei proposes to sell the property, it shall first offer to sell it to New Huawei which has a first right of refusal, being a preferential right, to purchase the Fujian Huawei Property from Fujian Huawei, based on, and at no lower than, the market valuation of the property as at the time of such purchase.

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14. Land use rights

	Rmb'000
Cost	
At 1 January and 31 December 2006 and 2007 and 1 January 2008	88,553
Assets not transferred	(74,998)
At 31 December 2008	13,555
Accumulated amortisation	
At 1 January 2006	(3,807)
Amortisation charge for the year	(1,771)
At 31 December 2006 and 1 January 2007	(5,578)
Amortisation charge for the year	(1,771)
At 31 December 2007 and 1 January 2008	(7,349)
Amortisation charge for the year	(1,021)
Assets not transferred	7,037
At 31 December 2008	(1,333)
Net carrying amount	
At 31 December 2006	82,975
At 31 December 2007	81,204
At 31 December 2008	12,222

As at 31 December 2008, the Group has land use rights over two plots of state owned land in the PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights have a weighted average remaining tenure of 45 years (2007: 46 years; 2006: 47 years).

Assets pledged as security

Short term bank loans

As at 31 December 2008, the Group's land use rights with a carrying amount of approximately Rmb 12,222,000 (2007: Rmb 81,204,000; 2006: Rmb 82,975,000) are pledged as security for the Group's short term bank loans as disclosed in Note 21.

Bills payable to banks

As at 31 December 2008, none of the Group's land use rights (2007: Rmb 68,711,000; 2006: Rmb Nil) are pledged as security for the Group's bills payable to banks as disclosed in Note 23.

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15. Inventories

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Balance sheet:			
Raw materials	65,684	83,054	71,924
Finished goods	36,721	46,477	101,974
Total inventories at lower of cost and net realisable value	102,405	129,531	173,898
Income statement:			
Inventories recognised as an expense in cost of sales	1,136,640	856,132	652,238

During the financial years ended 31 December 2006, 2007 and 2008, there has been no inventory written off or allowance for inventory obsolescence.

16. Prepayments

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Prepayments to trade suppliers	58,123	63,513	33,346
Prepayments relating to acquisition of property, plant and equipment	42,325	30,977	14,715
Prepaid operating expenses	1,302	377	202
Prepaid listing expenses	1,891	—	—
	103,641	94,867	48,263

17. Trade and other receivables

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Trade receivables	232,836	194,058	144,614
Bills receivable from banks	—	3,150	—
Deposits	1,064	1,576	1,576
Other receivables	302	314	314
VAT receivables	9,522	—	—
Total trade and other receivables	243,724	199,098	146,504
Add: Cash and bank balances (Note 19)	125,356	223,416	154,355
Total loans and receivables	369,080	422,514	300,859

(Amounts expressed in Renminbi unless otherwise stated)

17. Trade and other receivables (cont'd)

During the financial years ended 31 December 2006, 2007 and 2008, there has been no trade receivables written off or allowance for doubtful trade receivables.

(i) Trade receivables

Trade receivables are non-interest bearing and are normally settled on 30 to 90 days' terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

As at 31 December 2006, 2007 and 2008, there are no trade receivables that are past due but not impaired.

(ii) Bills receivable from banks

Bills receivable are non-interest bearing and are generally settled on 90 to 180 days' term.

(i) Deposits

The Group does not have any deposits which are past due as at the respective balance sheet dates.

(ii) Loans and receivables

All loans and receivables are denominated in Rmb.

18. Bank deposits pledged

Bank deposits pledged relate to deposit of cash held in designated bank accounts as security for bills payable facilities as disclosed in Note 23. Bank deposits pledged are denominated in Rmb.

The weighted average effective interest rate on bank deposits pledged, with a maturity of 90 days, was 1.74%, 2.31% and 3.15% per annum for the financial years ended 31 December 2006, 2007 and 2008 respectively.

The weighted average effective interest rate on bank deposits pledged, with a maturity of 180 days, was 2.14%, 2.81% and 3.57% per annum for the financial years ended 31 December 2006, 2007 and 2008 respectively.

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19. Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and unpledged bank deposits. Cash and cash equivalents included in the combined statements of cash flows comprise the following balance sheet amounts:

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Cash and bank balances	125,356	223,416	154,355
Less: Bank deposits pledged (Note 18)	(30,198)	(130,984)	(120,280)
Cash and cash equivalents	95,158	92,432	34,075

Cash and bank balances have an effective interest rate of 0.72%, 0.72% to 0.81% and 0.36% to 0.72% per annum for the financial years ended 31 December 2006, 2007 and 2008 respectively and are denominated in Rmb.

20. Trade payables and financial liabilities

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Trade payables	31,217	10,145	10,596
Due to holding company (non-trade)	5,184	—	—
Due to a related party (non-trade)	71,116	—	—
Due to a director (non-trade)	50,000	—	3,759
Short term bank loans (Note 21)	195,200	162,000	119,000
Other payables and accruals (Note 22)	40,333	77,333	137,416
Bills payable to banks (Note 23)	60,303	266,651	205,420
Total financial liabilities carried at amortised cost	453,353	516,129	476,191

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' term and are denominated in Rmb.

Due to holding company/ a related party / a director (non-trade)

Amounts due to holding company/ a related party/ a director are non-trade balances, which are unsecured and repayable on demand.

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21. Short term bank loans

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
<i>Secured loans from banks:</i>			
Bank of China ¹	—	53,000	50,000
Bank of Communications ²	65,200	59,000	34,000
China Citic Bank ³	—	20,000	20,000
Heng Seng Bank ⁴	—	20,000	10,000
China Merchants Bank ⁵	—	—	5,000
Rural Credit Cooperatives ⁶	50,000	—	—
	115,200	152,000	119,000
<i>Unsecured loan from bank:</i>			
Industrial and Commercial Bank of China ⁷	80,000	10,000	—
	195,200	162,000	119,000

¹ As at 31 December 2007, these four (2006: four) short term bank loans bear interest at 6.426% to 7.655% (2006: 6.138% to 6.426%) per annum and are secured by pledge of certain property, plant and equipment (Note 13), certain land use rights (Note 14), corporate guarantee from an unrelated third party and personal guarantee by a director as disclosed in Note 8.

² These three (2007: six; 2006: four) short term bank loans bear interest at 6.660% to 7.470% (2007: 6.120% to 7.290%; 2006: 5.580% to 6.435%) per annum and are secured by pledge of certain property, plant and equipment (Note 13), certain land use rights (Note 14) and corporate guarantee from an unrelated third party. During the financial year ended 31 December 2008, the corporate guarantee from an unrelated third party has been discharged.

³ As at 31 December 2007, this (2006: one) short term bank loan is secured by certain property, plant and equipment (Note 13) and bears interest at 6.390% (2006: 6.138%) per annum.

⁴ As at 31 December 2007, these two (2006: one) short term bank loans are guaranteed by personal guarantee by a director as disclosed in Note 8 and bear interest at a floating rate of 4% (2006: 4%) above the People's Bank of China's prime lending rate. During the financial year ended 31 December 2008, the personal guarantees from a director have been discharged.

⁵ As at 31 December 2006, this short term bank loan is guaranteed by an unrelated third party and personal guarantee by a director as disclosed in Note 8 and bears interest at a floating rate of 10% above the People's Bank of China's prime lending rate. During the financial year ended 31 December 2007, the personal guarantee from a director and corporate guarantee from the unrelated third party have been discharged.

⁶ As at 31 December 2008, this secured short term bank loan bears interest at a rate of 10.440% per annum and is guaranteed by Fujian Huawei.

⁷ These four secured (2007: one unsecured) short term bank loans bear interest at a rate of 6.660% to 7.470% (2007: 7.020%) per annum and are guaranteed by Fujian Huawei.

The maturity dates of all short term bank loans are within twelve months from the financial year end.

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22. Other payables and accruals

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Advances from customers	—	11,636	5,505
Payables to suppliers of property, plant and equipment	—	29,600	104,288
VAT and other operating tax payable	7,527	8,141	5,191
Welfare expense payable	1,808	1,974	1,285
Interest payable	1,611	—	—
Accrued operating expenses	3,405	—	3,954
Provision for PRC statutory welfare fund (Note A)	25,982	25,982	17,193
	<u>40,333</u>	<u>77,333</u>	<u>137,416</u>

Note A: Provision for PRC statutory welfare fund

The PRC statutory welfare fund can only be used for special bonuses and collective welfare benefits to staffs and workers. The PRC statutory welfare fund may not be reversed or distributed to the owner. The PRC statutory welfare fund, due to its nature, is classified as other liabilities in the combined balance sheet and correspondingly debited to employee compensation in the combined income statement.

Movements in the provision for PRC statutory welfare fund during the financial years are as follows:

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
At 1 January	25,982	17,193	10,115
Provision made during the financial year	—	8,789	7,078
At 31 December	<u>25,982</u>	<u>25,982</u>	<u>17,193</u>

23. Bills payable to banks

As at 31 December 2006, 2007 and 2008, bills payable to banks are secured by short term deposits, certain production and office buildings, production machinery, construction-in-progress and land use rights of the Group as disclosed below and corporate guarantee by Fujian Huawei and an unrelated third party and personal guarantee by a director as disclosed in Note 8.

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Bank deposits pledged (Note 18)	30,198	130,984	120,280
Carrying amount of production and office buildings pledged (Note 13)	—	69,286	—
Carrying amount of production machinery pledged (Note 13)	—	57,602	54,186
Carrying amount of construction -in-progress (production machinery) pledged (Note 13)	—	29,600	—
Carrying amount of land use rights pledged (Note 14)	—	68,711	—

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24. Deferred tax liability

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
Deferred tax liability	7,427	—	—

No deferred tax has been recognised as the Group did not have any significant temporary differences which give rise to a deferred tax asset or liability as at 31 December 2006 and 2007.

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No. 001, which states that distribution of dividends after 1 January 2008 from profits prior to 1 January 2008 will be exempt from withholding tax on distribution to foreign investors. As a result, there are no deferred liabilities arising from undistributed profits of the PRC subsidiaries accumulated up till 31 December 2007.

As at 31 December 2008, deferred tax liability arises from withholding tax on certain portion of undistributed earnings of the PRC subsidiaries upon distribution to the Company.

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2008, no deferred tax liability has been recognised for withholding tax that would be payable on certain undistributed earnings of the PRC subsidiaries as the Group has determined that portion of the undistributed earnings of its PRC subsidiaries will not be distributed in the foreseeable future. Such temporary difference for which no deferred tax has been recognised aggregate to Rmb 148,539,000 and the deferred tax liability is estimated at Rmb 7,427,000.

25. Share capital

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
Share capital	452,000*	178,437	178,437

* Equivalent to SGD 99,713,215.

As at 31 December 2006 and 2007, the Company has not been incorporated and no shares of the Company have been issued in connection with the Restructuring Exercise. Accordingly, the share capital of the Group comprises of the paid-in capital of Zhejiang Huagang and Fujian Huawei, aggregating Rmb 178,437,000. The Company was incorporated in Singapore on 9 September 2008 with issued share capital of SGD 1.00, comprising one ordinary share.

On 20 November 2008, the Company and China Success entered into an Equity Transfer Agreement pursuant to which China Success transferred its entire equity interest in Zhejiang Huagang to the Company at a consideration of Rmb 452,000,000, based on the proforma net tangible assets value of Zhejiang Huagang as at 30 September 2008. The acquisition was approved by the Wuxing Foreign Trade and Economic Cooperation Bureau on 22 November 2008. The consideration was satisfied by the issue and allotment of 1,119,999,999 shares of the Company to China Success.

On 25 November 2008, pursuant to the Restructuring Exercise as disclosed in Note 1.2, the issued and paid-up share capital of the Company was increased to SGD 99,713,215 comprising 1,120,000,000 shares, following the allotment and issue of 1,119,999,999 shares of the Company to China Success.

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26. Other reserves

(a) PRC statutory reserve fund

In accordance with the relevant laws and regulations of the PRC, companies in the PRC are required to set aside a PRC statutory reserve fund by way of appropriation from their statutory net profit, as reported in the PRC statutory financial statements, at a rate to be determined by the board of directors of the Company. The board of directors have decided that 10% of the statutory net profit, as reported in the PRC statutory financial statements of the subsidiaries in the PRC, be appropriated each year to the PRC statutory reserve fund.

The PRC statutory reserve fund may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC authorities, and are not available for dividend distribution to the shareholders.

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
At 1 January	68,302	44,685	23,317
Appropriation to reserves	20,632	23,617	21,368
Adjustment for net assets not transferred pursuant to the Restructuring Exercise	(48,000)	—	—
At 31 December	40,934	68,302	44,685

(b) Merger reserve

This represents the difference between the consideration paid and the paid-in capital of the subsidiaries when entities under common control are accounted for by applying the pooling of interest method.

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
At 1 January	—	—	—
Adjustment to merger reserve arising from the Restructuring Exercise	(378,684)	—	—
At 31 December	(378,684)	—	—

(c) Share grant reserve

The holding company of the Company, China Success Group (International Holdings) Limited ("China Success"), entered into an agreement with an external consultant in January 2008 in relation to consultancy services rendered to the Company in connection with its initial public offering. Under the agreement, China Success agrees that it will upon receiving its eligibility to list on Singapore Exchange Securities Trading Limited, allot and issue to the consultant 1.5% of the enlarged share capital of the Company at listing.

The directors have estimated the fair value of the identifiable services to be provided by the consultants to be approximately Rmb 29,445,000. This was based on the multiple of comparable companies in similar industry. In addition, the directors estimate the duration of the consultancy agreement to be 18 months from the date of the agreement.

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26. Other reserves (cont'd)**(c) Share grant reserve (cont'd)**

Accordingly, for the financial year ended 31 December 2008, the fair value of such services rendered by the consultant recognised by the Group in the combined income statement amounted to Rmb 19,630,000.

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
At 1 January	—	—	—
Charge to income statement	19,630	—	—
At 31 December	<u>19,630</u>	<u>—</u>	<u>—</u>

(d) Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of the Company whose functional currency is Singapore Dollars ("SGD") into the Group's presentation currency, Rmb.

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
At 1 January	—	—	—
Translation difference	(77)	—	—
At 31 December	<u>(77)</u>	<u>—</u>	<u>—</u>

(Amounts expressed in Renminbi unless otherwise stated)

27. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. The operating businesses are organised and managed separately according to the nature of the products produced, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The Group's primary format for reporting segment information is business segments, with each segment representing a product line. The Group's business segment is organised into five business segments, namely:

(i) Fully Drawn Yarn ("FDY")

Fully Drawn Yarn is a melt-spun continuous filament yarn which has been highly oriented, either by drawing at a high draw ratio or by spinning at a high wind-up speed such that there is little residual drawability.

(ii) Drawn Textured Yarn ("DTY")

Drawn Textured Yarn is a type of yarn produced using the draw texturing method to create a unique texture on the yarn.

(iii) Blended Yarn ("BY")

Blended Yarn is a composite yarn made from two or more constituent materials.

(iv) Warp Knit Fabric ("WKF")

Warp Knit Fabric is made through the process of warp-knitting.

(v) Triangular-fibre Yarn ("TFY")

Triangular-fibre Yarn is spun from polyester filaments which have a reflective surface due to its triangular cross sectional shape similar to that of silk.

For the financial years ended 31 December 2006 and 2007, the Group has only one business segment relating to the production, processing and sales of Fully Drawn Yarn ("FDY"). Accordingly, it is not meaningful to disclose information by business segments for the financial years ended 31 December 2006 and 2007.

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27. Segment information (cont'd)

Business segments (cont'd)

The following table presents revenue, results and other information regarding the Group's business segments for the financial year ended 31 December 2008:

	FDY Rmb'000	DTY Rmb'000	BY Rmb'000	WKF Rmb'000	TFY Rmb'000	Total Rmb'000
Group 2008						
Revenue						
Sales to external customers	732,372	311,296	522,101	204,772	59,719	1,830,260
Results						
Segment gross profit	192,348	92,299	174,806	74,384	21,940	555,777
Unallocated expenses, net						(39,281)
Financial income						3,447
Financial expense						(13,553)
Profit before tax						506,390
Income tax						(115,951)
Net profit attributable to shareholders						390,439
Other segment information						
Depreciation of property, plant and equipment						42,324
Amortisation of land use rights						1,021

Geographical segments

There is no geographical segment information provided as the Group operates in the PRC only.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other operating income and expenses, financial income and expenses and income tax expense.

(Amounts expressed in Renminbi unless otherwise stated)

27. Segment information (cont'd)

Allocation basis and transfer pricing

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

Group assets and liabilities cannot be directly attributable to individual segments as it is impractical to allocate them to the segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by business segments.

28. Commitments

(a) Capital commitments

Capital expenditure contracted for as at balance sheet dates but not recognised in the financial statements is as follows:

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
Commitment in respect of:			
Construction of production and office buildings	76,424	91,440	35,553
Purchase of production machinery	—	6,880	—
	<u>76,424</u>	<u>98,320</u>	<u>35,553</u>

As at 31 December 2007, capital commitment of approximately Rmb 1,016,000 (2006: Rmb 5,755,000) related to contracts entered into by Fujian Huawei Chemical Fibre Dyeing Co., Ltd for construction of production and office buildings. These buildings were not transferred to the Group pursuant to the Restructuring Exercise as disclosed in Note 1.2 to the combined financial statements.

(b) Operating lease commitments – as lessee

The Group has operating lease agreements for Fujian Huawei Property in the PRC as described in Note 1.2. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2008 Rmb'000	2007 Rmb'000	2006 Rmb'000
Not later than 1 year	11,000	—	—
Later than 1 year but not later than 5 years	22,000	—	—
	<u>33,000</u>	<u>—</u>	<u>—</u>

(Amounts expressed in Renminbi unless otherwise stated)

29. Financial risk management objectives and policies

The Group's principal financial instruments comprise short term bank loans, bills payable to banks, cash and short term deposits. The main purpose of these financial instruments is to provide funds for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risks (both fair value and cash flow), liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

It is, and has been throughout the years under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from cash at bank and short term bank loans at floating rates for the financial years ended 31 December 2006, 2007 and 2008. The Group obtains additional financing through bank borrowings at a mix of fixed and floating interest rate. The Group's policy is to obtain the most favourable interest rates available.

Surplus funds are placed with reputable banks.

Information relating to the Group's interest rate exposure is also disclosed in Notes 18, 19 and 21.

	2008	Within 1 year	2006
	Rmb'000	2007 Rmb'000	Rmb'000
Fixed rate			
Short term bank loans	195,200	142,000	104,000
Floating rate			
Cash at bank	125,341	223,382	154,326
Short term bank loans	—	20,000	15,000

Sensitivity analysis for interest rate risk

At 31 December 2008, if Rmb interest rates had been 100 basis points (2006 and 2007: 100 basis points) lower/higher with all other variables held constant, the Group's profit after tax would have been Rmb 1,253,000 (2007: Rmb 2,034,000: 2006: Rmb 1,393,000) lower/higher, arising mainly as a result of lower/higher interest income/expense on cash at bank and short term bank loans.

(Amounts expressed in Renminbi unless otherwise stated)

29. Financial risk management objectives and policies (cont'd)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with two different banks. In addition, 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.

Foreign currency risk

Currently, the PRC government imposes control over foreign currencies. Rmb, the official currency in China, is not freely convertible. Enterprises operating in PRC can enter into exchange transactions through People's Bank of China or other authorised financial institutions.

Payments for imported materials or services, which is outside of the PRC, are subject to availability of foreign currencies which depends on the foreign currency denominated earnings of the enterprises, or exchanges of Rmb for foreign currency must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchase of imported materials and remittance of earnings. While conversion of Rmb into foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

As at 31 December 2006, 2007 and 2008, sensitivity analysis for foreign currency risk is not applicable as the Group does not maintain any balances in foreign currency.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

(Amounts expressed in Renminbi unless otherwise stated)

29. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets as disclosed in Note 17.

Credit risk concentration profile

At the balance sheet date, approximately 5% (2007: 25%; 2006: 21%) of the Group's trade receivables were due from 5 major customers located in the PRC.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

30. Fair value of financial instruments

Determination of fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, short term bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are repriced to market interest rates on or near the balance sheet date.

During the financial years ended 31 December 2006, 2007 and 2008, no amount has been recognised in the income statement in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

China Gaoxian Fibre Fabric Holdings Ltd. And Its Subsidiaries

Notes To The Combined Financial Statements - 31 December 2006, 2007 And 2008

(Amounts expressed in Renminbi unless otherwise stated)

31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2006, 2007 and 2008.

As disclosed in Note 26, the PRC subsidiaries are required by relevant laws and regulations of the PRC to contribute to and maintain a non-distributable PRC statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

This externally imposed capital requirement has been complied with by the PRC subsidiaries for the financial years ended 31 December 2006, 2007 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's priority is to keep gearing ratio between 25% to 45%. The Group includes within net debt, short term bank loans, trade payables, other payables and accruals, bills payable to banks and amount due to a director, less cash and cash equivalents. Capital includes equity attributable to the equity holders less the abovementioned restricted PRC statutory reserve fund.

	2008	2007	2006
	Rmb'000	Rmb'000	Rmb'000
Trade payables	31,217	10,145	10,596
Short term bank loans	195,200	162,000	119,000
Other payables and accruals	40,333	77,333	137,416
Due to holding company (non-trade)	5,184	—	—
Due to a related party (non-trade)	71,116	—	—
Due to a director (non-trade)	50,000	—	3,759
Bills payable to banks	60,303	266,651	205,420
Total debt	453,353	516,129	476,191
Less: Cash and cash equivalents	(95,158)	(92,432)	(34,075)
Net debt	358,195	423,697	442,116
Equity attributable to the then equity holders	555,646	859,284	595,360
Less: PRC statutory reserve fund	(40,934)	(68,302)	(44,685)
Total capital	514,712	790,982	550,675
Capital and net debt	872,907	1,214,679	992,791
Gearing ratio	41%	35%	45%

(Amounts expressed in Renminbi unless otherwise stated)

32. Events after balance sheet date

At an extraordinary general meeting held on 7 July 2009, the shareholders of the Company approved, *inter alia*, the following:

- (a) the conversion of the Company into a public limited company and the consequential change of name to "China Gaoxian Fibre Fabric Holdings Ltd." (中国高纤控股有限公司);
- (b) the adoption of a new set of Articles of Association;
- (c) the issue of the new shares pursuant to the Invitation of the Company, which when allotted, issued and fully paid, will rank *pari passu* in all respects with the existing issued shares;
- (d) that authority be and is hereby given to the Directors to:

- (A) (i) issue shares in the capital of the Company whether by way of rights (including renounceable and non-renounceable rights), bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (B) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force,

provided that:

- (1) (subject to sub-paragraph (2) below pertaining to pro rata renounceable rights issue) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50 per cent. of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20 per cent. of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);

(Amounts expressed in Renminbi unless otherwise stated)

32. Events after balance sheet date (cont'd)

- (2) in relation to pro rata renounceable rights issue, the aggregate number of shares to be issued pursuant to this resolution does not exceed 100 per cent. of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (3) below);
 - (3) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (1) and (2) above, the percentage of issued share capital shall be based on the post Invitation issued share capital of the Company immediately following the close of the Invitation, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and
 - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
 - (4) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST (including supplemental measures thereto) for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
 - (5) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier; and
- (e) that contingent upon the passing of the above resolution, authority be and is hereby given to the Directors to issue shares other than on a pro rata basis at a discount exceeding 10 per cent. but not more than 20 per cent., which discount is calculated based on the weighted average price for trades done on the SGX-ST on the full market date on which the agreement relating to such issue of shares is executed (or if trading is not available for a full market day, on the preceding market day up to the time such agreement is executed).

At an extraordinary general meeting held on 9 September 2009, the shareholders of the Company further approved the issue of the additional shares in the event the Over-allotment Option is exercised by the Joint Underwriters. The additional shares, when issued and fully paid-up, will rank pari-passu in all respects with the existing issued shares of the Company.

33. Authorisation of financial statements

The audited combined financial statements for the financial years ended 31 December 2006, 2007 and 2008 were authorised for issue in accordance with a resolution of the directors on 9 September 2009.

SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The discussion below provides a summary of the principal objects of our Company as set out in our Memorandum of Association and certain provisions of our Articles of Association and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

Memorandum Of Association And Registration Number

We are registered in Singapore with the Registrar of Companies and Businesses. Our company registration number is 200817812K. Our Memorandum of Association provides that our Company has full capacity, rights, powers and privileges to carry on or undertake any business or activity, do any act or enter into any transaction.

Summary Of Our Articles Of Association

1. Directors

(a) Ability of interested directors to vote

Every Director shall observe the provisions of Section 156 of the Companies Act relating to the disclosure of the interests of the Directors in contracts or proposed contracts with the Company or of any office or property held by a Director which might create duties or interests in conflict with his duties or interests as a Director. Notwithstanding such disclosure, a Director shall not vote in regard to any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest although he shall be taken into account in ascertaining whether a quorum is present.

(b) Remuneration

The remuneration in the case of a Director other than an Executive Director shall comprise: (i) fees which shall be a fixed sum and/or (ii) such fixed number of shares in the capital of the Company, and shall not at any time be by commission on, or percentage of, the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on, or percentage of turnover.

Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which in the opinion of the Directors are outside his ordinary duties as a Director, may, subject to Section 169 of the Companies Act, be paid such extra remuneration as the Directors may determine.

The Directors may procure the establishment and maintenance of or participate in or contribute to any non-contributory or contributory pension or superannuation fund or life assurance scheme or any other scheme whatsoever for the benefit of and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to any persons (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of the predecessors in business of the Company or of any subsidiary company, and the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of, or subscription and support to, any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or of its Members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

(c) Borrowing

The Directors may at their discretion exercise every borrowing power vested in the Company by its Memorandum of Association or permitted by law and may borrow or raise money from time to time for the benefit of the Company and secure the payment of such sums by mortgage, charge or hypothecation of all or any of the property or assets of the Company including any uncalled or called but unpaid capital or by the issue of debentures or otherwise as they may think fit.

(d) Retirement Age Limit

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Companies Act however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or re-appointed as a director of the company or authorised to continue in office as a director of the company by way of an ordinary resolution passed at an annual general meeting of the company.

(e) Shareholding Qualification

There is no shareholding qualification for Directors in the Memorandum and Articles of Association of our Company.

2. Share rights and restrictions

Our Company currently has one class of shares, namely, ordinary shares. Only persons who are registered on our register of members and in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares, are recognised as our shareholders.

(a) Dividends and distribution

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro-rata* amongst our shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company. However, the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever.

The Directors may retain any dividends or other moneys payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles of Association, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every shareholder present in person and by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

3. Change in capital

Changes in the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital) require shareholders to pass an ordinary resolution. Ordinary resolutions generally require at least 14 clear days' notice in writing. The notice must be given to each of our shareholders who has supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. The Company may reduce its share capital or any undistributable reserve in any manner, subject to any requirements and consents required by law.

4. Variation of rights of existing shares or classes of shares

If at any time the share capital is divided into different classes, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, whether or not the Company is being wound up, be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution the provisions of Section 184 of the Companies Act shall with such adaptations as are necessary apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall mutatis mutandis apply.

Provided Always That:

- (a) the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll, but where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the meeting shall be as valid and effectual as a special resolution carried at the meeting; and
- (b) where all the issued shares of the class are held by one person, the necessary quorum shall be one person and such holder of shares of the class present in person or by proxy or by attorney may demand a poll.

The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned. Provided Always That where the necessary majority for such a special resolution is not obtained at a meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of our shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

DESCRIPTION OF RELEVANT PRC LAWS AND REGULATIONS

1. PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of, *inter alia*, written laws, regulations, administrative directives and internal guidelines as well as judicial interpretations. Decided court cases do not constitute binding precedents.

The NPC and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC.

The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative area. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council. Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全国人民代表大会常务委员会关于加强法律解释工作的决议) passed on 10th June 1981, the Supreme People's Court has the power to issue general interpretations on the application of laws in judicial proceedings in addition to its power to issue specific interpretations in specific cases. The State Council and its ministries and commissions are also vested with the power to issue interpretations of the rules and regulations promulgated by itself. At the regional level, the power to issue interpretations of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry the force of law.

2. Judicial System

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution (中华人民共和国宪法) and the Law of Organisation of the People's Courts of the PRC (中华人民共和国人民法院组织法), the People's Courts comprise the Supreme People's Court, the People's Local Courts, military courts and other special People's Courts. The People's Local Courts are divided into three levels, namely, the basic People's Courts, intermediate People's Courts and higher People's Courts. The basic People's Courts are divided into civil, criminal, administrative and economic divisions. The intermediate People's Courts have divisions similar to those of the basic People's Courts and, where the circumstances so warrant, may have other special divisions (such as intellectual

property divisions). The judicial functions of People's Courts at lower levels are subject to supervision of People's Courts at higher levels. The People's procuratorates also have the right to exercise legal supervision over the proceedings of People's Courts of the same or lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the People's Courts of all levels.

The People's Court adopts a two-tier appeal system. At first instance a party may, before a judgment or order takes effect, appeal against the judgment or order of a Local People's Court to the People's Court of the next higher level. Judgments or orders at the second instance of the same level of the People's Court or at the next higher level of the People's Court are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a People's Court of a higher level finds an error in a final and binding judgment of any People's Court of a lower level which has taken effect, or the presiding judge of a People's Court finds an error in a final and binding judgment which has taken effect in a court over which he presides, a retrial of the case may be ordered according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure Law. The Civil Procedure Law governs the institution of a civil action, the jurisdiction of the People's Courts, the procedures for the conduct of a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's country of domicile. The jurisdiction may also be selected by express agreement of the contractual parties provided that the jurisdiction of the People's Court so selected is connected with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or performed in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. In respect of litigation, a foreign national or foreign enterprise is accorded the same rights and subject to the same obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a People's Court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the People's Court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months. Based on the amendment dated 28 October 2007, the general time limit for application of enforcement by both individuals and entities will be unified to two years with effect from 1 April 2008.

A party seeking to enforce a judgment or order of a People's Court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to PRC enforcement procedures by the people's courts in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country that provides for such recognition and enforcement, unless the People's Court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

3. Arbitration and Enforcement of Arbitral Awards

The Arbitration Law is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a People's Court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party may apply to the People's Court for enforcement. A People's Court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the New York Convention adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

4. Foreign Exchange Control

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993.

The State Council issued the Notice on the Further Reform of the Foreign Exchange Control System on 1 October 1993. PBOC, with the authorisation of the State Council, issued on 28 December 1993 the Notice on the Further Reform of the Foreign Exchange Control System (中国人民银行关于贯彻《国务院关于进一步改革外汇管理体制的通知》有关操作问题的通知) and the State Council promulgated the PRC Foreign Exchange Administration Regulations (中华人民共和国外汇管理条例) which took effect on 1 April 1996 and revised as of 5 August 2008. On 20 June 1996, the PBOC issued the Administration Regulations on the Settlement, Sale and Payment of Foreign Exchange (结汇、售汇及付汇管理规定), which took effect on 1 July 1996. On 25 October 1998, PBOC and the State Administration for Foreign Exchange issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, all foreign exchange transactions for FIEs may only be conducted through authorised banks.

On 21 July, 2005, the Public Announcement of PBOC on Reforming the RMB Exchange Rate Regime (完善人民币汇率形成机制改革有关事宜公告) ("**Announcement**") was promulgated by PBOC. In accordance with the Announcement, the PRC Government has reformed the RMB exchange rate regime into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies, giving more flexibility as compared with the former system in which the RMB was pegged to the US dollar. Under such reformed system, PBOC announces the closing price of a foreign currency traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day. PRC banks licensed to engage in foreign exchange transactions use the closing price announced by PBOC as a basis and decide a rate of their own to enter into foreign exchange sale and purchase transactions with customers, with such rate being within a specified floating band around the central parity which may be adjusted by PBOC from time to time according to the economic and financial conditions of the PRC.

On 21 October 2005, SAFE has issued Notice of the SAFE on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知) (“**Notice 75**”) which came into effect on 1 November 2005. On 29 May 2007, the General Affairs Department of SAFE issued the Operating Rules for the Notice 75.

These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

Under the new regulations, the previous dual exchange rate system for RMB was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. PBOC, having regard to the trading prices between RMB and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the RMB exchange rates against major foreign currencies. In general, all organisations and individuals within the PRC, including foreign investment enterprises, are required to remit their foreign exchange earnings to the PRC. In relation to PRC enterprises, their recurrent foreign exchange earnings are generally required to be sold to designated banks unless specifically approved otherwise. Foreign investment enterprises (including sino-foreign equity joint ventures, sino-foreign co-operative joint ventures and wholly foreign owned enterprises), on the other hand, are permitted to retain certain percentage of their recurrent foreign exchange earnings and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks. Capital foreign exchange earnings must be deposited into foreign exchange bank accounts maintained with designated banks and can generally be retained in such accounts.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the SAFE.

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a foreign investment enterprise to its foreign investment party, then, subject to the due payment of tax on such dividends the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks upon the presentation of the resolutions of the board of directors on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transaction, SAFE's approval is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by PBOC and subject to certain limits, freely determine the applicable exchange rate.

CFETC was formally established and came into operation in April 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1 December 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through swap centres or through designated PRC banks. From 1 December 1998 onwards, exchange transactions had to be conducted through designated banks. Swap centres became restricted to conducting foreign exchange transactions between authorised banks and inter-bank lending between PRC banks.

On 5 August 2008, the State Council promulgated the revised Regulations of the PRC on Administration of Foreign Exchange, which take immediate effect. The major changes to the original Foreign Exchange Administration Regulations are as follows:

- (a) The requirement that domestic institutions and individuals must repatriate all their foreign-exchange income to the PRC has been removed. This means that domestic institutions and individuals are now allowed to keep their foreign-exchange income abroad.
- (b) The requirement that domestic institutions must sell all their foreign-exchange income to domestic banks has been removed. This means that domestic institutions are now allowed to keep their current item foreign-exchange income in foreign currencies.
- (c) Domestic institutions and individuals, in principle, are allowed to invest in offshore securities and derivatives products.
- (d) Domestic banks have no restrictions for granting direct commercial loans to overseas borrowers. Other domestic institutions are also allowed to advance overseas commercial loans, subject to the pre-approval of SAFE.

Irrespective of these changes, it should be noted that only in-principle changes to the Foreign Exchange Regulations are made and it is yet to be seen as to how these changes will be implemented when the corresponding implementing rules are published by SAFE.

For overseas special purpose companies, the profits, dividends and foreign exchange income from capital variation, which are gained by a domestic resident from a special purpose company, shall be transferred into the PRC within 180 days as of the day when they are gained. The profits or dividends may be transferred into the account of foreign exchange for current account transactions or be put under foreign exchange settlement, while the foreign exchange income from capital variation may, upon ratification of the foreign exchange office, be either preserved in a special account opened for capital account transactions, or put under foreign exchange settlement.

Where a special purpose company meets with a major capital modification event such as capital increase or decrease, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, provision of guaranty to a foreign party, etc., and is not involved in return investment, the domestic resident shall, within 30 days as of the major event, apply to the foreign exchange office for going through the procedures for modification or archival filing of the foreign exchange registration of the overseas investments.

Where a domestic resident has established or controlled an overseas special purpose company abroad and has accomplished return investment but fails to comply with the legal provisions to make foreign exchange registration of the overseas investments before 31 March 2006, it shall, in accordance with Notice 75, go to the local foreign exchange office to conduct a supplementary foreign exchange registration (外汇补登记) of the overseas investments.

The foreign exchange office shall, after examining and checking the abovementioned materials to be inerrant, affix the special seal for foreign exchange business for capital account transactions on the "Certificate of Foreign Exchange Registration of Overseas Investments" or the "Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident".

Our Executive Directors, Messrs Cao Xiangbin (曹祥彬) and Chen Fen (陈奋) applied to Zhejiang Bureau of SAFE for supplementary foreign exchange registration for their overseas investment. Zhejiang Bureau of SAFE (国家外汇管理局浙江省分局) issued a written Foreign Exchange Registration Form for Overseas Investment by Domestic Residents to approve the aforesaid applications ("**Foreign Exchange Registration Form**").

According to the Foreign Exchange Registration Form, Messrs Cao Xiangbin (曹祥彬) and Chen Fen (陈奋) have duly undertaken their supplementary registration with Zhejiang Bureau of SAFE for their overseas investments in China Success in accordance with applicable PRC laws and regulations. Accordingly, Messrs Cao Xiangbin (曹祥彬) and Chen Fen (陈奋) have completed the supplementary foreign exchange registration as required under the Notice 75.

5. WFOE

WFOEs are governed by the Law of the PRC Concerning Enterprises with Sole Foreign Investments, which was promulgated on 12 April 1986 and amended on 31 October 2000, and its Implementation Regulations were promulgated on 12 December 1990 and amended on 12 April 2001 (collectively the “**Foreign Enterprises Law**”).

Zhejiang Huagang is a WFOE and is therefore governed by the Foreign Enterprise Law.

(a) *Procedures for establishment of a WFOE*

The establishment of a WFOE has to be approved by MOC (or its delegated authorities). If two or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOC (or its delegated authorities) for its record. A WFOE must further obtain a business licence from SAIC (or its delegated authorities) before it can commence business.

(b) *Nature*

A WFOE is a limited liability company under the Foreign Enterprise Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor(s) is limited to the amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOC (or its delegated authorities) in accordance with relevant regulations.

(c) *Profit distribution*

The Foreign Enterprise Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10.0% of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50.0% of an enterprise’s registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

Subject to compliance with relevant exchange rules and regulations, we may remit out of the PRC profits that are lawfully earned in the PRC by our PRC Subsidiary, Zhejiang Huagang.

6. Mergers and Acquisitions Rules

On 8 August 2006, MOC, SASAC, the State Administration of Taxation, SAIC, CSRC and SAFE promulgated a new regulation with respect to mergers and acquisitions of domestic enterprises by foreign investors (“**M&A Regulations**”). The M&A Regulations came into force on 8 September 2006 (“**Effective Date**”). Essentially, the M&A Regulations will apply to mergers and acquisitions of domestic investment enterprises by foreign investors. Pursuant to Articles 39 and 40 of the M&A Regulations, the listing of offshore special purpose vehicles (“**SPV**”), which are directly or indirectly established or controlled by Chinese domestic companies or individuals, are required to obtain CSRC’s approval prior to the listing and trading of such SPV’s securities on an overseas stock exchange. The M&A Regulations were supplemented by the Guidelines on Domestic Enterprises indirectly issuing securities overseas or listing and trading their securities overseas (“**CSRC Guidelines**”) issued by the CSRC on 21 September 2006.

7. Taxation

The applicable income tax laws, regulations, notices and decisions (collectively referred to as “**Applicable Foreign Enterprises Tax Law**”) related to foreign investment enterprises and their investors include the following:-

(a) EITL

A foreign investment enterprise engaged in production having a period of operation of not less than 10 years shall be exempted from income tax for the first two profit making years and a 50% reduction in the income tax payable for the next three years. The income tax concession for foreign investment enterprises engaged in the exploitation of resources such as petroleum, natural gas, rare metals and precious metals are regulated separately by the State Council.

Foreign investment enterprises established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and foreign investment enterprises engaged in production in economic and technological zones may pay income tax at a reduced rate of 15%. Foreign investment enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income tax at a reduced rate of 24%.

Losses incurred in a tax year may be carried forward for not more than five years.

The people's governments of provinces, autonomous regions and municipalities directly under the central government may grant exemptions from or reduced local income tax for a foreign investment enterprise engaged in an industry or a project encouraged by the State.

(b) *Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of EIT (国务院关于实施企业所得税过渡优惠政策的通知) which came into effect on 26 December 2007*

According to the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of EIT, enterprises that previously enjoy the preferential policies of low tax rates shall be gradually transited to enjoy the statutory tax rate within five years after the implementation of the EITL. Among them, the enterprises that enjoyed EIT rate of 15% shall be subject to EIT rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. The enterprises that previously enjoyed the tax rate of 24% shall be subject to the tax rate of 25% as of 2008. As of 1 January 2008, the enterprises that previously enjoyed “two-year exemption and three-year half payment”, “five-year exemption and five-year half payment” of EIT and other preferential treatments in the form of periodic tax deductions and exemptions may, after the implementation of the new EITL, continue to enjoy the relevant preferential treatments under the preferential measures and the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008. The expression “enterprises enjoying the preferential policies” as mentioned above refers to the enterprises established and registered in the industrial and commercial administrative department and in other registration administrative departments prior to 16 March 2007.

- (c) *Circular on the Question Concerning Tax on the Profits Earned by Enterprise with Foreign Investment, Foreign Enterprises and Individual Foreigners From the Transfer of Stocks (Stock Rights) and on Dividend Income* (国家税务总局关于外商投资企业、外国企业和外籍个人取得股票(股权)转让收益和股息所得税收问题的通知) promulgated by State Tax Bureau on 21 July 1993

Pursuant to the aforesaid Circular, the net income earned by enterprises with foreign investment from the transfer of stocks or stock rights, as well as the net income gained by foreign enterprises through the offices and sites they set up within the PRC from the transfer of PRC domestic enterprise shares which they hold shall be charged into the amount of the enterprise's current taxable incomes and income tax shall be paid. The profits (i.e. dividends) gained by foreign investors from the enterprises with foreign investment and the dividends and bonuses gained by individual foreigners from the PRC-foreign equity joint ventures are exempt from income tax.

- (d) *Notice of Taxation on Several Preferential Policies in Respect of EIT* (关于企业所得税若干优惠政策的通知) issued by Ministry of Finance and the State Tax Bureau on 22 February 2008 and *Notice of Taxation on Several Preferential Policies in Respect of EIT* (关于企业所得税若干优惠政策的通知) issued by Ministry of Finance and the State Tax Bureau on 29 March 1994
- (e) *Notice on Relevant Policies Concerning Individual Income Tax* (关于个人所得税若干政策问题的通知) issued by Ministry of Finance and the State Tax Bureau on 13 May 1994
- (f) *The Decision of the Standing Committee of the National People's Congress on Amending the Individual Income Tax Law of the PRC* (个人所得税法), which was adopted at the 31st session of the Standing Committee of the 10th National People's Congress of the PRC on 29 December 2007 and came into force as of 1 March 2008

- (g) (i) *Value Added Tax*

The Provisional Regulations of the PRC Concerning Value Added Tax (中华人民共和国增值税暂行条例) promulgated by the State Council came into effect on 1 January 1994 and was revised on 10 November 2008. The revised provisional regulations will take effect on 1 January 2009. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning Value Added Tax (中华人民共和国增值税暂行条例实施细则) which was promulgated on 25 December 1993, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. Pursuant to the revised provisional regulation, enterprises will be permitted to deduct the value added tax on fixed assets.

Value added tax payable in the PRC is charged on an aggregated basis at a rate of 13 or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

- (ii) *Business Tax*

The Provisional Regulations of the PRC Concerning Business Tax (中华人民共和国营业税暂行条例) promulgated by the State Council came into effect on 1 January 1994 and was revised on 10 November 2008. The revised provisional regulation will take effect on 1 January 2009. Under these regulations and the Implementing Rules of the Provisional Regulations of the PRC Concerning Business Tax (中华人民共和国营业税暂行条例实施细则) which was promulgated on 25 December 1993, businesses that

provide services (including entertainment business), assign intangible assets or sell immovable property are liable to business tax at a rate ranging from 3.0% to 20.0%, of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be. The formula for calculation of the amount of tax payable is set forth below:-

Amount of tax payable = amount of business × tax rate

The amount of tax payable shall be calculated in RMB. Taxpayers that settle their amounts of business income in foreign exchange shall convert the amounts into RMB at the foreign exchange market rate.

(iii) *PRC Customs Duties*

According to the Customs Law of the PRC, the consignee of the imports, the consignor of exports and the owner of the imports and the exports are the persons obligated to pay customs duties (generally speaking, exports are not subject to customs duties). Customs is the authority in charge of the collection of customs duties.

The customs duties in the PRC mainly fall under *ad valorem* duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Customs Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rates.

Under the laws of the PRC, raw materials, supplementary materials, parts, components, accessories and packing materials imported for processing and assembling for foreign parties or for manufacturing products for export shall be exempt from import duties pursuant to the actual amount of goods processed for export; or import duties may be levied upfront on import materials and parts and subsequently refunded pursuant to the actual amount of goods processed for export.

To encourage the introduction of foreign investment, as of 1992, the PRC exercised exemption and reduction of customs duties on the import of machinery, equipment, parts and other materials within the total investment of foreign investment companies. But after the adjustment of policies as of 1 April 1996, such exemption and reduction has been terminated, while the foreign investment companies incorporated before then can still continue to enjoy such preferential treatment within the grace period.

As from 1 January 1998, according to the Notice of the State Council regarding the Adjustment of Taxation Policy of Import Equipment, in respect of the foreign investment projects that fall under Encouraging Category and Restricted B Category of the Industrial Guidance Catalogue of Foreign Investment and also involve the transfer of technology, the equipment imported for its own use within the total investment can be exempt from the customs duties, except for the commodities listed in the Catalogue of the Non-tax-exemption Import Commodity of Foreign Investment Projects.

(iv) *Tax on Dividends from PRC Enterprise with Foreign Investment*

According to the Applicable Foreign Enterprises Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 20.0% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Applicable Foreign Enterprises Tax Law. The profit derived by a foreign investor from a PRC enterprise with foreign investment is exempted from PRC tax according to the Applicable Foreign Enterprises Tax Law.

However, following the enforcement of the EITL, dividends of the year 2008 and the years afterwards distributed from foreign investment enterprises to foreign investors shall be subject to EIT. Profits accumulated by foreign investment enterprises before 1 January 2008 but distributed to foreign investors after 1 January 2008 are exempted from EIT.

8. Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC (环境保护法) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection, and adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

9. Regulations in relation to Social, Health and Safety Issues

(a) Standardisation Law of the PRC

Pursuant to the Standardisation Law of the PRC and its Implementation Rules, the compulsory national standards, trade standards and local standardisation of safety and sanitary requirements for industrial products formulated by provincial level departments of standardisation administration shall apply to products and the business operation of an enterprise.

Where, in the absence of both, national and trade standards for the enterprise shall be formulated to serve as the criteria for production. An enterprise's standards for its products shall be reported to the standardisation administration department under the local government for record. The formulation of standards shall be conducive to ensuring safety and people's health, safeguarding consumer interests and protecting the environment. Where a party violates the Standardisation Law and causes damages to any other party, the infringing party shall have the right to require the infringing party to assume the liability for compensation.

(b) *Production Safety Law of the PRC*

Pursuant to the Production Safety Law of the PRC, the production and business operation entities shall be equipped with the conditions for safe production as provided in laws, administrative regulations, national standards and trade standards. Any entity that is not equipped with the conditions for safe production may not engage in any production and business operation activities.

The production and business operation entities shall offer education and training programs to the employees thereof regarding production safety so as to ensure that the employees have the necessary knowledge of production safety. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming as useless of safety equipments shall be in conformity with the national standards or industrial standards. The special equipment that concerns the safety of life or is dangerous and the container of hazardous substances or the transportation tool shall be manufactured by specialised production entities, and only after it has passed the detections and tests of the detecting and testing institutions with the professional qualifications could it be put into use.

No production and business operation entity may use any technique or equipment that endangers production safety and that has been explicitly announced for elimination or prevent from use. When a production accident occurs to a production and business operation entity, the entity shall take effective measures immediately, organise rescues, and prevent the accident from deteriorating, report truthfully to the departments responsible for the supervision and administration of production safety of the local government.

If a production and business operation entity fails to comply with the Production Safety Law, the production and business operation shall be ordered to rectify within a prescribed time period; if the production and business operation fails to rectify within the prescribed time period, the entity shall be ordered to suspend its construction or production or business for rectification and may be fined.

10. Regulations relating to Employment Issues

The principal regulations governing the employment contract is the PRC Employment Contracts Law ("**Employment Contracts Law**"), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Employment Contracts Law employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written employment contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

On 18 September 2008, the State Council promulgated the Implementation Regulations of the PRC Employment Contract Law ("**Implementation Regulations**") which came into effect on the same day. Pursuant to the Implementation Regulations, the conclusion or dissolution of a non-fixed term employment contract were formulated intensively and special provisions on the labour-dispatch also were instituted. Furthermore, the Implementation Regulations may improve and implement the economic compensation system.

DESCRIPTION OF SINGAPORE COMPANY LAW RELATING TO SHARES

*The following statements are brief summaries of the rights and privileges of Shareholders conferred by the laws of Singapore and the Articles of Association (“**Articles**”) of the Company.*

These statements summarise the material provisions of the Articles but are qualified in entirety by reference to the Articles.

ORDINARY SHARES

All of the ordinary shares of the Company are in registered form. The Company may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase its own ordinary shares. However, it may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of its own ordinary shares.

NEW ORDINARY SHARES

New ordinary shares may only be issued with the prior approval in a general meeting of the shareholders of the Company. The aggregate number of shares to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of its issued share capital at the time of grant of such approval for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to its shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of its issued share capital at the time of grant of such approval for the time being. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new ordinary shares are under the control of the board of Directors of the Company (“**Board of Directors**”) who may allot and issue the same with such rights and restrictions as it may think fit.

SHAREHOLDERS

Only persons who are registered in the register of shareholders of the Company and, in cases in which the person so registered is CDP, the persons named as the depositors in the depository register maintained by CDP for the ordinary shares, are recognised as shareholders of the Company. The Company will not, except as required by law, recognise any equitable, contingent, future or partial interest in any ordinary share or other rights for any ordinary share other than the absolute right thereto of the registered holder of that ordinary share or of the person whose name is entered in the depository register for that ordinary share. The Company may close the register of shareholders for any time or times if it provides the SGX-ST at least 10 clear market days’ notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. The Company typically closes the register to determine shareholders’ entitlement to receive dividends and other distributions.

TRANSFER OF ORDINARY SHARES

There is no restriction on the transfer of fully paid ordinary shares except where required by law or the listing rules or the rules or by-laws of any stock exchange on which the Company is listed. The Board of Directors may decline to register any transfer of ordinary shares which are not fully paid shares or ordinary shares on which the Company has a lien. Ordinary shares may be transferred by a duly signed instrument of transfer in a form approved by any stock exchange on which the Company is listed. The Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. The Company will replace lost or destroyed certificates for ordinary shares if it is properly notified and if the applicant pays a fee which will not exceed \$2 and furnishes any evidence and indemnity that the Board of Directors may require.

GENERAL MEETINGS OF SHAREHOLDERS

The Company is required to hold an annual general meeting every year. The Board may convene an Extraordinary General Meeting whenever it thinks fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held. In addition, two or more shareholders holding not less than 10% of the issued share capital of the Company may call a meeting. Unless otherwise required by law or by the Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and the Articles, a change of the corporate name and a reduction in the share capital. The Company must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to every shareholder who has supplied the Company with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

VOTING RIGHTS

A shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be a shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting.

Except as otherwise provided in the Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under the Articles, on a show of hands, every shareholder present in person and by proxy shall have one vote (provided that in the case of a shareholder who is represented by two proxies, only one of the two proxies as determined by that shareholder or, failing such determination, by the Chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

DIVIDENDS

The Company may, by ordinary resolution of its shareholders, declare dividends at a general meeting, but it may not pay dividends in excess of the amount recommended by the Board of Directors. The Company must pay all dividends out of its profits and may satisfy dividends by the issue of shares to shareholders of the Company. See "Capitalisation and Rights Issues" below. The Board of Directors may also declare an interim dividend without the approval of its shareholders. All dividends are paid pro rata among the shareholders in proportion to the amount paid up on each shareholder's ordinary shares, unless the rights attaching to an issue of any ordinary share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by the Company to CDP of any dividend payable to a shareholder whose name is entered in the depository register shall, to the extent of payment made to CDP, discharge the Company from any liability to that shareholder in respect of that payment.

CAPITALISATION AND RIGHTS ISSUES

The Board of Directors may, with approval by the shareholders at a general meeting, capitalise any profits and distribute the same as shares credited as paid-up to the shareholders in proportion to their shareholdings. The Board of Directors may also issue rights to take up additional ordinary shares to shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which the Company is listed.

TAKEOVERS

The Securities and Futures Act (Chapter 289) of Singapore and the Singapore Code on Takeovers and Mergers regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting shares in the Company must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Takeovers and Mergers. "Parties acting in concert" include a company and its related and associated companies, a company and its directors (including their relatives), a company and its pension funds, a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, and a financial advisor and its client in respect of shares held by the financial advisor and shares in the client held by funds managed by the financial advisor on a discretionary basis. An offer for consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the preceding six months. A mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30% and 50% of the voting rights acquires additional voting shares representing more than 1% of the voting shares in any six month period.

LIQUIDATION OR OTHER RETURN OF CAPITAL

If the Company liquidates or in the event of any other return of capital, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

INDEMNITY

As permitted by Singapore law, the Articles provide that, subject to the Companies Act, the Board of Directors and officers shall be entitled to be indemnified by the Company against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. The Company may not indemnify directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to the Company.

LIMITATIONS ON RIGHTS TO HOLD OR VOTE SHARES

Except as described in "Voting Rights" and "Takeovers" above, there are no limitations imposed by Singapore law or by the Articles on the rights of non-resident shareholders to hold or vote on ordinary shares.

MINORITY RIGHTS

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the Company, as they think fit to remedy any of the following situations:-

- (a) the affairs of the Company are being conducted or the powers of the Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) the Company takes an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:-

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the affairs of the Company in the future;
- (c) authorise civil proceedings to be brought in the name of, or on behalf of, the Company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder's shares by the other shareholders or by the Company and, in the case of a purchase of shares by the Company, a corresponding reduction of its share capital;
- (e) provide that the Memorandum of Association or the Articles be amended; or
- (f) provide that the Company be wound up.

EXCHANGE CONTROLS

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:-

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of our Company's securities.

TAXATION

SINGAPORE TAXATION

The following discussion describes the material Singapore income tax, stamp duty and Goods and Services Tax consequences of the purchase, ownership and disposal of the Shares.

Individual Income Tax

Individual taxpayers who are Singapore tax residents are subject to tax on income accrued in or derived from Singapore. All foreign-sourced income (except for income received through a partnership in Singapore) received on or after 1 January 2004 in Singapore by tax resident individuals will be exempt from tax. Certain Singapore-sourced investment income (such as interest from debt securities) derived by tax resident individuals on or after 1 January 2004 from certain financial instruments (other than income derived through a partnership in Singapore or from the carrying on of a trade, business or profession) will be exempt from tax.

For a Singapore tax resident individual, the tax rate will vary according to the individual's circumstances but is subject to a maximum rate of 20% for year of assessment 2009 (i.e. calendar year 2008). It is proposed that the maximum rate will remain at 20% for year of assessment 2010 (i.e. calendar year 2009).

Non-resident individuals, subject to certain exceptions, are generally subject to income tax on income accrued in or derived from Singapore at the rate of 20%.

An individual will be regarded as being resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Corporate Income Tax

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accrued in or derived from Singapore and subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore from outside Singapore. Foreign-sourced income in the form of dividends, branch profits and services income received or deemed to be received in Singapore by resident taxpayers on or after 1 June 2003 will be exempt from tax if certain prescribed conditions are met.

A special concession has been granted whereby during the one-year period from 22 January 2009 to 21 January 2010, all foreign-sourced income earned or accrued outside Singapore prior to 22 January 2009 can be received in Singapore free from Singapore taxation.

Non-resident corporate taxpayers are subject to income tax on income accrued in or derived from Singapore and on foreign income received or deemed to be received in Singapore, subject to certain exceptions.

A corporate taxpayer is regarded as resident for Singapore tax purposes if its business is controlled and managed in Singapore.

The corporate tax rate in Singapore is 18% for year of assessment 2009. It is proposed that the corporate tax rate be reduced to 17% for year of assessment 2010. Further, corporate tax exemption will apply to the first S\$300,000 of a company's chargeable income as follows:-

- (i) 75% of up to the first S\$10,000 of a company's chargeable income; and
- (ii) 50% of up to the next S\$290,000 of a company's chargeable income.

Further, certain companies will, subject to certain conditions, be eligible for full tax exemption on their normal chargeable income of up to S\$100,000 a year for each of the company's first three years of assessment falling in or after year of assessment 2008. The conditions which a new company must satisfy in order to claim this exemption for a year of assessment include (a) it must be incorporated in Singapore; (b) it must be tax resident in Singapore for that year of assessment; and (c) it must have no more than 20 shareholders all of whom are individuals or at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company throughout the basis period for that year of assessment. The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate.

Cash Dividend Distributions

Income subject to normal corporate tax rules

As the Company will be tax resident in Singapore, dividends paid by the Company would be considered as sourced from Singapore. Dividends received in respect of the Shares by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax.

With effect from 1 January 2003, Singapore has adopted the "One-Tier" Corporate Tax System ("**One-Tier System**"). Under this One-Tier System, the tax collected from corporate profits is the final tax and the Company can pay tax exempt (one-tier) dividends which are tax exempt in the hands of the shareholder, regardless of the tax residence status or the legal form of the shareholder.

The Company is in the One-Tier System. Hence, dividends paid by the Company, being a tax resident in Singapore, will be exempt from tax in the hands of its Shareholders.

Bonus Issues And Scrip Dividends

Under current Singapore tax law and practice, a capitalisation of profits followed by the issue of new shares, credited as fully paid, pro-rata to shareholders ("**bonus issue**") does not represent a distribution of dividends by a company to its shareholders. Therefore, a Singapore resident shareholder receiving shares by way of a bonus issue should not have a liability to Singapore tax.

When a dividend is to be satisfied wholly or in part in the form of an allotment of ordinary shares credited as fully paid, the dividend declared will be treated as income to its shareholders. However, as the Company is under the One-Tier System, such a dividend will be exempt from Singapore tax. Similarly, when shareholders are given the right to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash, the dividend declared will be treated as exempt (one-tier) dividend income and will not be subject to Singapore tax.

Capital Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be construed to be of an income nature and subject to tax if they arise from activities which the Inland Revenue Authority of Singapore ("**IRAS**") regards as the carrying on of a trade or business in Singapore.

Any profits from the disposal of the Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the disposal profits would be taxable as trading income.

Adoption of FRS 39 treatment for Singapore income tax purposes

On 30 December 2005, the IRAS issued a circular entitled "Income Tax Implications arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement" ("**FRS 39 Circular**"). Legislative amendments to give effect to the FRS 39 Circular have been enacted via the Income Tax (Amendment) Act 2006, with such amendments having been deemed to come into operation on 1 January 2005.

Prospective investors should consult their own accounting and tax advisers regarding FRS 39 and the related Singapore income tax consequences of their acquisition, holding or conversion of the Shares.

Stamp Duty

There is no stamp duty payable on the subscription, allotment or holding of the Shares.

Stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100 or any part thereof, computed on the amount or value of consideration. The amount or value of consideration is the actual consideration or market value of the Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty would be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

Stamp duty is, however, not applicable in respect of electronic transfers of the Shares through the Central Depository system.

Goods and Services Tax (“GST”)

The sale of the Shares by an investor belonging to Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt supply will become an additional cost to the investor.

Where the Shares are sold by a GST registered investor to a person belonging outside Singapore, the sale is a taxable supply subject to GST at zero-rate. Any GST incurred by a GST registered investor in the making of this supply in the course of furtherance of a business may, subject to the provisions of the Goods and Services Tax Act, be offset against the investor's GST liability and, in the event of an excess input tax credit, be recovered from the Comptroller of GST of Singapore.

Services such as brokerage, handling and clearing services rendered by a GST registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the prevailing rate, that is, 7%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate, provided that the investor belongs in a country outside Singapore when the services are performed and the services provided do not directly benefit any Singapore persons.

TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATIONS

You are invited to apply and subscribe for and/or purchase the Invitation Shares subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for the Offer Shares may be made by way of printed Offer Shares Application Forms or by way of applications through ATMs of the Participating Banks ("**ATM Electronic Application**") or through Internet Banking websites of the relevant Participation Banks ("**Internet Electronic Application**", which together with ATM Electronic Applications shall be referred to as "**Electronic Applications**").

Your application for the Placement Shares may only be made by way of printed Placement Shares Application Form. **YOU MAY NOT USE CENTRAL PROVIDENT FUND ("CPF") FUNDS TO APPLY FOR THE INVITATION SHARES.**

3. **You are allowed to submit only one application in your own name for the Offer Shares. If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected, (except in the case of applications by approved nominees companies, where each application is made on behalf of a different beneficiary.**

If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

If you, being other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected.

You are allowed to submit only one application in your own name for the Placement Shares. Any separate application by you for the Placement Shares are be deemed to be multiple applications and the Company and the Vendor have the discretion whether to accept or reject such multiple applications.

If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of Company and the Vendor.

If you have made an application for Placement Shares, and you have also made a separate application for Offer Shares, either by way of an Application Form or through an Electronic Application, the Company and the Vendor shall have the discretion to either (i) reject both of such separate application or (ii) accept any one (but not the other) out of such separate applications.

Conversely, if your have made an application for Offer Shares either by way of an Application Form or through an Electronic Application, and you have also made a separate application for Placement Shares, the Company and the Vendor shall have the discretion to either (i) reject both of such separate application or (ii) accept any one (but not the other) out of such separate applications.

Joint applications shall be rejected. Multiple applications for Invitation Shares may be rejected at the discretion of our Company and the Vendor. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Vendor.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if your application is by way of an Application Form), or you will not be able to complete your Electronic Application (if your application is by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status and CDP Securities Account Number provided in your Application Form, or in the case of an Electronic Application, contained in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.**
9. **Our Company and the Vendor reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn or improper form of remittance. We further reserve the right to treat as**

valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

10. Our Company and the Vendor reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendor will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation, which shall be at the discretion of our Company and the Vendor, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP or its nominees and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company or the Vendor. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event of an under-subscription for and/or purchase of the Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed for and/or purchased shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for and/or purchase of Placement Shares as at the close of the Application List.

In the event of an under-subscription for and/or purchase of the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy applications for the Offer Shares to the extent that there is an over-subscription for and/or purchase of the Offer Shares as at the close of the Application List.

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

In all of the above instances, the basis of allotment and/or allocation of the Offer Shares as may be decided upon by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and through a paid advertisement in a local newspaper.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Offer Shares allotted and/or allocated to you pursuant to your application, to us, the Vendor, the Issue Manager, the Joint Underwriters and the Joint Placement Agents and, any other parties so authorised by the foregoing persons.
14. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares.

15. By completing and delivering an Application Form or by making and completing an Electronic Application (in the case of an ATM Electronic Application), by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen of the relevant Participating Banks (as the case may be) in accordance with the provisions of this Prospectus, you:-
- (a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price for each Offer Share and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and the Memorandum and Articles of Association of our Company;
 - (b) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendor in determining whether to accept your application and/or whether to allot and/or allocate any Invitation Shares to you;
 - (c) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs or the IB websites of the relevant Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
 - (d) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company and the Vendor upon application; and
 - (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of the Company, the Vendor, the Issue Manager, the Joint Underwriters and/or the Joint Placement Agents will infringe any such laws as a result of the acceptance of your application.
16. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendor being satisfied that:-
- (a) permission has been granted by the SGX-ST to deal in and for quotation of the Invitation Shares on the Official List of SGX-ST; and
 - (b) the Management and Underwriting Agreement and the Placement Agreement referred to in the “Management, Underwriting and Placement Arrangements” section of this Prospectus have become unconditional and have not been terminated; and
 - (c) the Authority has not served a stop order which directs that no or no further Shares to which this Prospectus relates be allotted and/or allocated.
17. We will not hold any application in reserve.
18. We will not allot and/or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.
19. Additional terms and conditions for applications by way of Application Forms are set out below.
20. Additional terms and conditions for applications by way of Electronic Applications are set out below.
21. CDP shall not be liable for any delays, failures or inaccuracies in the recording storage or in the transmission or delivery of data relating to Electronic Applications.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of an Application Form on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under “Terms and Conditions and Procedures for Applications” as well as the Memorandum and Articles of Association of our Company.

1. Your application for the Offer Shares must be made using the **WHITE** Application Form and official envelopes “A” and “B” accompanying and forming part of this Prospectus.

Your application for the Placement Shares must be made using the **BLUE** Application Form accompanying and forming part of this Prospectus.

We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendor reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper forms of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutional documents must be lodged with our Share Registrar and Share Transfer Office. Our Company and the Vendor reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete Sections A and B and sign on page 1 of the Application Forms.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.
6. You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or a permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation (whether

incorporated or unincorporated and wherever incorporated or constituted) in which citizens or permanent residents of Singapore or any body corporate (whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore) have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**CHINA GAOXIAN SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. APPLICATIONS NOT ACCOMPANIED BY ANY PAYMENT OR ACCOMPANIED BY ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. REMITTANCES BEARING "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings WILL BE REJECTED. No acknowledgement or receipt will be issued by our Company, the Vendor or the Issue Manager for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of the balloting at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List provided the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within five days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:-
 - (a) In consideration of our Company and the Vendor having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 16 September 2009 or such other time or date as our Company and the Vendor may, in consultation with the Issue Manager, decide:-
 - (i) your application is irrevocable;
 - (ii) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendor;
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents nor any other person involved in the Invitation shall have any liability for any information not so contained;
- (f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents or other authorised operators; and
- (g) you irrevocably agree and undertake to subscribe for and/or purchase the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company and the Vendor decide to allot and/or allocate any smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Form and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:-
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;
 - (b) in the appropriate spaces on **WHITE** envelope "A":-
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for; and
 - (iii) affix adequate Singapore postage;
 - (c) SEAL the **WHITE** official envelope "A";
 - (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424, the number of Offer Shares for which the application is made; and
 - (e) insert **WHITE** official envelope "A" into **WHITE** official envelope "B", seal **WHITE** envelope "B", affix adequate Singapore postage on **WHITE** envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND the documents at your own risk to Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424, so as to arrive by 12.00 noon on 16 September 2009 or such other time and date as our Company and the Vendor may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed and signed **BLUE** Placement Shares Application Form and your remittance in full in respect of the number of Placement Shares applied for in accordance with the terms and conditions of this Prospectus, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage (if despatching by ordinary post) and thereafter, the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424, so as to arrive by 12.00 noon on 16 September 2009 or such other time and date as our Company and the Vendor may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB websites screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently UOB Group and DBS Bank are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of DBS Bank are set out respectively, in the “Steps for an ATM Electronic Application through the ATMs of DBS Bank” and the “Steps for an Internet Electronic Application through the IB website of DBS Bank” (collectively the “**Steps**”) appearing below. The Steps set out the actions that you must take at an ATM or the IB website of DBS Bank to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” or the “applicant” in the “Additional Terms and Conditions for Electronic Applications” and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at an ATM. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (“**User ID**”) and a Personal Identification Number/Password (“**PIN**”) given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of DBS Bank to complete an Electronic Application. The actions that you must take at ATMs or IB websites of other Participating Banks are set out on the ATM screens or the IB websites of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“**Transaction Record**”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of DBS Bank, there will be an on-screen confirmation (“**Confirmation Screen**”) of the application which can be printed out for your record. The Transaction Record or the printed record of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use an ATM card issued in your own name or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address for the purpose of the application is in Singapore and the application is made in Singapore and you will be asked to declare accordingly.

Your Electronic Application shall be made on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out in the “Terms and Conditions and Procedures for Applications” section of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-
 - (a) **that you have received a copy of this Prospectus (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares in this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF investment account number (if applicable) and share application details (“Relevant Particulars”) from your account with that Participating Bank to our Share Registrar, CDP, CPF, SCCS, SGX-ST, our Company, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents or other authorised operators (“Relevant Parties”); and**
 - (c) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen. By doing so, you signify your confirmation of each of the above 3 statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key in the ATM, or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act, Chapter 19 of Singapore to the disclosure by that relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **By making an Electronic Application, you confirm that you are not applying for Offer Shares as nominee of any other person and that any Electronic Application that you make is the only application made by you as beneficial owner. You shall make only one Electronic Application for Offer Shares and shall not make any other application for the Offer Shares, whether at the ATMs or the IB websites (if any) of any Participating Bank or on the Application Forms. If you have made an application for Offer Shares or Placement Shares on an Application Form, you shall not make an Electronic Application for Offer Shares and vice versa.**
3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website of the relevant Participating Bank through which the Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of a relevant Participating Bank for Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that our Company and the Vendor decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.
5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account.

Responsibility for timely refund of application monies from unsuccessful or partially unsuccessful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank on the status of your Electronic Application and/or the refund of any monies to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you before trading the Offer Shares on SGX-ST. You may also call CDP phone at 6535 7511 to check the provisional results of your application by using your T-PIN (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment and/or allocation via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendor, the Issue Manager, the Joint Underwriters or the Joint Placement Agents assume any responsibility for any loss that may be incurred as a result of your having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

If you make an ATM Electronic Application through the ATM or IB website of the following Participating Banks, you may check the results of your Electronic Application as follows:-

Bank	Telephone	Available at ATM/Internet	Operating Hours	Service expected from
UOB Group	1 800 222 2121	ATM ("Other Transactions – "IPO Enquiry") ⁽¹⁾ http://www.uobgroup.com ⁽¹⁾⁽²⁾	ATM / Phone Banking - 24 hours a day Internet Banking - 24 hours a day	Evening of the balloting day Evening of the balloting day
DBS	1 800 339 6666 (POSB Account holders) 1 800 111 1111 (DBS Account holders)	Internet Banking http://www.dbs.com ⁽²⁾	24 hours a day	Evening of the balloting day
OCBC Bank	1 800 363 3333	ATM / Internet Banking / Phone Banking http://ocbc.com ⁽³⁾	24 hours a day	Evening of the balloting day

Notes:-

- (1) If you have made your Electronic Applications through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group's ATMs or UOB PhoneBanking Services.
- (2) If you have made you Electronic Application through the IB website of UOB Group or DBS Bank, you may check your results through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of UOB Group or DBS Bank.
- (3) If you have made your Electronic Application through the ATMs of OCBC, you may check the results of your application through the same channels listed above.

7. Electronic Applications shall close at 12.00 noon on 16 September 2009 or such other time as our Company and the Vendor may, in consultation with the Issue Manager, decide. Subject to paragraph 9 below, an Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation on the application.
8. You are deemed to have requested and authorised our Company and the Vendor to:-
- register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
 - send the relevant Share certificate(s) to CDP;
 - return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies in Singapore currency, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting; and
 - return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies in Singapore currency, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.

9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, and if, in any such event, our Company, the Vendor, the Issue Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendor, the Issue Manager, the Joint Underwriters and the Joint Placement Agents and/or the relevant Participating Bank for the Offer Shares applied for or for any compensation, loss or damage.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in his own name(s) and without qualification. Our Company and the Vendor will reject any Electronic Application by any person acting as nominee, except those made by approved nominee companies.
11. All particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:-
- (a) In consideration of our Company and the Vendor making available the Electronic Application facility through the ATMs of the Participating Banks acting as agents of our Company and the Vendor, at the ATMs and the IB websites (if any):-
 - (i) your Electronic Application is irrevocable;
 - (ii) your Electronic Application, the acceptance by our Company and the Vendor, and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (b) neither our Company, the Vendor, the Issue Manager nor the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
 - (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendor and not otherwise, notwithstanding any payment received by or on behalf of our Company;
 - (d) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and
 - (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that neither our Company, the Vendor, the Issue Manager, the Joint Underwriters, the Joint Placement Agents or any other persons involved in the Invitation shall have any liability for any information not so contained.

STEPS FOR ATM ELECTRONIC APPLICATIONS FOR THE OFFER SHARES THROUGH ATMS OF DBS BANK (INCLUDING POSB ATMS)

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank ATM (including POSB ATM) are shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C”, “SGX” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC”, “SGX-ST” and “Number” respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB ATMs), may differ slightly from those represented below.

Steps

1. Insert your personal DBS Bank or POSB ATM Card
2. Enter your Personal Identification Number
3. Select “More Services”
4. Select Language (for customers using multi-language card)
5. Select “ESA-IPO Share/SGS/Investments”
6. Select “Electronic Security Appln (IPOs/Bond/ST-Notes/Securities)”
7. Read and understand the following statements which will appear on the screen:
 - (IN THE CASE OF SECURITIES OFFERING THAT IS SUBJECT TO A PROSPECTUS REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.
 - (IN THE CASE OF SECURITIES OFFERING THAT IS SUBJECT TO A PROSPECTUS REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.
 - (IN THE CASE OF A SECURITIES OFFERING THAT DOES NOT REQUIRE A PROSPECTUS TO BE REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) MAY BE MADE IN A NOTICE PUBLISHED IN A NEWSPAPER AND/OR A CIRCULAR/ DOCUMENT DISTRIBUTED TO SECURITY HOLDERS. ANYONE WISHING TO ACQUIRE SUCH SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE NOTICE/ CIRCULAR/DOCUMENTS BEFORE SUBMITTING HIS APPLICATION, WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE NOTICE/CIRCULAR/DOCUMENT.
 - Press the “ENTER” key to confirm that you have read and understood.

8. Select "GAOXIAN" to display details.
9. Press the "ENTER" key to acknowledge:
 - YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND (WHERE APPLICABLE) PROSPECTUS, DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/ DOCUMENT/ PROFILE STATEMENT, NOTICE AND/OR CIRCULAR.
 - YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO. AND SECURITY APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE AND SHARE APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF, ISSUER/VENDOR(S).
 - FOR FIXED AND MAX PRICE SECURITIES APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
 - THE MAXIMUM PRICE FOR EACH SHARE IS PAYABLE IN FULL ON APPLICATION AND SUBJECT TO REFUND IF THE FINAL PRICE IS LOWER.
 - FOR TENDER SECURITIES APPLICATION, THIS IS YOUR ONLY APPLICATION AT THE SELECTED TENDER PRICE AND IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
 - YOU ARE NOT A U.S. PERSON AS REFERRED TO IN (WHERE APPLICABLE) THE PROSPECTUS, DOCUMENT, PROFILE STATEMENT, REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT, PROFILE STATEMENT, NOTICE AND/OR CIRCULAR.
 - THERE MAY BE A LIMIT ON THE MAXIMUM NUMBER OF SECURITIES THAT YOU CAN APPLY FOR SUBJECT TO AVAILABILITY, YOU MAY BE ALLOCATED A SMALLER NUMBER OF SECURITIES THAN YOU APPLIED FOR OR (IN THE CASE OF AN EARLIER CLOSURE UPON FULL SUBSCRIPTION) YOUR APPLICATION MAY BE REJECTED IF ALL THE AVAILABLE SECURITIES HAVE BEEN FULLY ALLOCATED TO EARLIER APPLICANTS.
10. Select your nationality.
11. Select your payment method (*i.e.* by cash, CPF Funds, or a combination of cash and CPF Funds).
12. Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) from which to debit your application monies.
13. Enter the number of securities you wish to apply for using cash.
14. Enter the number of securities you wish to apply for using CPF Funds (if applicable).
15. Enter or confirm (if your CDP Securities Account number has already been stored in DBS Bank's records) your own 12-digit CDP Securities Account number (Note: This step will be omitted automatically if your Securities Account number has already been stored in DBS Bank's records).
16. Check the details of your securities application, your NRIC or passport number, CDP Securities Account number, number of securities and application amount on the screen and press the "ENTER" key to confirm your application.
17. Remove the Transaction Record for your reference and retention only.

Steps for Internet Electronic Application for the Offer Shares through the IB website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website is shown below. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “&”, “I/C”, “SGX” and “No.” refer to “Account”, “amount”, “and”, “NRIC”, “SGX-ST” and “Number” respectively).

Steps

1. Click on to DBS Bank website at <http://www.dbs.com>.
2. Login to Internet banking.
3. Enter your User ID and PIN.
4. Select “Electronic Security Application (ESA)”.
5. Click “Yes” to proceed and to warrant, *inter alia*, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore and that you are not a U.S. person (as such term is defined in Regulation S under the United Securities Act of 1933 as amended).
6. Select your country of residence and click “I confirm”.
7. Click on “GAOXIAN” and click the “Submit” button.
8. Click “I Confirm” to confirm, *inter alia*:
 - (a) You have read, understood and agreed to all terms of application and the Prospectus/Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.
 - (b) You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable) and securities application amount from your DBS/POSB Account(s) to registrars of securities, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).
 - (c) You are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).
 - (d) You understand that the securities mentioned herein have not been and will not be registered under the United States Securities Act of 1933 as amended (the “US Securities Act”) or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of any “U.S. person” (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from or in a transaction subject to, the registration requirements of the US Securities Act and applicable state securities laws. These will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of the United States securities laws.
 - (e) This application is made in your own name and at your own risk.
 - (f) For FIXED/MAX price securities application, this is your **only** application. For TENDER price securities application, this is your **only** application at the selected tender price.
 - (g) FOR FOREIGN CURRENCY Securities, subject to the terms of the issue, please note the following: the application monies will be debited from your bank account in S\$, based on the Bank’s prevailing board rates at the time of application. Any refund monies will be credited in S\$ based on the Bank’s prevailing board rates at the time of refund. The different prevailing board rates at the time of application and the time of refund of application monies may result in either a foreign exchange profit or loss or application monies may be debited and refund credited in S\$ at the same exchange rate.

FOR 1ST-COME-1ST-SERVE securities, the number of securities applied for may be reduced, subject to availability at the point of application.

9. Fill in details for share application and click “I Confirm”.
10. Check the details of your share application, your I/C/Passport No. and click “OK” to confirm your application.
11. Print Confirmation Screen (optional) for your reference & retention only.

Steps for Internet Electronic Application for the Placement Shares through the website of DBS Vickers

For illustrative purposes, the steps for making an application through the website of DBS Vickers is shown below:

Steps

1. Access the website at <http://www.dbsvonline.com>.
2. Login with user ID and password.
3. Select “Trading” and click on “IPO” hyperlink to go to the IPO Section.
4. Select “GAOXIAN” and click on “Apply now”.
5. Click “Yes” to represent and warrant that, *inter alia*, that you are in Singapore, you have observed and complied with all applicable laws and regulations, you have a mailing address in Singapore, you have read, understood and agreed to the “APPLICATION TERMS AND CONDITIONS” and the “GENERAL TERMS AND DISCLAIMERS” and you are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).
6. Confirm the IPO applying for and its details by clicking on the “Next” button.
7. Click “Yes, I have read the above terms and conditions and wish to subscribe” and click “Submit” to confirm, *inter alia*:—
 - (a) You have read, understood and agreed to the terms and conditions set out in the Prospectus/Document or Profile Statement including the notes and instructions for the completion of this Application Form and that this application has been made in accordance with the Prospectus/Document or Profile Statement and such notes and instructions. Capitalised terms used in this Application Form shall bear the meanings assigned to them in the Prospectus/Document or Profile Statement.
 - (b) You have read and understood the disclaimers.
 - (c) You have read, understood and agreed to the “APPLICATION TERMS AND CONDITIONS” and the “GENERAL TERMS AND DISCLAIMERS”.
 - (d) You consent to the disclosure of your name, NRIC or passport number, address, nationality and permanent resident status, CDP Securities A/C No., CPF Investment A/C No. (if applicable) and securities application amount from your account with DBS Vickers to the Issuer and the Manager, registrars of securities, SGX, SCCS, CDP and CPF (as applicable).
 - (e) This application is made in your own name and at your own risk.
 - (f) You understand that these are not deposits or other obligations of or guaranteed or insured by DBS Vickers and are subject to investment risks, including the possible loss of the principal amount invested.

- (g) You declare that (a) you are not under 18 years of age, (b) you are not a corporation, sole-proprietorship, partnership or any other business entity, (c) you are not an undisclosed bankrupt, (d) you are in Singapore, (e) you have a mailing address in Singapore and (f) you are not a U.S. person (within the meaning of Regulation S under the US Securities Act of 1933, as amended).
8. Fill in amount of share applied for and preferred payment mode, then click "Submit"
 9. Check and verify details of your share application and your Trading Account Number on the screen.
 10. Enter your password and click "Submit" to continue.
 11. Click on "Application Status" to check your IPO application details.
 12. Print page for your reference and retention only.



CHINA GAOXIAN FIBRE FABRIC HOLDINGS LTD.

中国高纤控股有限公司

Industrial Area of Balidian Town, Wuxing District, Huzhou City, Zhejiang Province

中国浙江省湖州市吴兴区八里店镇工业园区