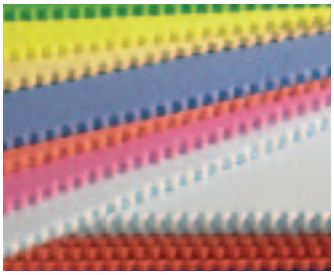
ZIWO HOLDINGS LTD.

(Incorporated in Singapore on 10 January 2008)
(Company Registration Number: 200800853Z)



PROSPECTUS DATED 30 SEPTEMBER 2009
(REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE ("Authority") ON 30 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.

Prior to this Offering, there has been no public market for our Shares (as defined in this Prospectus). An application has been made to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in and for quotation of, all our issued Shares (including the Vendor Shares as defined in this Prospectus) and the New Shares (as defined in this Prospectus). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. The dealing in and quotation for our Shares will be in Singapore dollars.

Acceptance of applications for the Offering Shares (as defined in this Prospectus) will be conditional upon, *inter alia*, permission being granted to deal in and for quotation of, all our issued Shares (including the Vendor Shares) and the New Shares. Monies paid in respect of any application accepted will be returned, at your own risk, without interest or any share of revenue or other benefit arising therefrom and without any claims against us, the Vendors, or the Issue Manager, Underwriter and Placement Agent (as defined herein), if this Offering is not completed because the permission is not granted or for any other reason.

We have received a letter of eligibility from the SGX-ST for the listing of and quotation for our Shares (including the Vendor Shares) and New Shares on the Official List of the SGX-ST in accordance with our application to the SGX-ST. Our eligibility to list on and admission to the Official List of the SGX-ST does not indicate the merits of this Offering, our Company, our subsidiary or our issued Shares (including the Vendor Shares) or the New Shares. The SGX-ST assumes no responsibility for the correctness of any statement or opinion made or report contained in this Prospectus. Admission to the Official List of SGX-ST is not to be taken as an indication of the merits of this Offering, our Company, our subsidiary, our issued Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority") on 30 September 2009. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus with the Authority does not imply that the Securities and Futures Act (Cap 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 issued Shares (including the Vendor Shares) or the New Shares being offered for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

No Shares will 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.

See the section entitled "Risk Factors" of this Prospectus for a discussion of certain factors to be considered in connection with an investment in our Shares.

Issue Manager, Underwriter and Placement Agent

STIRLING COLEMAN
施霖高诚

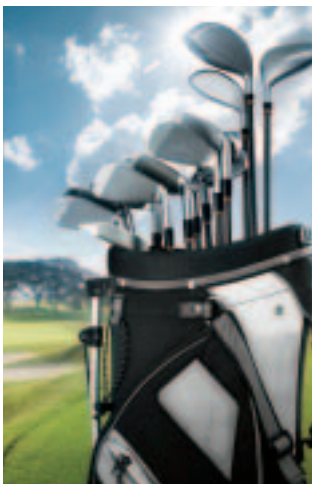
www.stirlingcoleman.com

Offering in respect of 121,612,000 Offering Shares comprising 60,000,000 New Shares and 61,612,000 Vendor Shares as follows:

(a) 2,000,000 Offer Shares at S$0.235 each by way of public offer; and

(b) 119,612,000 Placement Shares at S$0.235 each by way of placement,

payable in full on application.



WE ARE DIFFERENT!

1. 92% of our sales are generated from import substitution products in the PRC
2. Our market is growing – increasing new uses and applications developed for our products
3. We have proprietary technology and know-how with 10 patent applications filed
4. Our growth is primarily constrained by our production capacity

CORPORATE PROFILE

Ziwo Holdings Ltd. is engaged in the research and development, manufacture and sale of SBR and other foamed materials (comprising foamed SBR, foamed EVA and high foamed PE), 30D terylene filament yarn, and sandwich mesh fabric, which are used mainly as raw material in the production of lifestyle consumer products, furniture upholstery and automobile interior lining. Our products are sold to over 400 customers in the PRC via an established sales and marketing network.

In a joint survey by China Market Monitoring Center and China Market Research Center, we were named as ONE OF THE TOP SELLERS of foamed SBR and drawn textured terylene single filament yarn (30D terylene filament yarn being a type of drawn textured terylene single filament yarn) in the PRC in 2007 and 2008.

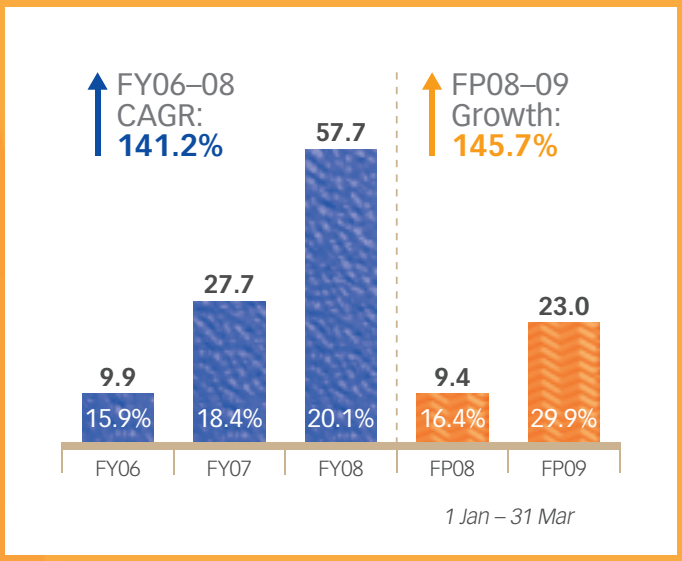
OUR MAIN PRODUCTS

Product Segments	Description	End Uses
Foamed SBR	- A form of synthetic rubber that may be used in a variety of applications - Properties: heat endurance, moisture absorption, light fastness, high elasticity and high tensile strength, non-toxicity and recyclable	- Sportswear such as diving and surfing suits, scuba diving apparels, gloves and sports accessories, bags and luggage, and other products, such as mouse pads, toys, heat-insulated carriers and exercise equipment
Foamed EVA	- A type of soft and light foam material	- Shoe soles, packaging material and components used in bags and luggage
High foamed PE	- A thermoplastic material used mainly in consumer products and primarily used in the manufacture of PE film due to its high insulating capacity	- PE film are used in automobile roof lining, construction of the heat insulation material of air conditioning piping, or for sound proofing - Also used in the production of toys
30D terylene filament yarn	- Synthetic terylene filament yarns with properties such as heat endurance, moisture absorption, light fastness, high elasticity, high tensile strength, non-toxicity and recyclable - A key material to make sandwich mesh fabric	- Mainly supplied to manufacturers of knitted and weaved fabrics to manufacture sandwich mesh fabric

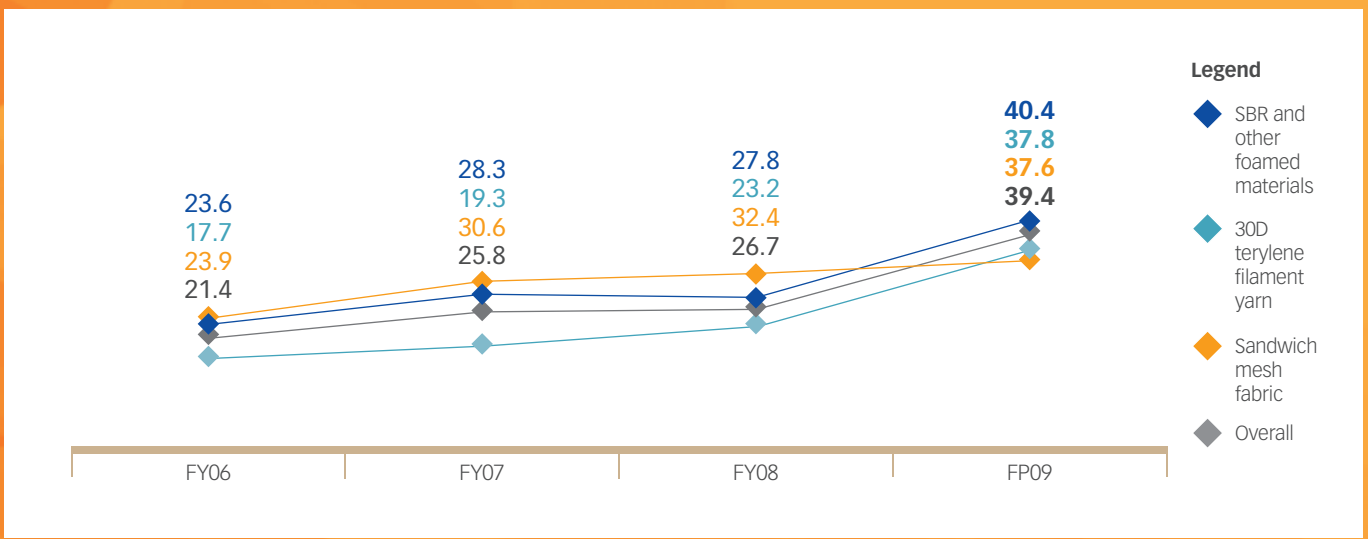
FINANCIAL HIGHLIGHTS

Revenue (RMB'm)

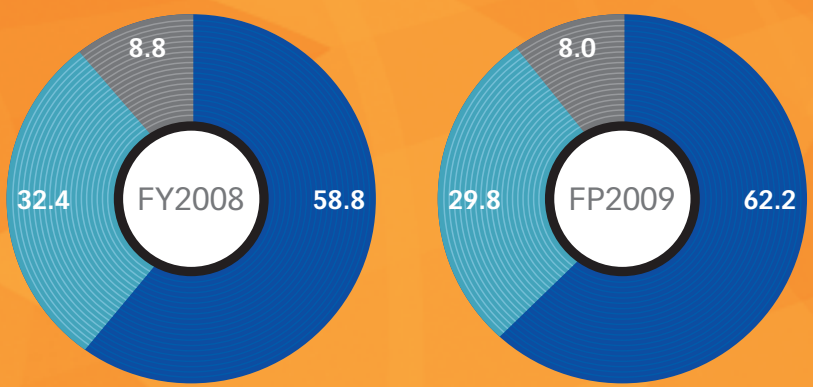
Net Profit (RMB'm) and Margin (%)



Gross Profit Margin (%)



Revenue breakdown by business (%)



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CORPORATE INFORMATION

Directors	:	Mr TING Chun Yuen (丁振远) (Executive Chairman and CEO) Mr ZHUANG Qingquan (庄清泉) (Executive Director) Mr FU Dongli (傅冬力) (Executive Director) Mr SOH Beng Keng (Lead Independent Director) Mr LIM Heng Chong Benny (Independent Director) Mr CHAI Chon Fatt (Independent Director)
Company Secretary	:	Wong Chee Meng Lawrence (LLB, Hons)
Registered Office	:	80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624
Registration Number	:	200800853Z
Share Registrar and Share Transfer Office	:	Boardroom Corporate & Advisory Services Pte Ltd 3 Church Street #08-01 Samsung Hub Singapore 049483
Principal Place of Business	:	Western Section Qingmeng Zone Economy and Technology Development Zone Quanzhou City Fujian Province PRC (中国福建省泉州市 经济技术开发区清濛园区西片区)
Issue Manager, Underwriter and Placement Agent	:	Stirling Coleman Capital Limited 4 Shenton Way #07-03 SGX Centre 2 Singapore 068807
Legal Advisers to the Company as to Singapore Law	:	KhattarWong 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624
Legal Advisers to the Company as to PRC Law	:	Zhong Lun Law Firm 11/F, Bank of China Tower No. 200, Yincheng Road Central Pudong New Area Shanghai 200120 PRC
Legal Advisers to the Issue Manager, Underwriter and Placement Agent	:	Shook Lin & Bok LLP 1 Robinson Road #18-00 AIA Tower Singapore 048542

CORPORATE INFORMATION

Auditors and Reporting Accountants	:	Foo Kon Tan Grant Thornton 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365
Receiving Bank	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street OCBC Centre Singapore 049513
Principal Bankers	:	Quanzhou City Commercial Bank, Jinjiang Branch (泉州市商业银行晋江分行) Heping Middle Road Jinjiang City Fujian Province PRC (中华人民共和国 福建省晋江市 和平中路) Industrial Bank Co., Ltd, Quanzhou, Xinmen Branch (兴业银行股份有限公司泉州分行新门支行) No. 157, Xinmen Road Licheng District Quanzhou City 362000 Fujian Province PRC (中华人民共和国 福建省泉州市362000 鲤城区新门街157号)
Vendors	:	(1) EV Capital Private Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola BVI (2) Japan Asia Investment Co., Ltd Seiko-Takebashi-Kyodo Bldg. 3-11 Kanda-Nishiki-cho Chiyoda-ku Tokyo 101-8570 (3) Ma Ong Kee c/o 10A Gemmill Lane Singapore 069251 (4) Mrs Chau-Chan Sui Yung 3 Moulmein Rise #02-03 The Springs Singapore 308144

(5) Superb Goal Limited
c/o CK Capital Management Pte Ltd
16 Raffles Quay
#41-04 Hong Leong Building
Singapore 048581

(6) Tan Kuang Hui
Blk 164
Bishan Street 13
#03-268
Singapore 570164

(7) Vision Jade Holdings Limited
P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
BVI

(8) Wang Ping
28 Duchess Road
#05-12
Singapore 269030

(9) Yeo Cheow Tong
25 Maryland Drive
Singapore 277519

SUMMARY

*The information contained in this summary is derived from, and should be read in conjunction with, the full text of this Prospectus. As it is a summary, it does not contain all the information that you should consider before investing in our Shares. You should read the entire Prospectus carefully, especially the matters set out in the section entitled "**Risk Factors**" of this Prospectus, and our financial statements and related notes, before deciding on whether or not to invest in our Shares.*

OVERVIEW OF OUR GROUP

Our Group

Our Company was incorporated in Singapore on 10 January 2008 under the Companies Act as a private limited company, under the name of Tianzheng Holdings Pte. Ltd.. On 3 April 2009, we changed our name to Ziwo Holdings Pte Ltd.. On 31 August 2009, our Company converted to a public limited company and changed our name to "Ziwo Holdings Ltd.". Upon completion of the Restructuring Exercise, our Company became the holding company of our Group. Further information on the Restructuring Exercise is set out in the section entitled "**Restructuring Exercise**" of this Prospectus.

Our Business

Our Group is primarily engaged in the research and development and manufacture and sale of SBR and other foamed materials, 30D terylene filament yarn and sandwich mesh fabric, which are used mainly as raw material by manufacturers of lifestyle consumer products and upholstery for furniture and automobile interior lining as well as the suppliers to these manufacturers.

Our products are categorised into three main segments, namely:

(1) SBR and other foamed materials, comprising:

  (i) foamed SBR, which are primarily used as raw material for the production of sportswear such as diving suits and surfing suits, gloves and sports accessories, and bags and luggage, and other products such as mouse pads;

  (ii) foamed EVA, which are used as raw material for the production of shoe soles, packaging material and components used in bags and luggage; and

  (iii) high foamed PE, which are used mainly in consumer products. Due to the high insulating capacity of PE, our high foamed PE is primarily used in the manufacture of PE film, which in turn is utilised in automobile roof lining and for the construction of heat insulation material of air conditioning piping or for sound proofing. Our high foamed PE is also used in the production of toys.

(2) 30D terylene filament yarn, which are synthetic terylene filament yarn used in the manufacture of sandwich mesh fabric. The majority of our products are supplied to manufacturers of sandwich mesh fabric, who in turn are suppliers to manufacturers of lifestyle consumer products and automobiles. Our 30D terylene filament yarn is also used as raw material in the manufacture of our sandwich mesh fabric.

(3) Sandwich mesh fabric, a type of loosely woven, semi-permeable fabric with numerous closely-spaced holes suitable for various applications, including the manufacture of lifestyle consumer products. We manufacture sandwich mesh fabric from our own 30D terylene filament yarn and fully drawn yarn acquired from our suppliers.

Some of the key differentiating factors for our Company are as follows:

- 92% of our sales are generated from import substitution products in the PRC

  Our Executive Directors believe that our SBR and other foamed materials and 30D terylene filament yarn products are import substitution products as there is presently insufficient domestic supply to meet the demands for these products in the PRC and this supply shortfall is presently satisfied by imports of these products into the PRC. Sales of SBR and other foamed materials and 30D terylene filament yarn constituted 92% of our total sales in FP2009.

- Our market is growing

  The increasing urbanisation in the PRC, the rising affluence of the PRC population and changes in the consumption patterns of the PRC consumer towards lifestyle consumer products are expected to fuel the growth in demand for lifestyle consumer products which uses our products as raw materials. In addition, our Executive Directors believe that the increasing new uses and applications being developed for foamed SBR and sandwich mesh fabric (which uses 30D terylene filament yarn as its main raw material) due to their better properties are expected to grow the market for our products.

- We have proprietary technology and know-how with 10 patent applications filed

  We have a dedicated research and development team of 8 staff and we were accorded the status of a New High Tech Enterprise since 2005 as recognition for our production technology and research and development efforts. As at the Latest Practicable Date, we have submitted 10 patent applications, comprising 2 for invention patents and 8 for utility model patents.

- Our growth is primarily constrained by our production capacity

  Our Executive Directors believe that the market demand for our products is strong and our growth is primarily constrained by our production capacity. We had been increasing our products capacity over the Track Record Period in anticipation of increase in demand. Despite the rapid expansion of our production capacity by more than three times since 2006, we had been able to achieve production utilisation rate of above 78% for our key SBR and other foamed materials and 30D terylene filament yarn products during this period. In order to meet expected increase in demand for our SBR and other foamed materials and 30D terylene filament yarn, we intend to double production capacity for these key products.

FINANCIAL HIGHLIGHT

*The following summary is derived from the "**Audited Combined Financial Statements for the Financial Years ended 31 December 2006, 2007 and 2008**" and the "**Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" as set out in Appendix A and Appendix B, respectively. You should read this summary in conjunction with those financial statements and related notes and the section entitled "**Management Discussion and Analysis of Financial Condition and Results of Operation**" of this Prospectus.*

Selected items from the Combined Operating Results of our Group

	Audited			Unaudited	
RMB '000	**FY2006**	**FY2007**	**FY2008**	**FP2008**	**FP2009**
Revenue	62,333	150,601	286,847	57,154	76,901
Gross profit	13,316	38,831	76,596	13,302	30,306
Profit before taxation	9,932	31,456	66,067	10,698	26,457
Profit attributable to equity holders	9,932	27,681	57,732	9,357	22,988
EPS (RMB cents)[(1)]	5.25	14.63	30.52	4.95	12.15
Adjusted EPS (RMB cents)[(2)]	3.99	11.11	23.17	3.76	9.23

Selected items from the Combined Financial Position of our Group

RMB '000	Audited As at 31 December 2008	Unaudited As at 31 March 2009
Total current assets	106,364	133,469
Total non-current assets	83,896	82,420
Total current liabilities	73,550	76,191
Total non-current liabilities	–	–
Shareholders' equity	116,710	139,698
NAV per Share (RMB cents) (3)	61.69	73.84

Notes:

(1) For comparative purposes, EPS for the Track Record Period have been computed based on the profit attributable to equity holders and our pre-Offering share capital of 189,178,600 Shares.

(2) Adjusted EPS for the Track Record Period have been computed based on the profit attributable to equity holders and our post-Offering share capital of 249,178,600 Shares.

(3) For comparative purpose, the NAV per Share as at 31 December 2008 and 31 March 2009 have been computed based on our pre-Offering Share capital of ,189,178,600 Shares.

COMPETITIVE STRENGTHS

We believe our competitive strengths are as follows:

We have established market presence for our key foamed SBR and 30D terylene filament yarn products

According to a joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心), we were named as one of the top sellers of foamed SBR and drawn textured single filament terylene yarn in the PRC. We believe that our key products, foamed SBR and 30D terylene filament yarn, are increasingly being recognised and accepted by our customers as products that meet their quality requirements as evidenced by the significant increase in our sales of these products over the Track Record Period. We believe that this will provide us with a strong platform to expand our sales and markets for these products and further strengthen our position as market leaders for these products.

We have strong technical expertise and R&D capabilities

We have strong research and development capabilities. As at the Latest Practicable Date, our research and development team consists of 8 staff who report to our Executive Chairman and CEO, Mr Ting Chun Yuen. Our production technology and research and development efforts were recognised when, Zhihe Technology was accorded the status of a New High Tech Enterprise in Fujian Province by the Fujian Science and Technology Bureau (福建省科学技术厅) in 2005. Our status was renewed for a period of 2 years in 2007.

In 2005, we successfully developed and launched our sandwich mesh fabric for use in automobiles which was accredited as a New Product and New Technology in Fujian Province by the Fujian Science and Technology Bureau in 2006 and submitted to the State Intellectual Property Office of the PRC (中华人民共和国国家知识产权局) for patent registration in 2009.

In September 2006, we successfully developed a flame-resistant sandwich mesh fabric which was certified by the Fujian Weaving Production Quality Inspection and Test Centre (福建省纺织产品质量检验测试站) as complying with grade A specification of the FZ/T77001-1992 "Flame-Resistant Knitted Fabric" industrial standard. In the same year, our research and development efforts also yielded sandwich mesh fabrics with anti-bacterial and shrink resistant properties as well as added softness and durability.

In June and October 2008, we successfully developed new production methods for the production of our SBR diving material and terylene filament yarn respectively, both of which have been submitted to the State Intellectual Property Office of the PRC for patent registration in the same year. As at the Latest Practicable Date, we have submitted 10 patent registration applications, comprising 2 applications for invention patent and 8 applications for utility model patent, to the State Intellectual Property Office of the PRC.

We are able to produce high quality products that meet industrial standards

To ensure quality consistency in our products, we have implemented stringent quality control measures at every stage of our production process, from raw material procurement to production of the final products. The measures enable our products to meet our customers' quality standards. Our attainment of ISO9001 quality management system certification in connection with the production all our products and ISO14001 environmental management system certification is a testimony of our Group's concerted efforts to deliver high quality products in an environmentally responsible manner.

We have expertise and capability in production of both 30D terylene filament yarn and sandwich mesh fabric

We are among the few PRC companies who possess the experience and technical expertise to manufacture both 30D terylene filament yarn and sandwich mesh fabric. With our integrated manufacturing capabilities, we are able to enjoy, amongst other things, lower cost of sales and marketing, flexibility in pricing strategies, better quality control and logistic management. Through our manufacture and sale of sandwich mesh fabric, we are better able to understand the technical requirements and specification required of the 30D terylene filament yarn being its main raw material and this has assisted us to continuously improve our manufacture of 30D terylene filament yarn. In a short span of about 3 years, we have established ourselves as one of the leaders in the business segment of 30D terylene filament yarn.

We are strategically located in Fujian Province

We are strategically located in Quanzhou City, Fujian Province, one of the major sportswear, sports accessories, bags and luggage producing region in the PRC. Our main customers include manufacturers of sportswear and sports accessories, bags and luggage as well as their suppliers, which are located in this region. Our close proximity to our customers makes us an attractive option to our customers in view of their lower transportation and storage costs. It also provides us the opportunity to maintain regular contacts with our customers and strengthen our foothold in the region's sportswear, sports accessories, bags and luggage market. Our strategic location also gives us easy access to suppliers of raw materials, that we require for our business which in turn allows us to lower our production cost.

We have a strong management team

We have a highly competent and committed management team. With his vast experience and knowledge of the industry, our Executive Chairman and CEO, Mr Ting Chun Yuen is able to manage and steer the growth of our Group's business and has established an extensive customer base, with the support from our whole management team. Our management team is committed to the development of our business and will continue to spearhead our business operations and future plans so as to ensure the continuing success of our Group.

We share an established long and good relationship with our customers

We believe that our commitment to product quality has assisted us in building up and maintaining good relationships with our customers. In FY2008, approximately 50.0% of our sales are attributable to our long-term customers, who have remained with our Group since 2006. Our established relationship with these customers has helped us in understanding their requirements and specifications, better meet their expectation and demand, maintain a good feedback channel and hence improve our customer retention. We also receive sales referral by our customers to other manufacturers resulting in the expansion of our customer base.

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our strategies and plans for the growth and expansion of our businesses are described below.

Expansion of production capacity

In order to meet the anticipated increase in demand for our products, we intend to expand our production capacity through the acquisition of additional production lines as follows:

- 8 production lines for the manufacture of 30D terelyne filament yarn. The purchases are expected to be completed within two years of the Listing;
- 2 production lines for the manufacture of foamed SBR. The purchases are expected to be completed within one year of the Listing;
- 2 production lines for the manufacture of high foamed PE. The purchases are expected to be completed within one year of the Listing; and
- 2 production lines for the manufacture of foamed EVA. The purchases are expected to be completed within one year of the Listing.

We intend to utilise an aggregate of S$10.1 million (equivalent to approximately RMB48.0 million) from the proceeds of issue of New Shares to fund the acquisition of the additional production lines.

Upon the completion of the above expansion, we expect the following increase in our annual production capacity:

(a) 30D terylene filament yarn from approximately 8,600 tonnes as at the Latest Practicable Date to approximately 18,000 tonnes;

(b) Foamed SBR from approximately 15,800 tonnes as at the Latest Practicable Date to approximately 31,600 tonnes;

(c) High foamed PE from approximately 750 tonnes as at the Latest Practicable Date to approximately 2,250 tonnes; and

(d) Foamed EVA from approximately 3,500 tonnes as at the Latest Practicable Date to approximately 7,000 tonnes.

Construction of new buildings

We intend to construct new buildings with an estimated total built-up area of at least 5,000 sq m on our existing land at Land Lot A-09. A-10(B), Qingmeng Zone, Quanzhou Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC to replace Buildings D, E, F and G. Construction would be carried out in phases so as to minimise disruptions to our operations. The construction of the new buildings and shifting of the trimming, cutting and warehousing facilities is not expected to have any material impact on our business operations, financial performance and profitability. Construction is expected to commence in mid 2010 and is expected to be completed by mid 2011.

We intend to utilise internal funds and bank borrowings of up to RMB25.0 million (equivalent to S$5.4 million) to finance the above construction of the new buildings and do not intend to utilise any proceeds from the issue of New Shares towards such purposes. As at the Latest Practicable Date, we have not expended any monies on the construction.

Enhance our R&D activities

We have credited our current success to our strong R&D capability and will continue to develop new technologies and products which meet the customer demands. We intend to invest in machinery and equipment dedicated for R&D, prototype development and testing. We intend to utilise an aggregate of S$0.4 million (equivalent to approximately RMB2.0 million) of our net proceeds from the issue of New Shares to fund the investment.

We also intend to utilise our internally generated fund to recruit additional experienced and skilled R&D personnel including a qualified candidate to spearhead our R&D efforts to the next level.

Expansion of our business through mergers and acquisitions, joint ventures or strategic alliances

We are constantly on the look out for opportunities to expand our business and/or strengthen our market position through mergers and acquisitions, joint ventures or strategic alliances with suitable parties who could synergise with our existing business.

As at the Latest Practicable Date, we have not been engaged in any form of discussion with any potential party to acquire its business or form join ventures or engage in investments. We believe that our status as a listed company will position us to take advantage of such opportunities as and when they arise. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders and the relevant authorities as required by the relevant laws and regulations.

OUR DIVIDEND POLICY

We currently do not have a dividend policy. The dividends that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board of Directors:

- The level of our cash and retained earnings;
- Our actual and projected financial performance;
- Our projected levels of capital expenditure and other investment plans; and
- Restrictions on payment of dividends imposed on us by our financing arrangements or legal and contractual obligations (if any).

WHERE YOU CAN FIND US

Our registered office is at 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624, and our business address is at Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC (中国福建省泉州市经济技术开发区清濛园区西片区).

Our telephone number is 86 595 2239 5555 and our facsimile number is 86 595 2207 5555.

THE OFFERING

Issuer	Ziwo Holdings Ltd.
The Vendors	(1) EV Capital Private Limited (2) Japan Asia Investment Co., Ltd (3) Ma Ong Kee (4) Mrs Chau-Chan Sui Yung (5) Superb Goal Limited (6) Tan Kuang Hui (7) Vision Jade Holdings Limited (8) Wang Ping (9) Yeo Cheow Tong
The Offering	The offering by our Company and the Vendors to investors to subscribe for and/or purchase the Offering Shares, at the Offering Price, subject to and on the terms and conditions of this Prospectus.
Offering Size	121,612,000 Offering Shares comprising 60,000,000 New Shares and 61,612,000 Vendor Shares by way of the Public Offer and the Placement. The Offering Shares, upon allotment and issue, will rank *pari passu* in all respects with the existing issued Shares.
The Placement	The Placement comprises an offering by the Placement Agent on behalf of our Company and the Vendors of 119,612,000 Placement Shares by way of placement at the Offering Price, subject to and on the terms of this Prospectus.
The Public Offer	The Public Offer comprises an offering by our Company and the Vendors to the public in Singapore to subscribe for and/or purchase 2,000,000 Offer Shares at the Offering Price, subject to and on the terms and conditions of this Prospectus.
The Offering Price	23.5 cents.
Dividends	As part of the preparation for this Offering, our Board of Directors has considered the general principles that it currently intends to apply when recommending dividends for approval by our Shareholders or when declaring any interim dividends. In determining our dividend payout ratio in respect of any particular year, we will take into account our current desire to maintain and potentially increase dividend levels within our overall objective of maximising shareholder value over the longer term; and if we pay an annual dividend in respect of a financial year, the dividend would generally be paid in the second or third quarter of the following financial year. In considering the level of dividend payments, if any, upon recommendation by our Board of Directors, we intend to take into account various factors, including: ● The level of our cash and retained earnings;

	● Our actual and projected financial performance; ● Our projected levels of capital expenditure and other investment plans; and ● Restrictions on payment of dividends imposed on us by our financing arrangements or legal and contractual obligations (if any).
Share Capital	We will have 249,178,600 Shares issued on the Listing Date.
Listing and Trading	Prior to this Offering, there has been no public market for our Shares. Application has been made to the SGX-ST for permission to list all our issued Shares (including the Vendor Shares) and the New Shares on the Main Board of the SGX-ST. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. Acceptance of applications for the Offering Shares will be conditional upon, among other things, permission being granted to deal in and for quotation for all our issued Shares. We have not applied to any other exchange to list our Shares in accordance with our application to the SGX-ST. The Shares are expected to commence trading on a "ready" basis as at 8 October 2009 on 9.00 a.m. (Singapore time). Please see the section entitled "**The Offering — Indicative Timetable for Listing**" of this Prospectus. Our Shares will, upon their listing and quotation on the SGX-ST, be traded on the SGX-ST under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited, or the CDP. Dealing in and quotation of our Shares on the SGX-ST will be in Singapore dollars. The Shares will be traded in board lot sizes of 1,000 Shares on the SGX-ST.
Settlement	We expect to receive payment for all the Offering Shares in the Placement and the Public Offer on or about 6 October 2009. We will deliver global share certificates representing the Offering Shares to the CDP for deposit into the securities accounts of successful applicants on or about 7 October 2009.
Application Procedures in Singapore	Investors in Singapore must follow the application procedures set out in Appendix H on "**Terms and Conditions and Procedures for Application and Acceptance**". Applications must be paid for in Singapore dollars. The minimum initial application is for 1,000 Shares. An applicant may apply for a larger number of Shares in integral multiples of 1,000 Shares.
Risk Factors	Prospective investors should carefully consider certain risks connected with an investment in our Shares, as discussed under the section entitled "**Risk Factors**" of this Prospectus.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for reference of applicants:

Date and Time (Singapore time, unless otherwise indicated)	Event
1 October 2009 and 9.00 a.m	Open of Offering
6 October 2009 and 12.00 p.m	Close of Application List
7 October 2009	Balloting of applications, or otherwise as may be approved by the SGX-ST (in the event of an over-subscription for the Offering Shares)
8 October 2009	Commence trading on a "ready" basis
13 October 2009	Settlement date for all trades done on a "ready" basis on 8 October 2009

The above timetable is indicative only and is subject to change at our discretion, with the agreement of the Vendors, the Issue Manager, Underwriter and Placement Agent. The timetable and procedure may also be subject to such modifications as the SGX-ST may in its discretion decide, including the commencement date of trading on a "ready" basis. It assumes: (i) that the closing of this Offering is 6 October 2009; (ii) that the date of admission of our Company to the Official List of the SGX-ST is 8 October 2009; and (iii) compliance with the SGX-ST's shareholding spread and distribution requirements. All dates and times referred to above are Singapore dates and times.

We, with the agreement of the Vendors, the Issue Manager, Underwriter and Placement Agent, may at our discretion, subject to all applicable laws and regulations and the rules of the SGX-ST, agree to extend or shorten the period during which this Offering is open.

In the event of the extension or shortening of the time period during which this Offering is open, we will publicly announce the same:

(a) through a SGXNET announcement to be posted on the Internet at the SGX-ST website http://www.sgx.com; and

(b) in a local English newspaper.

You should consult the SGX-ST announcement on the "ready" listing date on the Internet at the SGX-ST website or in the newspapers, or check with your brokers on the date on which trading on a "ready" basis will commence.

We will provide details of and the results of this Offering through SGXNET or in a local English newspaper.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Offering Shares, without assigning any reason therefore, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allocation, due consideration will be given to the desirability of allocating our Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

Where an application is rejected, the full amount of the application monies will be refunded, without interest or any share of revenue or other benefit arising therefrom, to the applicant, at his own risk within 14 days on a Market Day, or such shorter period as the SGX-ST may require, after the close of this Offering, provided that such refunds are made in accordance with the procedures set out in Appendix H on "**Terms and Conditions and Procedures for Application and Acceptance**".

Where this Offering does not proceed for any reason, the full amount of application monies, without interest or any share of revenue or other benefit arising therefrom, will be returned within 3 Market Days after this Offering is discontinued.

If our Company is required to cancel issued New Shares and repay application monies to applicants (including instances where a stop order under the Securities and Futures Act is issued), subject to compliance with the Companies Act, our Company will purchase such New Shares at the Offering Price.

OFFERING STATISTICS

Offering Price	23.50 cents
NTA[1]	
The NTA per Share based on the balance sheet of our Group as at 31 December 2008 after adjusting for the Restructuring Exercise, the Share Split and the Conversion ("Adjusted NTA"):	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Offering share capital of 189,178,600 Shares	15.58 cents
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Offering share capital of 249,178,600 Shares	16.53 cents
Premium of Offering Price over the Adjusted NTA per Share:	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Offering share capital	50.83 %
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Offering share capital	42.17 %
EPS[2]	
Historical net EPS of our Group for FY2008 based on the profit after taxation and the post-Offering share capital of 249,178,600 Shares	4.71 cents
Historical net EPS of our Group for FY2008 had the Service Agreements been in effect for FY2008 and based on the post-Offering share capital	4.60 cents
Price Earnings Ratio	
Historical net PER based on the historical net EPS of our Group for FY2008 and the post-Offering share capital of 249,178,600 Shares	4.99 times
Historical net PER based on the historical net EPS of our Group for FY2008 had the Service Agreements been in effect for FY2008 and the post-Offering share capital	5.11 times
Net Operating Cash Flow[3]	
Historical net operating cash flow per Share of our Group for FY2008 based on the pre-Offering share capital of 189,178,600 Shares	5.99 cents
Price to Cash Flow Ratio	
Historical price to net operating cash flow based on the historical net operating cash flow per Share for FY2008	3.92 times
Market Capitalisation	
Market capitalisation based on the Offering Price and the post-Offering share capital of 249,178,600 Shares	S$58.56 million

Notes:

(1) Our NTA is converted to S$ using the closing exchange rate of S$1.00 to RMB4.760 as at 31 December 2008.

(2) Our EPS is converted to S$ using the average exchange rate of S$1.00 to RMB4.919 for FY2008.

(3) Our net operating cash flow is extracted from our Group's cash flow statement for FY2008 and is converted to S$ using the average exchange rate of S$1.00 to RMB4.919 for FY2008.

USE OF PROCEEDS AND LISTING EXPENSES

USE OF PROCEEDS

Based on the Offering Price of S$0.235 for each Offering Share, the net proceeds from the issue of the Offering Shares (after deducting listing fee, professional fees, underwriting and placement commission and other incidental issue expenses to be borne by our Company in relation to the issue of the New Shares of approximately S$2.4 million), is estimated to be approximately S$11.7 million.

We intend to use the net proceeds raised by our Company for the following purposes:

Intended Use	Estimated amount (S$'000)	Estimated amount allocated for each dollar of gross proceeds from the New Shares (S$)
Installation of additional production lines to increase production capacities[1]	10.100	0.72
Research and development – investment in machinery and equipment	400	0.03
Working capital	1.200	0.09
TOTAL	11.700	0.83

Note:

(1) Approximately S$4.4 million (RMB20.1 million) will be invested to acquire two additional production lines for our foamed SBR and four additional production lines for our other foamed materials and approximately S$5.7 million (RMB27.0 million) will be invested to acquire eight additional production lines for our 30D terylene filament yarn.

We expect that the timing and the final amounts of disbursements to be made for the foregoing purposes will be determined by our Directors with a view to obtaining the maximum benefit for our Group. However, future developments, such as changes in economic conditions in the locations where we operate or changes in the specific expenditures for our expansion plans, among other factors, may make it necessary or advisable to reallocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes, subject to proper and timely disclosure of such intended changes through SGXNET. In addition, we may not be able to use the net proceeds to make certain investments identified by our Directors that require prior shareholder and/or regulatory approval if such approval is not forthcoming.

Our Company will make periodic announcements on the use of proceeds from the issue of New Shares as and when the net proceeds are materially disbursed, and provide a status report on the use of net proceeds in an annual report. The announcement will state whether the use of proceed is in accordance with the stated use and the percentage allocated disclosed above.

In the opinion of our Directors, no minimum amount must be raised by us. In the event that the net proceeds from the issue of New Shares is below the amount indicated above, we will reduce the amount allocated for working capital purposes and fund the shortfall in relation to other allocated uses from cash generated from operations and external bank borrowings.

Pending the specific deployment of funds, the net proceeds may be placed as deposits with financial institutions or added to our working capital or used to reduce bank borrowings or used for investment in short-term money market instruments as may be determined by our Directors in their absolute discretion, from time to time.

USE OF PROCEEDS AND LISTING EXPENSES

Please refer to the section entitled "**Business Strategies and Future Plans**" of this Prospectus for further details on our use of proceeds.

LISTING EXPENSES

The estimated expenses in connection with this Offering, including professional fees, underwriting and placement commission and other incidental expenses in relation to this Offering which are borne by our Company is approximately S$2.4 million. A breakdown of these estimated expenses is as follows:

Expenses	Estimated amount (S$'000)	Estimated amount allocated for each dollar of gross proceeds from the New Shares (S$)
Listing and application fees	53	0.00
Professional fees	1,410	0.10
Underwriting commission, placement commission and brokerage[(1)]	529	0.04
Miscellaneous expenses	408	0.03
TOTAL	2,400	0.17

Note:

(1) For each Placement Share, a placement commission of 3.75% of the Offering Price is payable by our Company and the Vendors in the proportion in which the Placement Shares are offered by our Company and the Vendors. For each Offer Share, an underwriting commission of 3.25% of the Offering Price is payable by our Company and the Vendors in the proportion in which the Offer Shares are offered by our Company and the Vendors. Please refer to the section entitled "**Management, Underwriting and Placement Arrangements**" of this Prospectus for more details.

Save for the underwriting commission, placement commission and brokerage which will be borne by our Company and the Vendors in the proportion in which the Offering Shares are offered by our Company and the Vendors, all other expenses in relation to this Offering will be borne by our Company.

In the event that the amount set aside to meet our Company's portion of the estimated expenses listed above is in excess of the actual expenses incurred in connection with this Offering, such excess amount will be applied towards our working capital purpose.

In accordance with applicable accounting standards, a portion of the expenses (other than underwriting commission, placement commission and brokerage) incurred in connection with this Offering will be treated as a one-time charge in our financial statements, which will affect our financial results for FY2009.

Net proceeds from the sale of the Vendor Shares

The net proceeds to be raised by the Vendors from the issue of the Vendor Shares (after deducting the estimated issue expenses for underwriting and placement commissions to be borne by the Vendors of approximately S$0.5 million), is estimated to amount to approximately S$13.9 million.

Prospective investors should consider carefully, together with all other information contained in this Prospectus, each of the risks described below before deciding to invest in our Shares. The risks described below are not the only ones we face. To the best of our Directors' knowledge and belief, all risk factors that are material to investors making an informed judgment have been set out below. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of our Shares could decline due to any of these risks and you may lose all or part of your investment.

*This Prospectus also contains forward-looking statements that involve risks and uncertainties. The actual results of our operations could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this Prospectus. Please refer to the section entitled "**Cautionary Note Regarding Forward-Looking Statements**" of this Prospectus for details.*

Before deciding to invest in our Shares, prospective investors should seek professional advice from their advisers about their particular circumstances.

RISKS RELATING TO OUR BUSINESS AND COMPANY

We are dependent on the industries of our customers

Our products are primarily used in the manufacture of sportswear and sports accessories, bags and luggage, automobile and furniture in the PRC. As such, we are dependent on the market conditions of such industries in the PRC and to an extent the international market conditions. Any adverse changes in the market conditions due to, *amongst others*, changes in the spending patterns and purchasing power of the end-customers of our customers, may negatively impact the demand for our products resulting in our revenue, future performance and profitability being adversely affected.

We operate in a competitive environment and if we are unable to maintain our competitiveness, our result of operations may be adversely affected

We operate in a competitive environment and we are subject to competition from existing competitors and new market entrants. Our competitors include both PRC and overseas companies which may have access to greater financial and other resources than we do. There is no assurance that we will be able to remain competitive. Should we be unable to compete successfully, this would have a material adverse effect on our result of operations.

In order to maintain our customer base and market share, we must ensure that we are able to continually manufacture products that meet our customers' demands and changing needs. If our competitors are able to develop better or cheaper products through technological innovation and improvements in the development and production of their products, we may not be able to maintain our competitiveness or our market share, and our business and results of operations will be materially and adversely affected. Further, if we do not develop and introduce new products or enhance existing products in a timely manner in response to changing market conditions or customers' requirements, or if our new products do not achieve market acceptance, our business, results of operations and financial condition may be materially and adversely affected. Please refer to the sections entitled "**Our Business – Competition**" and "**Our Business – Competitive Strengths**" of this Prospectus for further details.

We are subject to risks associated with technological changes and the introduction of competitive substitute products

Our industry is subject to technological changes and advancements. Our future success depends in part on our ability to address the changing trends in the markets by developing and introducing new products on a timely basis and in accordance with our customers' changing needs. Advances in technology may typically lead to newer and cheaper substitutes for our products, which will in turn lead to rapid and significant price declines and decreased demand for our products. In such event, our business and financial performance may be materially and adversely affected.

We are subject to fluctuations in the cost of our raw materials

Our ability to manufacture and deliver products of high quality at competitive prices to our customers is dependent on our ability to acquire sufficient quality raw materials at competitive prices. The primary raw materials used in the production of our products, include PET chips, natural rubber, bacon rubber, PE blowing agent, PE, EVA pellets, SBR #1502 and SBR additives. These raw materials constitute approximately 79.8%, 85.5%, 90.3% and 88.6% of our cost of sales for FY2006, FY2007, FY2008 and FP2009 respectively.

The prices of these raw materials may fluctuate due to changes in supply and demand conditions. We have, in the past experienced significant increased in the raw material prices, for instance when average cost for natural rubber increased by 72.0% from RMB8.48 per kg in FY2007 to RMB14.59 per kg in FY2008. As these raw materials are generally produced from by-products of oil, their prices are also dependent on prices of oil, which is a global commodity. Any fluctuations in global oil prices will have a direct impact on the prices of these raw materials.

Should the prices of our raw materials increase significantly and we are not able to pass on the increases in the prices of our raw materials, whether partially or entirely, to our customers, the profitability of our Group may be adversely affected.

In addition, as we do not have any long-term contractual arrangement with our suppliers, there is no assurance that we would be able to continue to purchase sufficient quality raw materials at competitive prices from our suppliers. In the event that our suppliers are unable to satisfy our needs or if we are unable to find sufficient replacements of acceptable quality and quantity, especially in relation to the primary raw materials listed above, our production will be adversely affected which may result in our failure to fulfil our customers' orders, which in turn will materially affect our reputation, operating result and revenue.

We may experience disruptions to our business and incur substantial expenditure in defending against intellectual property infringement claims

We cannot be certain that our products and manufacturing process do not or will not infringe any valid patents, copyrights or other intellectual property rights held by third parties. In such event our Group may be subject to legal proceedings and claims relating to the intellectual property of others and such claims with or without merit, could:

- be expensive and time consuming to defend;
- cause us to cease making, licensing or using products that incorporate the challenged intellectual property;
- cause delay in the delivery of our products;
- require us to redevelop our products, if feasible;
- divert management's attention and resources; or

- require us to enter into royalty or licensing agreements in order to obtain the rights to use a necessary component. Such royalty or licensing agreements, if required, may not be available on acceptable terms, if at all.

A successful claim of intellectual property infringement against us and our failure or inability to obtain the rights to use the necessary formulation could prevent us from continuing to utilising our existing formulation or cause us to incur substantial costs in developing non-infringing formulation. This would have an adverse impact on our Group's results and prospects.

Our business and operation are dependent on intellectual property, trade secret and technical know-how which may be difficult to protect

Our ability to compete successfully and achieve future growth in revenues depends, in part, on our ability to protect our intellectual property, trade secrets and/or technical know-how relating to our manufacturing processes, and also on our ability to protect our brand name and trade marks. Where possible, we have applied for the registration of patent and trade marks which are material to our business. For more details, please see the section entitled "**Our Business – Intellectual Property**" of this Prospectus. In respect of our trade secrets and technical know-how, we have entered into Service Agreements with certain Directors, which include certain confidentiality undertakings, details of which are set out under the section entitled "**Directors, Management and Staff – Service Agreements**" of this Prospectus, in addition to confidentiality agreements with our key employees, such as our key manufacturing personnel, who have access to trade and business sensitive information, to protect our trade secrets and proprietary information.

On 4 June 2008, 29 October 2008 and 17 March 2009, we submitted patent applications to the State Intellectual Property Office of the PRC (中华人民共和国国家知识产权局) in respect of our new production methods for the production of SBR diving material and 30D terylene filament yarn and our sandwich mesh fabric for use in automobiles, respectively. To the best of our knowledge, we believe that our new SBR diving material and 30D terylene filament yarn production methods and our sandwich mesh fabric for use in automobiles do not violate any existing registered patent in the PRC. As at the Latest Practicable Date we have also submitted applications in respect of three trade marks. The patent and trade mark applications are still pending approval and there is no assurance that the applications will be approved. In the event our applications are not approved, we will not be accorded legal recognition of our intellectual property and in particular for our patents, we may lose our advantage as a first mover of the production methods, which, in terms of our SBR diving material, enables us to produce foamed SBR with better elastic property, higher density, softer texture and higher tensile strength, and in terms of 30D terylene filament yarn, allows us to produce yarn with better elastic property and better tensile strength.

Further, there is no assurance that our patents, trade marks or pending applications may be adequate to protect our rights, as it is possible for a third party to initiate or use the intellectual property rights without authorisation.

If we decide to enforce our intellectual property rights through litigation, such litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources, either of which could have a material adverse effect on our business, financial condition and results of operations.

Further, third parties may assert claims to the processes, technologies and systems used in the production of our products or our brand name and trade marks. In such event, we may need to acquire licences to, or to contest the validity of, issued or pending patents or claims of third parties. There can be no assurance that any licence in relation to such trade marks and patents would be made available to us on acceptable terms, if at all, or that we would prevail in any such contest. In addition, we may incur substantial costs and time in contesting or defending such claims brought against us. Our business, results of operations and financial condition may be materially and adversely affected by such claims.

Although we have entered into confidentiality agreements with our management and technical personnel, there can be no assurance that these agreements will not be breached, or that we will have adequate remedies for any breach, or that other parties will not obtain knowledge of our trade secrets and proprietary processes, technologies and systems, or infringe our brand name and trade marks. In addition, in the event of a departure of any of our management or technical personnel, they may disclose such trade secrets and/or technical know-how to third parties.

We rely on our skilled workers

One of the key factors to our success is the continued services of our Group's key employees and skilled workers. Our skilled workers are responsible for quality control, research and development, production and the maintenance of our production facilities, and accounted for approximately 85% of our total workforce as at the end of FP2009. We rely on our skilled workers to maintain the quality of our products and operation efficiency. The substantial loss of such employees without suitable replacements or the inability to retain their services and/or to recruit enough skilled workers will adversely affect our business, operations and competitiveness.

Any shortage of such skilled workers may require us to pay higher wages to attract and retain sufficient and capable skilled workers. In the event of any substantial increase in labour costs, our business, financial position and performance may be adversely affected.

Failure to retain the services of our key management staff or to hire and retain experienced executives and staff will adversely affect our operations and results

Our continued success is dependent, to a large extent, on our ability to retain the services of our key management and operations personnel as they are responsible for the formulation of our business strategies and overseeing our manufacturing operations. The loss of our key management and staff, who have the experience and expertise in our business as well as established relationships with our customers and suppliers, without suitable replacements, or the inability to attract and retain qualified personnel will adversely affect our operations and hence, revenue and profits. In particular, the loss of the services of our Executive Directors, Mr Ting Chun Yuen, Mr Zhuang Qingquan and Mr Fu Dongli and our senior management, will have an adverse impact on our business, results of operations and financial condition.

We may not be able to renew the temporary permits for our buildings where our production facilities are located

We have not obtained building ownership certificates for our Buildings D, E, F and G (measuring approximately 1,115sq m, 1,115sq m, 933sq m, and 933sq m, respectively). Buildings D, E, F and G house our trimming, cutting and warehousing facilities. As disclosed under the section entitled "**Our Business – Properties and Fixed Assets**" of this Prospectus, as at the Latest Practicable Date, we have obtained temporary permits for Buildings D, E, F and G from the State-owned Land Planning and Construction Bureau under the Management Committee of the Quanzhou Economy and Technology Development Zone (泉州经济技术开发区管委会国土规划建设局). The temporary permits for Buildings D, E, F and G are valid until 10 April 2011.

We intend to construct new buildings to replace Buildings D, E, F and G before the expiry of the current temporary permits. If we are unable to complete the construction of the new buildings before the expiration date of the temporary permits, we will have to continue to renew the temporary permits.

In the event that the renewal of the temporary permits are not approved, our production process and business operations may be disrupted and our financial performance and profitability will be adversely affected.

Please refer to section entitled "**Our Business – Properties and Fixed Assets**" of this Prospectus of this Prospectus for details on the temporary permits for the use of our Buildings D, E, F and G.

We commenced sales of our foamed SBR only in November 2006

We commenced sales of our foamed SBR only in November 2006. Revenue from our SBR and other foamed materials constituted approximately 56.2% and 62.2% of our total revenue for FY2008 and FP2009 respectively and as set out in the section entitled "**Prospects, Trends and Order Book**" of this Prospectus. Should we fail to successfully implement our business plans for our foamed SBR and grow the revenue from this product segment, our financial performance and profitability will be adversely affected.

We are exposed to potential product quality liability

Currently, we do not have any product liability insurance in respect of the products manufactured by us.

Under the Product Quality Law of the People's Republic of China, if a product causes property damage or personal injury, manufacturers and sellers of the product will be liable for property damage or personal injuries caused by the product. Our products undergo laboratory tests conducted by us to ensure that they are free from toxic or harmful substances. Nonetheless, there can be no assurance that our products will not cause irritation, health complications or any other allergic reactions when used by consumers. Any successful product liability claim against us will materially and adversely affect our business and reputation. Even if we are able to successfully defend such claim, there can be no assurance that our customers will not lose confidence in our products, which will adversely affect our business and the reputation of our Group. A product liability claim, even one without merit, could result in us incurring significant expenses and substantial time and efforts of our management in defending and proving such claim to be without merit. In addition, any negative publicity, regardless of their validity, may affect our reputation and result in lower sales of our products. In such event, our business, operations and financial performance may be adversely affected.

We are exposed to credit risks of our customers

We generally extend credit terms of between 30 to 90 days. For the Track Record Period, our average trade receivables turnover days were 54, 59, 45 and 49 days, respectively. Due to our strict credit control policy, in the last three financial years, we have not made any allowance for doubtful debts and did not write off any bad debts for the Track Record Period.

Our financial position, profitability and cash flow are dependent to a large extent on the credit worthiness of our customers and their ability to pay us on a timely basis. Further, as our customer base grows, we will be exposed to credit risks from new customers. If our customers experience cash flow difficulties or deterioration in their business performance, they may default on their payment to us. In such an event, we may experience payment delays or in more severe cases, we may not be able to collect payment. This may have an adverse impact on our profitability and cash flow. Please refer to the section entitled "**Our Business – Credit Management**" of this Prospectus for more details.

We may be affected by fire, typhoon, earthquake and other calamities at our production facilities, warehouses, or transportation system

Fire, typhoon, earthquake or other natural calamity at our production facilities, warehouses, or our transportation system may result in major disruptions to our production process and would have significant adverse effects on our business, financial conditions and operating results. Our production facilities are located at Quanzhou City, Fujian Province. We place fire extinguishers at critical points and conduct periodic checks to prevent the outbreak of fire. In addition, all our employees working on the production lines are briefed on safety procedures during their orientation upon joining our Group. Nevertheless, there is no assurance that such measures would be sufficient to prevent any outbreak of fire in the future.

Furthermore, while we maintain insurance policies covering losses due to fire and other events, we cannot assure that our insurance coverage would be sufficient to cover all our potential losses. In addition, we do not maintain any insurance against business disruption. In the event our insurance policies cannot sufficiently cover our losses due to fire and other calamities, our operations and financial performance will be adversely affected.

Any disruptions to our supply of electricity may result in major disruptions to our operations

Our operation is dependent on a stable supply of electricity. We have secured a special electricity supply line from the local electricity supplier. However, we are unable to guarantee that such electricity supply will not be suspended. Disruptions to our supply of utilities due to restrictions in supply by the relevant authorities or other events beyond our control may result in disruption to our operations. Any major disruptions to our operations may adversely affect our ability to fulfil our sales orders and adversely affect our financial performance.

We may be materially and adversely affected by the economic downturns which would affect demand

We may experience a decline in demand for our products due to economic downturns such as those brought about by the recent global financial crisis. Our customers comprise mainly manufacturers of sportswear and sports accessories, bags and luggage and their suppliers. We supply the raw materials required by our customers for the manufacture of their own products which are used in turn by their end customers. A more cautious consumer spending behaviour is observed during periods of economic downturn, which will affect the overall demand for products of our customers. In turn, this will affect demand for our products. There is also no assurance that the factors which have contributed to the success of our Group during the past years will continue to occur in the future. In the event we fail to react promptly to the changing economic conditions, our performance and profitability could be adversely affected.

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 garments containing dangerous levels of formaldehyde, may generally affect the demand for PRC products. Any negative publicity on PRC products, whether relating to our industry or otherwise, may affect our customers' sales. This in turn may adversely affect our business and profits.

Our failure to procure additional financing at reasonable cost in the future will hinder the expansion and growth of our Group

We expect to incur significant capital expenditure in the future due to the growth of our Group. The expansion of our businesses and the financing needs of our Group may exceed the proceeds raised from the issue of the New Shares. In that event, we may seek additional financing, which may take the form of equity issues, debt issues or loans from banks or other lenders. Failure by our Company to procure additional financing at reasonable costs may hinder the expansion and growth of our Group. Even if we are able to obtain financing at reasonable costs, the terms of financing may limit our Company's ability to declare dividends or impose controls on our Group's business operations.

We cannot however, ensure that our profitability will increase significantly or that we will not incur losses after this expenditure due to a potential increase in our operating costs incurred to finance our growth and expansion. This increase in operating costs without a corresponding increase in revenue will have a negative impact on our results from operations. Based on our future plans described in the section entitled "**Business Strategies and Future Plans**" of this Prospectus, we believe the net proceeds from the issue of the New Shares should be sufficient to meet the immediate needs of these plans. However,

we may chance upon other opportunities to grow our business. Under such circumstances, the net proceeds from the issue of New Shares may not be sufficient for us to capitalise on and develop these growth opportunities. Hence, we may need to obtain additional debt or equity financing to fund our future capital expenditures.

We cannot ensure that we will be able to secure additional funding on terms that are acceptable to us when required to meet our business requirements and if that is so, we may not be able to fully implement our future plans or respond to competitive pressures or unanticipated requirements, in which case, our business results would suffer.

Our insurance coverage may not cover all situations

We have taken up property insurance covering our factory premises, fixed assets and inventory. However, there is no assurance that this coverage is sufficient to cover all our Group's potential losses. In the event that the amounts of such claims exceed the insurance coverage of the insurance policies which we have taken up, we may be liable to cover the amounts claimed. If such events were to occur, our business, financial performance may be materially and adversely affected.

The outbreak of H1N1 influenza, avian influenza and/or other communicable diseases, if uncontrolled, could affect our financial performance and prospects

The outbreak of H1N1 influenza, avian influenza and/or other communicable diseases, if uncontrolled, can have an adverse effect on business sentiments and environment. In addition, if any of our employees, our customers or our suppliers, is affected by the outbreak of communicable diseases, our operations, our customers' orders and our supply of raw materials may be adversely affected. Accordingly, our financial performance will be materially and adversely affected.

RISKS RELATING TO THE PRC

Our operations could be adversely affected by changes in the political, economic and social conditions in the PRC

Since our manufacturing facilities are located in the PRC and our revenue is entirely derived from the PRC, our business operations and financial position are subject to the political, economic and social developments in the PRC.

The economy of the PRC has historically been a planned economy subject to a series of economic plans adopted by the state. The PRC government has implemented economic reforms resulting in significant economic and social advancement over the past 30 years. Many of these reforms however are unprecedented or experimental and may be subject to change or reversal. There is no assurance that the PRC government will continue to pursue a policy of economic reforms. Changes in the political, economic and social conditions in the PRC or changes in government policies such as changes in laws and regulations or their interpretation, the introduction of measures to control inflation, changes in the rate and method of taxation and the imposition of additional restrictions on currency conversion and overseas remittances, may affect our future performance and profitability.

Our operations are subject to changes and uncertainties in the PRC legal system

The PRC legal system is based on statutory law. Unlike the common law system, statutory law is based on written statutes. Prior court decisions may be cited as persuasive authority but do not have binding effect. Since 1979, the PRC government has been promulgating and amending the laws and, regulations regarding economic matters, such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, the PRC legal system is still not as well developed as those western countries with a common law legal system and the interpretation and enforcement of the PRC laws are still subject to uncertainties. If any court decision or any interpretation or enforcement of the

PRC laws in relation to our business does not follow relevant precedents and are decided to our detriment, our business, results of operation and financial position will be materially and adversely affected as a result of such uncertainty.

Changes in the tax rate applicable to our PRC subsidiary will have an adverse impact on our profitability

In accordance with PRC's taxation law, our PRC subsidiary Zhihe Technology, being a foreign investment enterprise engaged in production with an approved operation period of not less than ten years, is exempted from income tax for the first two profit making years and entitled to a 50% reduction in the income tax payable for the next three years. Zhihe Technology elected FY2005 as its first profitable year and will be entitled to the 50% reduction from FY2007 to end of FY2009.

On 16 March 2007, the National People's Congress of the PRC passed the Enterprise Income Tax Law of the People's Republic of China ("Enterprise Income Tax Law"), which took effect as of 1 January 2008. In accordance with the new law, a unified enterprise income tax rate of 25% and unified tax deduction standards will be applied equally to both domestic-invested enterprises and foreign-invested enterprises. Enterprises established prior to 16 March 2007 are eligible for preferential tax treatment in accordance with current prevailing tax laws and administrative regulations shall, under the regulations of the State Council, gradually become subject to the new tax rate up to a five-year transition period commencing from 1 January 2008.

As a FIE, Zhihe Technology was exempted from income tax from FY2005 and FY2006 and entitled to a 50% reduction to its income tax from FY2007 to FY2009. As a result of the tax incentive, Zhihe Technology's applicable tax rate for the Track Record Period was 0%, 12%, 12.5% and 12.5%. Zhihe Technology was accorded the status of New High Tech Enterprise since 2005. Under the relevant tax laws, New High Tech Enterprises are entitled to a preferential tax rate of 15%. As Zhihe Technology was entitled to greater tax benefits as an FIE, it had not opted for the preferential tax rate as a New High Tech Enterprise. Zhihe Technology is currently applying to renew its status as a New High Tech Enterprise. In the event such status is renewed and upon the expiry of our tax holiday at the end of FY2009, the tax rate applicable to Zhihe Technology, for the duration to which the status is accorded, will be 15% instead of 25%.

The application or interpretation of such new tax laws in the future, or failure to renew our New High Tech Enterprise status, could have a material adverse effect on our financial position and results of operations. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax benefits then available to us. Further, should the PRC government increase the tax rate applicable to Zhihe Technology, our financial performance will be adversely affected.

Please refer to Appendix E on "**Summary of Relevant PRC Laws and Regulations**" of this Prospectus for further details on the applicable income tax laws and regulations in the PRC and the recent development on the PRC Enterprise Income Tax Law.

Our operations in the PRC may be adversely affected by the new Employment Contract Law which took effect on 1 January 2008

On 29 June 2007, the National People's Congress' Standing Committee of the PRC promulgated the Employment Contract Law, which governs labour relations and employment contracts (including the entry into, performance, amendment, termination and determination of employment contracts) between domestic enterprises (including foreign invested companies), individual economic organisations and private non-enterprise units and their employees. The Employment Contract Law came into effect on 1 January 2008. Please refer to Appendix E on "**Summary of Relevant PRC Laws and Regulations**" of this Prospectus for more information.

Currently, we have entered into labour contracts with all of our employees, honoured compensation and paid social security premium where applicable. However, due to the uncertainty as to how the Employment Contract Law will be interpreted and implemented and the trade union's right to request for a collective agreement, the actual costs of complying with the Employment Contract Law may be higher than expected and/or lead to a diversion of our financial resources and management attention. In the event that we are unable to strictly comply with the law, we may be involved in labour disputes which will in turn affect our productivity and operations.

In addition, the Employment Contract Law also imposes greater liabilities on employers and significantly impacts the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit. If we decide to significantly change or decrease our workforce in the PRC, the Employment Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our circumstances or in a timely and cost effective manner, thus our results of operations could be adversely affected.

Our results of operations and financial condition may be adversely affected by the changes in the PRC foreign exchange controls

Zhihe Technology is subject to the rules and regulations imposed by the PRC government on currency conversion. In the PRC, the conversion of RMB into foreign currencies is regulated by SAFE. Currently, foreign investment enterprises ("FIEs") are required to apply to SAFE for "Foreign Exchange Registration Certificates for FIEs". Zhihe Technology is a FIE. Such registration certificates are renewable annually and allow the FIEs to open foreign currency accounts for the payment of:

(a) recurring items, including the distribution of dividends and profits to foreign investors of FIEs upon presentation of board resolutions which authorise the distribution of profits or dividends ("Current Account"); and

(b) capital items, such as repatriation of capital, repayment of loans and for securities investment ("Capital Account"). Currency transactions within the scope of the Current Account can be effected without requiring the approval of SAFE. However, the conversion of currency in the Capital Account still requires the approval of SAFE.

We have obtained the Foreign Exchange Registration Certificate for FIEs which is renewable annually upon application to SAFE. Although we do not presently anticipate any difficulty in meeting our foreign exchange needs, there can be no assurance that the current foreign exchange rules with respect to currency transactions within the scope of the Current Account will not be changed to our detriment. As such, there can be no assurance that Zhihe Technology will be able to continue obtaining sufficient foreign exchange to pay dividends. In order to regulate PRC domestic residents engaged in trans-territorial capital transactions involved in investment and financing activities via overseas special purpose companies, on 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via overseas Special Purpose Companies (the "Notice 75"). According to the Notice 75, a domestic resident shall, before establishing or controlling an overseas special purpose company (the "SPV"), being the prescriptive materials to the local branch of SAFE (the "SAFE Branch") to apply for going through the procedures for foreign exchange registration of overseas investments. SAFE Branch shall, after examining and checking the 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". Where a domestic resident contributes the assets or stock rights of a domestic enterprise it owns into a SPV, or engages in stock right financing abroad after contributing assets or stock rights into a SPV, it shall go through the procedures for modification of foreign exchange registration of overseas investments with regard to the net asset equities

of the SPV it holds. After an SPV accomplishes overseas financing, the domestic resident may, according to the plan on use of funds as stated in the business plans or this Prospectus, transfer the funds which ought to be arranged for use inside PRC into PRC. A domestic resident, may after accomplishing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, stock right assignment expenses, capital decrease expenses, etc. to the SPV. Where an SPV meets with a major capital modification event such as capital increase or decrease, stock rights or credits or provision of guarantee to a foreign party, and is not involved in return investment (the "Major Events"), the PRC resident shall, within 30 days as of a Major Event, apply to the SAFE Branch for going through the procedures for modification or filing of the foreign exchange registration of the overseas investment. Notice 75 has been in effect as of 1 November 2005.

The Notice 75 shall be applicable to the domestic resident who is (i) holding PRC identity card, passport or other legitimate domestic identities, or (ii) residing habitually in the PRC due to certain economic connection although such resident has no PRC identities. The Circular on Release of Operative Directive for Circular of the State Administration for Domestic Residents to Engage in Financing and in Return Investment via SPV (the "Circular 106") further inteprets that were a person (i) has permanent domicile in the PRC and temporarily leaves the PRC due to overseas trips, study, hospitalisation and work, who would be back to such domicile after disappearance of the aforesaid reasons; (ii) is owning non-foreign interests in the PRC companies; or (iii) is ultimately holding the interests in the PRC companies, which were previously recognised as non-foreign interests and then re-recognised as foreign interests, such person shall be regard as the domestic resident.

The Legal Adviser to our Company as to PRC Law, Zhong Lun Law Firm, has confirmed that our Executive Chairman and CEO, Mr Ting Chun Yuen, is a Hong Kong permanent resident without according with any of the aforementioned circumstances. Hence, Mr Ting Chun Yuen is not a domestic resident as defined under Notice 75 and Circular 106. Therefore, Mr Ting Chun Yuen is not required to conform with the registration requirements under Notice 75.

There can be no assurance that the relevant regulations will not be amended to our detriment and that the ability of Zhihe Technology to distribute dividends to us will not be adversely affected.

Failure to fully comply with relevant PRC environmental laws and regulations will result in us being subject to penalties and fines or result in an order being made to cease all our production activities

We are subject to the environmental laws and regulations of the PRC. Failure to fully comply with such laws and regulations will result in us being subject to penalties and fines, or may result in an order being made to cease all our production activities. We are to comply with specified standards in respect to our disposal of wastes in accordance with the PRC environmental laws and regulations. Please refer to Appendix E on "**Summary of Relevant PRC Laws and Regulations**" of this Prospectus for more details. Our Group has been granted the necessary certificate by the relevant PRC environmental authorities certifying our compliance with the relevant standards concerning the disposal of wastes. However, there is no assurance that the PRC government will not raise such standards in the future. Any changes in respect of the PRC environmental laws and regulations may require us to incur additional capital expenditure or costs in order to comply with such regulations. Our profits will be adversely affected if we are unable to pass on such additional costs to our customers. Any failure by us to control the use of, or adequately restrict the discharge of wastes or hazardous substances could also subject us to liabilities in the future.

RISKS RELATING TO INVESTMENT IN OUR SHARES

Future sale of our Shares could adversely affect our Share price

Any future sale or availability of our Shares can have a downward pressure on our Share price. The sale of a significant amount of our Shares in the public market after this Offering, 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 sell additional equity securities. Except as otherwise described in the section entitled "**Shareholders - Moratorium**" of this Prospectus, there will be no restriction on the ability of our Substantial Shareholders to sell their Shares either on the SGX-ST or otherwise.

Future financing may cause a dilution in your shareholding or place restrictions on our operation

If we are required to raise additional funding to meet capital or operational expenditure requirements, such funding, if raised through the issue of equity or securities convertible to equity, may result in dilution to the holders of our Shares. Additional debt financing may be required, which if obtained, may limit our ability to pay dividends or require us to seek consents from the relevant financial institutions or lenders, if necessary, for the payment of dividends, increase our vulnerability to general adverse economic and industrial conditions, limit our ability to pursue our growth plan, require us to dedicate a substantial portion of our cash flow from operations to payments of our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes and limit our flexibility in planning for, or reacting to, changes in our business and industries. There is no assurance that we will be able to raise additional funding to meet our capital or operational expenditure requirements. Failure to raise additional funding will have an adverse impact on our operation and financial performance.

Our Share price may fluctuate following this Offering

The market price of our Shares may fluctuate significantly and rapidly as a result of, among others, the following factors, some of which are beyond our control:

- variations of our operating results;
- changes in securities analysts' estimates of our financial performance;
- announcements by us of significant acquisitions, strategic alliances or joint ventures;
- additions or departures of key personnel;
- fluctuations in stock market prices and volume;
- involvement in litigation; and
- general economic and stock market conditions.

Our Shares have never been publicly traded and this Offering may not result in an active or liquid market for our Shares

Prior to this Offering, there has been no public market for our Shares. The Offering Price may not be indicative of the market price for our Shares after the completion of this Offering. However, no assurance can be given that an active trading market for our Shares will develop or, if developed, will be sustained following this Offering, or that the market price of our Shares will not decline following this Offering. The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions could cause the market price of our Shares to change substantially.

Control by existing Shareholder may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

After this Offering, our Executive Chairman and CEO, Mr Ting Chun Yuen, will own approximately 51.2% of our post-Offering issued share capital through Sky Upright, a company wholly owned by him. He may be able to significantly influence our corporate actions such as mergers or take-over attempts in a manner that could conflict with the interests of our public Shareholders. This concentration of ownership could have the effect of delaying or preventing a change in control of our Company or otherwise discouraging a potential acquirer from attempting to obtain control of us through corporate actions such as merger or take-over attempts (notwithstanding that the same may be synergistic or beneficial to us) in a manner that could conflict with the interests of our public Shareholders.

Exchange rate fluctuations may adversely affect the value of our Company's dividends

Dividends, if any, in respect of our Shares will be declared in RMB and converted by our Company into Singapore dollars for those investors whose Shares are held through CDP. For further details, please refer to the section entitled "**Dividend Policy**" of this Prospectus. Fluctuations in the exchange rate between the Singapore dollar and the RMB will affect, among other things, the Singapore dollar value of our Company's dividends, if any, declared in RMB and paid in Singapore dollars.

Singapore taxes may differ from the tax laws of other jurisdictions

Prospective investors should consult their tax advisers concerning the overall tax consequences of acquiring, owning or selling our Shares. Singapore tax law may differ from the tax laws of other jurisdictions, including the PRC. Please refer to the Appendix G on "**Taxation**" of this Prospectus for more information.

Our operations and significant assets are located in the PRC. It could be difficult to enforce a Singapore judgment against us, our Executive Directors and our Executive Officers

Our subsidiary, Zhihe Technology, is incorporated in the PRC, and our main operations and assets are located in the PRC. In addition, all of our Executive Directors and our Executive Officers are non-residents of Singapore, and substantially all the assets of these persons are located outside Singapore. As a result, it could be difficult for investors to effect service of process in Singapore if they wish to make a claim against our Company or our Executive Directors or our Executive Officers, or to enforce a judgment obtained in Singapore against our Company or our Executive Directors or our Executive Officers.

The primary market for our products is PRC manufacturers of lifestyle consumer products and upholstery for furniture and automobile interior lining as well as the suppliers to these manufacturers. The demand for our products is therefore dependent upon the general economic conditions and the level of retail consumption in the PRC.

Increasing urbanisation in the PRC, rising affluence of the PRC population and changes in consumption patterns of the PRC consumers are some of the main factors fueling the growth in demand for lifestyle consumer products and automobiles in the PRC.

Urbanisation of the PRC

The growth in retail consumption in the PRC over the past decade is largely driven by the rapid urbanisation taking place and the rising disposable income of these urban households. The availability of higher-paying job opportunities and better standard of living in the cities has resulted in many residents of rural and less developed areas pouring into the cities.

According to statistics compiled by the National Bureau of Statistics of China, in 2007, the total urban population in the PRC amounted to approximately 593.8 million people, accounting for 44.9% of the total population. This is a significant increase from an urban population of 459.1 million people (accounting for 36.2% of the total population) in 2000. The urban population in the PRC had increased at a staggering average rate of 19.5 million people from 2000 to 2007.

Rising disposable income of the PRC urban population

The booming PRC economy has resulted in rising affluence of the PRC urban population. The per capita annual disposable income of a PRC urban household has more than doubled from approximately RMB6,280 in 2000 to RMB13,786 in 2007.

This acceleration of urbanisation and the significant increase in disposable income for the urban population has increased the total consumption capability in the PRC. During this same period, retail sales of consumer goods in the PRC had also more than doubled from approximately RMB3.9 trillion in 2000 to RMB8.9 trillion in 2007.

Shift in consumption patterns of the PRC consumers

With the improved living standards and increased affluence of the PRC residents, there is also a shift in consumption patterns with a greater proportion of living expenditure being spent on leisure and recreational activities. In 2007, approximately 13.3% of an average urban household's expenditure was spent on education, cultural and recreation activities as compared to only 12.5% in 2000.

Note:

(1) Information on this section has been obtained from http://www.stats.gov.cn/tjsj/ndsj/2008/indexee.htm, a page from the website of National Bureau of Statistics of China accessed on 11 May 2009. The National Bureau of Statistics of China has not consented to the inclusion of the information quoted under this section and is thereby not liable for these statements under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the information in their proper form and context in this Prospectus and has not verified the accuracy of these statements.

PROSPECTS

Our Directors are positive about the outlook of our business operations and prospects, based on the strong demand and the growing uses and applications for our products in various lifestyle consumer product industries.

For the foreseeable future, our Directors believe that there will be sustained growth in the market demand for our products in the PRC arising from the growth in demand for the lifestyle consumer products made using our products underpinned by urbanisation in the PRC, rising affluence of the PRC population and changes in consumption patterns of the PRC consumers.

Our SBR and other foamed materials

Foamed SBR with properties such as heat endurance, moisture absorption, light fastness, high elasticity and high tensile strength, non-toxicity and recyclable, is rapidly replacing traditional materials such as sponge as a material used in the production of various lifestyle consumer products such as scuba diving apparels, computer bags, toys, heat-insulated carriers and exercise equipments. With increasing consumer awareness and demand for non-toxic and environment-friendly products and product safety, many manufacturers of consumer products are switching to foamed SBR as a raw material for their products. There are also many new uses and applications being developed for foamed SBR due to its better properties.

Although we only commenced manufacturing and sale of foamed SBR in November 2006, our foamed SBR has met the quality standards required by our customers and has quickly gained market recognition amongst lifestyle consumer product manufacturers in the PRC, evidenced by the steady increase in the sales of our foamed SBR over the past two years. According to a joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心), our Group has been named as one of the top sellers of foamed SBR and other foamed materials in the PRC in 2007 and 2008[(1)]. The joint survey also reported that our products were rated higher than those of our competitors in terms of product quality and customer satisfaction, and our foamed SBR was named as "China Most Preferred Foamed SBR Material by Industrial Users"[(2)].

Our Executive Directors believe that there is presently insufficient domestic supply of foamed SBR to meet the demand for foamed SBR in the PRC and this supply shortfall is satisfied by imports of foamed SBR into the PRC. According to the "Report on the development of the styrene-butadiene rubber foam market in China" published by the China Market Research Centre[(2) (3)], for 2008, the import of foamed SBR in the PRC was approximately RMB1,150 million (or US$169 million) which was almost double that of the domestic production of foamed SBR in the PRC of RMB685.8 million.

The sales of our foamed SBR to manufacturers of lifestyle consumer products currently account for almost all our current total sales. As more applications for foamed SBR are developed and uses by manufacturers in other industries increase, we believe that we are in a strong position to capitalise on the increasing demand for foamed SBR and tap into new markets to increase our sales and customer base.

Our 30D terylene filament yarn and sandwich mesh fabric

The properties of sandwich mesh fabric such as added softness and improved air and moisture permeability, improved anti-wrinkle and dust resistance and light fastness makes sandwich mesh fabric a suitable material to replace sponge-laminated fabric as a raw material in the production of shoes, bags and luggage, furniture and automobile interiors.

The rising affluence of the PRC population and changes in consumption patterns of the PRC consumers towards lifestyle consumer products and the increasing popularity of sandwich mesh fabric as a raw material for these lifestyle consumer products and new applications being developed for sandwich mesh

fabric will provide the fuel for sustained growing demand for sandwich mesh fabric. According to a joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心), our Group has been named as one of the top sellers of drawn textured terylene single filament yarn (30D terylene filament yarn being a type of drawn textured terylene single filament yarn) in the PRC in 2007 and 2008[(1)(2)].

Our Executive Directors believe that there is presently insufficient domestic supply of 30D terylene filament yarn to meet the demand for 30D terylene filament yarn in the PRC and this supply shortfall is satisfied by imports of 30D terylene filament yarn into the PRC. According to the "Report on the development of the polyester monofilament market in China" published by the China Market Research Centre[(2) (3)], for 2008, the total demand for drawn textured terylene single filament yarn in the PRC was approximately 180,000 tonnes while PRC domestic production was only approximately 88,000 tonnes.

Our Directors believe that we are in a strong position to benefit from the expected increase in demand for sandwich mesh fabric as not only do we sell sandwich mesh fabric directly, we are also one of the leading sellers of 30D terylene filament yarn, which is a key material used in the production of sandwich mesh fabric.

Notes:

(1) According to the joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心) for 2008, we were ranked as the fourth largest seller in terms of market share of foamed SBR in the PRC and the third largest seller in terms of market share of drawn textured terylene single filament yarn in the PRC. China Market Monitoring Center and China Market Research Center are agencies under the National Bureau of Statistics of China. Their principal functions include market research and analysis, academic study and research exchange, information consultation services, commercial viability research and product development study.

(2) China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心) have not consented to the inclusion of the information quoted under this section and is thereby not liable for these statements under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the information in their proper form and context in this Prospectus and has not verified the accuracy of these statements.

(3) Certain information have been extracted from the reports entitled "Report on the development of the styrene-butadiene rubber foam market in China" and "Report on the development of the polyester monofilament market in China" published by the China Market Research Centre which were not issued for the purpose of incorporation in this Prospectus. While our Directors have taken reasonable actions to ensure that such statements have been reproduced in their proper form and context, and that such statements have been extracted accurately and fairly from the reports, none of our Company, Vendors, Issue Manager, Underwriter and Placement Agent or any other party, and our and their respective officers, agents and employees have conducted an independent review of the contents nor verified the accuracy of the contents.

TRENDS

Based on our Directors' knowledge and experience of the industry and barring unforeseen circumstances, our Directors expect the following trends in FY2009:

The increasing urbanisation in the PRC, the rising affluence of the PRC population and changes in the consumption patterns of the PRC consumer towards lifestyle consumer products are expected to fuel the growth in demand for lifestyle consumer products which uses our products as raw materials. In addition, our Executive Directors believe that the increasing new uses and applications being developed for foamed SBR and sandwich mesh fabric (which uses 30D terylene filament yarn as its main raw material) due to their better properties are expected to grow the market for our products.

SBR and other foamed materials - We expect revenue for our SBR and other foamed materials, especially for foamed SBR, to increase due to the increase in production and the anticipated increase in demand for end consumer products utilising our products as raw materials and the increasing new uses and applications developed for foamed SBR. In addition, due to insufficient domestic supply, current demand for foamed SBR in the PRC are met by imports.

30D terylene filament yarn - We expect revenue for our 30D terylene filament yarn to increase due to the anticipated increase in demand for sandwich mesh fabric which uses 30D terylene filament yarn as the main raw material. In addition, due to insufficient domestic supply, current demand for 30D terylene filament yarn in the PRC are met by imports.

Sandwich mesh fabric - We expect revenue for our sandwich mesh fabric to increase due to increase in demand for end consumer products utilising our sandwich mesh fabric as a raw material and increasing new uses and applications developed for sandwich mesh fabric.

Whilst we expect all three product segments to generate higher revenue in FY2009, we expect revenue from our SBR and other foamed materials segment, especially foamed SBR, to contribute to a higher proportion of our total revenue. We expect revenue from our SBR and other foamed material to contribute to a higher proportion of our revenue due to the wide product applications and strong market demand for our SBR and other foamed materials. Further, we expect a full year contribution of revenue from the three additional production lines for foamed SBR and high foamed PE (which were added in March 2008) to be higher than FY2008. In FP2009, SBR and other foamed materials contributed approximately 62.2% of our revenue, up from 58.8% in FY2008.

Although our gross profit margin was significantly higher in FP2009 as a result of the fall in raw material prices due to oversupply in the market for some of our key raw materials, we do not expect this high gross profit margin for FP2009 to be repeated.

For the remainder of FY2009, we expect the raw material prices for our products to fluctuate. However, we will be able to adjust our selling price to take into account any material changes in raw material prices, barring unforeseen circumstances. We do not expect any material fluctuation in other manufacturing costs. Due to the high gross profit margin achieved in FP2009, we expect our gross profit margin in FY2009 to be higher than FY2008.

We expect our inventory to increase in tandem with increases in our production and sales. However, our average inventory turnover days are expected to remain constant as our production time is relatively short and we do not hold significant stockpile of raw materials, semi-finished products and finished products.

Save as disclosed above and in the sections entitled "**Risk Factors**", "**Management Discussion and Analysis of Financial Condition and Results of Operation**" and "**Business Strategies and Future Plans**" of this Prospectus and barring any unforeseen circumstances, our Directors believe that there are no other known recent trends in production, sales and inventory, the costs and selling prices of our products and services or other known trends, uncertainties, demands, commitments or events in the current financial year that are reasonably likely to have a material and adverse effect on our revenues, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Prospectus to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled "**Cautionary Note Regarding Forward-Looking Statements**" of this Prospectus.

ORDER BOOK

Our customers usually do not place long-term purchase orders with us in advance. In most cases, our customers place orders with us from time to time depending on their demands. The delivery time-frame for each order is subject to negotiations with our customers on a case-by-case basis, taking into consideration our production schedule and the requirements of our customers. Generally, we will deliver our goods no later than one month after receipt of confirmed purchase orders. As at the Latest Practicable Date, our order book based on unfulfilled confirmed orders amounted to RMB26.8 million.

BUSINESS STRATEGIES AND FUTURE PLANS

We believe we are a leading producer and supplier of foamed SBR and 30D terylene filament yarn with high research and development and technical expertise and production capabilities, and with an established sales and marketing network. To solidify our leading position in foamed SBR and 30D terylene filament yarn and to increase our sales of our other products and broaden our product range, we intend to adopt the following strategies in our future plans:

Expansion of production capacity

In order to meet the anticipated increase in demand for our products, we intend to expand our production capacity through the acquisition of additional production lines as follows:

- 8 production lines for the manufacture of 30D terelyne filament yarn. The purchases are expected to be completed within two years of the Listing;
- 2 production lines for the manufacture of foamed SBR. The purchases are expected to be completed within one year of the Listing;
- 2 production lines for the manufacture of high foamed PE. The purchases are expected to be completed within one year of the Listing; and
- 2 production lines for the manufacture of foamed EVA. The purchases are expected to be completed within one year of the Listing.

We intend to utilise an aggregate of S$10.1 million (equivalent to approximately RMB48.0 million) from the proceeds of issue of New Shares to fund the acquisition of the additional production lines.

Upon the completion of the above expansion, we expect the following increase in our annual production capacity:

(a) 30D terylene filament yarn from approximately 8,600 tonnes as at the Latest Practicable Date to approximately 18,000 tonnes;

(b) Foamed SBR from approximately 15,800 tonnes as at the Latest Practicable Date to approximately 31,600 tonnes;

(c) High foamed PE from approximately 750 tonnes as at the Latest Practicable Date to approximately 2,250 tonnes; and

(d) Foamed EVA from approximately 3,500 tonnes as at the Latest Practicable Date to approximately 7,000 tonnes.

Construction of new buildings

We intend to construct new buildings with an estimated total built-up area of at least 5,000 sq m on our existing land at Land Lot A-09. A-10(B), Qingmeng Zone, Quanzhou Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC to replace Buildings D, E, F and G. Construction would be carried out in phases so as to minimise disruptions to our operations. The construction of the new buildings and shifting of the trimming, cutting and warehousing facilities is not expected to have any material impact on our business operations, financial performance and profitability. Construction is expected to commence in mid 2010 and is expected to be completed by mid 2011. Our Company has obtained approval for the construction land planning permit. Other approvals required are construction project planning permit and construction work commencement permit which our Company will obtain in due course. Our Directors do not foresee any difficulty in getting the necessary approvals.

We intend to utilise internal funds and bank borrowings of up to RMB25.0 million (equivalent to approximately S$5.4 million) to finance the above construction of the new buildings and do not intend to utilise any proceeds from the issue of New Shares towards such purposes. As at the Latest Practicable Date, we have not expended any monies on the construction.

Enhance our R&D activities

We have credited our current success to our strong R&D capability and will continue to develop new technologies and products which meet the customer demands. We intend to strengthen our R&D capability with the view to improve the quality of products, reduce our production cost as well as to develop new products to broaden our product range.

We intend to invest in machinery and equipment dedicated for R&D, prototype development and testing. We intend to utilise an aggregate of S$0.4 million (equivalent to approximately RMB2.0 million) of our net proceeds from the issue of New Shares to fund the investment.

We also intend to utilise our internally generated fund to recruit additional experienced and skilled R&D personnel including a qualified candidate to spearhead our R&D efforts to the next level.

Expansion of our business through mergers and acquisitions, joint ventures or strategic alliances

We are constantly on the look out for opportunities to expand our business and/or strengthen our market position through mergers and acquisitions, joint ventures or strategic alliances with suitable parties who could synergise with our existing business.

As at the Latest Practicable Date, we have not been engaged in any form of discussion with any potential party to acquire its business or form join ventures or engage in investments. We believe that our status as a listed company will position us to take advantage of such opportunities as and when they arise. Should such opportunities arise, we will seek approval, where necessary, from our Shareholders and the relevant authorities as required by the relevant laws and regulations.

RESTRUCTURING EXERCISE

To streamline and rationalise our corporate and shareholding structures in preparation for our listing on the SGX-ST, we undertook the following restructuring exercise prior to this Offering (the "Restructuring Exercise"):

1. Incorporation of our Company in Singapore

On 10 January 2008, our Company was incorporated as a private limited company under the Companies Act in Singapore to be the listing vehicle and holding company of our Group. As at the date of incorporation, the initial issued and paid-up capital was S$2 comprising two ordinary shares held by our Executive Chairman and CEO, Mr Ting Chun Yuen.

2. Acquisition of the entire issued share capital of Zhihe Technology

In accordance with a sale and purchase agreement dated 6 April 2008, our Company acquired the entire issued share capital of Zhihe Technology, from Mr Ting Chun Yuen, at an aggregate consideration of RMB54 million based on the paid-up capital of Zhihe Technology as at 31 December 2007.

On 18 March 2009, our Company and Mr Ting entered into an agreement whereby the parties agreed that the consideration owing by our Company arising from the sale and purchase of Zhihe Technology shall be settled by the allotment and issuance of 10,630,548 Shares at the price of S$1.00 per Share to Mr Ting's nominee, Sky Upright, credited as fully paid. The said Shares were allotted and issued to Sky Upright on 26 March 2009.

The transfer of the entire issued share capital of Zhihe Technology was approved by Foreign Trade and Economy Cooperation Bureau under Management Committee of Quanzhou Economy and Technology Development Zone（泉州经济技术开发区管理委员会对外贸易经济合作局）and the acquisition was completed on 4 November 2008.

Following completion of the acquisition, Zhihe Technology became the wholly-owned subsidiary of our Company.

3. Sub-division of the share capital of our Company

On 29 September 2009, our Shareholders approved the sub-division of every one ordinary share in the authorised and issued share capital of our Company into 12 ordinary shares. Upon the sub-division, the issued and paid-up share capital of our Company was S$10,630,550 divided into 127,566,600 Shares.

4. Group I Conversion

Pursuant to a convertible loan agreement dated 16 April 2008 between our Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group I Investors of the other part, the Group I Investors granted a loan of US$3.5 million to our Company to be utilised by our Company for payment towards restructuring costs and expansion of production capacity. Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new Shares at the conversion price equivalent to 8 times of our Group's audited FY2008 net profit after tax or at a 50% discount to the indicative price per share for the purpose of the listing of our Company as determined by the Issue Manager and agreed by our Company after the receipt of the approval from the SGX-ST to the Listing, whichever is lower (based on exchange rate of US$1:S$1.35740), within five (5) business day from the issuance of a written notice from our Company. Such notice shall be issued as soon as practicable upon receipt of approval from the SGX-ST to the Listing ("Group I Conversion").

The conversion price is a result of commercial negotiations between the parties on a willing buyer and willing seller basis, taking into account the conversion price for investments of a similar nature and the prevailing market conditions at the point of investment.

On 29 September 2009, pursuant to the Group I Conversion, 40,433,000 Shares were allotted and issued to Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited in the proportion of 57.1%, 14.3%, 14.3% and 14.3% comprising 23,087,243, 5,781,919, 5,781,919 and 5,781,919 Shares respectively.

5. Group II Conversion

Pursuant to a convertible loan agreement dated 18 February 2009, between our Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group II Investors of the other part, the Group II Investors granted a loan of S$1.5 million to our Company to be utilised to pay for the services provided and fees charged by professional parties appointed in relation to the Listing in the following tranches.

(a) the first tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of execution of the convertible loan agreement;

(b) the second tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of the submission of the listing application to SGX-ST ; and

(c) the third tranche comprising S$500,000 is to be disbursed by the Group II Investors on seven (7) business days prior to the lodgement of this Prospectus with the Authority.

Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new Shares, being equivalent to 7.5% of our issued share capital immediately following the Listing of our Company, within five business day from the issuance of a written notice from our Company. Such notice shall be issued within one month of the lodgement of this Prospectus with the Authority ("Group II Conversion").

Also under the terms of the same agreement, if our Company is not listed for whatever reason other than that of our Company's own decision or if we are not able to obtain the Eligibility-to-list approval from the SGX-ST by 31 December 2009, the rights of the Group II Investors under the agreement shall be extinguished subject to the repayment of any unused amount.

The 7.5% issued share capital due to the Group II Investors is a result of commercial negotiations between the parties on a willing buyer and willing seller basis, taking into account the risk undertaken by the Group II Investors and the prevailing market conditions at the point of investment.

On 29 September 2009, pursuant to the Group II Conversion, 18,688,000 Shares, being equivalent to 7.5% of our issued share capital immediately following this Offering were allotted and issued to Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee in the proportion of 23.3%, 13.3%, 13.3% and 50.0% comprising 4,360,533, 2,491,733, 2,491,733 and 9,344,001 Shares respectively.

6. Allotment of Shares to EV

Pursuant to the Consultancy Agreement, our Company has agreed to allot and issue to EV such number of Shares representing 1.0% of our issued share capital immediately following the Listing as payment of the consultancy fees for services rendered to our Group by EV in connection with this Offering.

On 29 September 2009, 2,491,000 Shares, being equivalent to 1.0% of our issued share capital immediately following the Listing were allotted and issued to EV in satisfaction of the consultancy fees.

The key government approvals our Group obtained in relation to our Restructuring Exercise comprise (1) the Approval Opinion on Adjustment of Business Scope, Share Transfer and Increase in Registered Capital of Quanzhou Zhihe Weaving Co., Ltd. (Quan Kai Guan Wai Jing Mao 2008 No.14) issued by the Foreign Trade and Economy Cooperation Bureau under Management Committee of Quanzhou Economy and Technology Development Zone on 8 April 2008; and (2) the renewed business license (Registration No.350500400005710) issued by the Quanzhou Administration of Industry and Commerce on 4 November 2008.

Zhong Lun Law Firm, the Legal Advisers to our Company as to PRC Law, is of the view that our Group has obtained all governmental approvals from the PRC authorities for our Restructuring Exercise and is not required to obtain any additional approvals from the PRC authorities, including but not limited to the CSRC and the MOFCOM, for the Restructuring Exercise and our proposed listing on the SGX-ST.

Our Company was incorporated in Singapore as a private company limited by shares under the name of "Tianzheng Holdings Pte. Ltd." on 10 January 2008. As a result of the Restructuring Exercise, further details of which can be found in the section entitled "**Restructuring Exercise**" of this Prospectus, our Company became the holding company of our Group. On 3 April 2009, we changed our name to Ziwo Holdings Pte Ltd. On 31 August 2009, our Company was converted into a public company and was renamed "Ziwo Holdings Ltd.".

Our Executive Chairman and CEO, Mr Ting Chun Yuen has been engaged in the chemical fibre, warp weaving and foamed material business for more than 15 years, beginning from September 1994 to September 1999, when he was an executive director of Strong Progress International Holding Company Limited, a Hong Kong company dealing in import and export trading of oil and oil related products and chemical products, including natural rubber, PET chips and EVA products. From 2000 to 2003, Mr Ting was the vice president of Hongwei Xiezhi (PRC) Co., Ltd. (宏玮协志(中国)有限公司), where he was in charge of procurement of raw material in relation to the manufacture of warp-knitted three-layered mesh, warp-knitted single-layered mesh, EVA products, rubber sole products and chemical trade.

Leveraging on his experience and contacts, Mr Ting founded our Group in August 2003 with the establishment of Zhihe Technology under the name of Quanzhou Zhihe Weaving Co., Ltd. (泉州至和织造有限公司). Following the establishment of Zhihe Technology, our Group acquired a land located within the Western Section, Qingmeng Zone, Quanzhou Economy and Technology Development Zone measuring approximately 31,030 sq m and commenced the construction of a factory with a built-up area of approximately 3,906 sq m (Building B).

The construction of the factory was completed at the end of 2004 and our Group commenced the manufacture and sale of sandwich mesh fabric in April 2005 with the procurement of eight warp knitting machines. Our annual production capacity for sandwich mesh fabric was then approximately 729.6 tonnes.

In 2005, in line with the market demand and to ensure the quality and consistent supply of the raw materials for our sandwich mesh, our Group decided to venture into the manufacture of 30D terylene filament yarn, a key material for the production of sandwich mesh fabric. To enable us to acquire the necessary manufacturing capability and know-how, we commenced research and development on the production technology and process required for 30D terylene filament yarn and began the construction of an additional factory with a build-up area of approximately 16,460 sq m (Building A). At the same time, we also completed construction of a building with a build-up area of approximately 6,983 sq m which is used as an office and employees' dormitory.

In December 2005, our Group acquired an additional six warp knitting machines and increased our annual production capacity for sandwich mesh fabric to approximately 1,277 tonnes. We also completed our construction of the factory premises for the production of our 30D terylene filament yarn. At the same time, due to market demand, we decided to diversify our business to include the manufacture of SBR and other foamed materials.

As our operations grew, our Group began to seek out new markets for expansion. In February 2006, our Group procured a foaming material production line and completed the construction of a third factory with a build-up area of approximately 2,158 sq m (Building C). We commenced the manufacture of our first product under our SBR and other foamed materials segment, namely foamed EVA. At that time, the annual production capacity of our foamed material production line was approximately 2,000 tonnes.

In March 2006, we successfully completed our research and development on the production process for our 30D terylene filament yarn. We commenced production of 30D terylene filament yarn with the procurement of two production lines with an annual production capacity of approximately 2,150 tonnes. Upon commencement of production, Fujian Jinjiang Huayu Weaving Co., Ltd., one of the leading sandwich mesh fabric manufacturers in the PRC became our customer.

In November 2006, Zhihe Technology successfully developed foamed SBR, our second product under the SBR and other foamed materials segment, and commenced its manufacture utilising our existing foamed material production line. In January 2007, we acquired another foamed material production line, for our foamed SBR with an additional annual production capacity of approximately 6,320 tonnes.

In February 2007, we procured two additional production lines and increased our annual production capacity of 30D terylene filament yarn from approximately 2,150 tonnes to approximately 4,300 tonnes. The annual production capacity of our 30D terylene filament yarn was further increased to approximately 6,450 tonnes in December 2007 with the procurement of an additional two production lines. During the same period, our Group procured four additional warp knitting machines and increased the annual production capacity of our sandwich mesh fabric from approximately 1,277 tonnes to approximately 1,793 tonnes.

In March 2008, Zhihe Technology commenced production of high foamed PE. We acquired a new foamed material production line, bringing our Group's annual production capacity for high foamed PE to approximately 750 tonnes.

To meet increasing demand for our 30D terylene filament yarn and SBR and other foamed materials, our Group continued to expand through the acquisition of additional production lines and construction of new factory premises. In March 2008, with the procurement of an additional two production lines for the production of 30D terylene filament yarn, we further increased our annual production capacity to approximately 8,600 tonnes. During the same period, we increased the annual production capacity for our foamed SBR with the procurement of two additional foaming material production lines, increasing the annual production capacity to approximately 15,800 tonnes. To house the additional production lines for the foamed SBR, we constructed a fourth factory with a built-up area of approximately 1,115 sq m (Building D). At the same time we constructed a fifth and sixth factory with a built-up area of approximately 1,115 sq m (Building E) and 933 sq m (Building F), respectively, and shifted our trimming and cutting machines for foamed PE and EVA to the new factories. In order to cater to our increased production and also to protect our products from natural elements we also constructed a new warehouse measuring approximately 933 sq m (Building G).

In line with the growth of our business, we established a liaison office in Dongguan, Guangdong Province in September 2008 to facilitate expansion of business, easy collection of customers' feedback and prompt response to market changes.

In end 2008, we increased the work shift for the production of foamed EVA and further increased its annual production capacity from approximately 2,000 tonnes to approximately 3,494 tonnes.

On 27 March 2009, Zhihe Technology adopted its current name.

Since our commencement, our Group has grown from a business specialising in the production of sandwich mesh fabric to a business also offering 30D terylene filament yarn and foamed materials. As at the Latest Practicable Date, we own 18 warp knitting machines, 8 30D terylene filament yarn production lines and 5 foamed materials production lines, together with other processing facilities. Our Group staff strength as at the Latest Practicable Date is approximately 387 staff.

The number of our customers has increased from 41 in FY2005, to 108 in FY2006, 183 in FY2007, 379 in FY2008 and 439 in FP2009.

As a testament to our efforts in research and development, our sandwich mesh fabric for use in automobile was recognised as a New Product and New Technology in Fujian Province by the Fujian Science and Technology Bureau (福建省科学技术厅). In addition, in December 2005, Zhihe Technology was accorded a status of New High Tech Enterprise in Fujian Province by the Fujian Science and Technology Bureau in 2005. Our status was renewed for a period of 2 years in 2007.

OVERVIEW

Our Group is primarily engaged in the research and development and manufacture and sale of 30D terylene filament yarn, sandwich mesh fabric and SBR and other foamed materials, which are used mainly as raw materials by manufacturers of lifestyle consumer products and upholstery for furniture and automobile interior lining as well as the suppliers to these manufacturers. According to a joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心), our Group has been named as one of the top sellers of foamed SBR and drawn textured terylene single filament yarn (30D terylene filament yarn being a type of drawn textured terylene single filament yarn) in the PRC in 2007 and 2008.[(1)(2)]

Our products are categorised into three main segments, namely:

(1) *SBR and other foamed materials*

We produce foamed materials, comprising foamed SBR, foamed EVA and high foamed PE.

SBR is a form of synthetic rubber that may be used in a variety of applications. Our foamed SBR are used primarily as raw material for the production of sportswear such as diving and surfing suits, gloves and sports accessories, bags and luggage, and other products, such as mouse pads.

On the other hand, our foamed EVA is used as raw material for the production of shoe soles, packaging material and components used in bags and luggage. Depending on our customers' specification, we are able to customise our formulation for foamed EVA to achieve different degrees of firmness and density.

PE is a thermoplastic material used mainly in consumer products. Due to the high insulating capacity of PE, our high foamed PE is primarily used in the manufacture of PE film which in turn is utilised in automobile roof lining and for the construction of the heat insulation material of air conditioning piping or for sound proofing. Our high foamed PE is also used in the production of toys.

(2) *30D terylene filament yarn*

We specialise in the manufacture of 30D terylene filament yarn which are synthetic terylene filament yarns with properties such as heat endurance, moisture absorption, light fastness, high elasticity, high tensile strength, non-toxicity and recyclable. 30D terylene filament yarn is used primarily in the manufacture of sandwich mesh fabric. The majority of our products are supplied to manufacturers of knitted and weaved fabrics for the manufacture of sandwich mesh fabric. Such products are in turn supplied to manufacturers of lifestyle consumer products and automobile manufacturers. Our 30D terylene filament yarn is also used as raw material in the manufacture of our sandwich mesh fabric.

(3) *Sandwich mesh fabric*

Sandwich mesh fabric generally refers to a type of loosely woven, semi-permeable fabric with numerous closely-spaced holes. Sandwich mesh fabric is suitable for numerous applications, including the manufacture of sportswear, including jerseys, shorts and sport shoes and also in jacket linings, pants, bags, luggage and furniture.

We manufacture sandwich mesh fabric woven from our 30D terylene filament yarn and fully drawn yarn acquired from our suppliers. Sandwich mesh fabric is manufactured by inserting 30D terylene filament between two layers of fabric. This gives the resultant fabric added softness and properties such as improved air and moisture permeability, improved anti-wrinkle and dust resistance and light fastness. Our sandwich mesh fabric is also treated to give it flame-resistant properties. Our products in this segment are supplied mainly to manufacturers of lifestyle consumer products.

We have the capabilities to undertake the complete manufacturing process of sandwich mesh fabric through our upstream manufacture of 30D terylene filament yarn, which allows us to maintain the high quality and meet the specifications of our customers. This also allows us to reduce the lead time and cost of the production of sandwich mesh fabric.

As a testament to our efforts in research and development, we developed a type of sandwich mesh fabric for use in automobiles that has been accredited as a New Product and New Technology in Fujian Province by the Fujian Science and Technology Bureau.

We are strategically located in Quanzhou City, Fujian Province, one of the major sportswear, sports accessories, bags and luggage producing region in the PRC. Our close proximity to our customers makes us an attractive option to our customers in view of their lower transportation and storage costs. It also provides us the opportunity to maintain regular contacts with our customers and strengthen our foothold in the region's sportswear, sports accessories, bags and luggage market. Our strategic location also gives us easy access to suppliers of raw materials that we require for our business which in turn allows us to lower our production cost.

Our products are sold domestically to customers located in the Fujian, Guangdong, Shandong and Zhejiang Provinces and Shanghai and Tianjing municipalities.

As at the Latest Practicable Date, we have more than 400 customers.

Notes:

(1) According to the joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心) for 2008, we were ranked as the fourth largest seller in terms of market share of foamed SBR in the PRC and the third largest seller in terms of market share of drawn textured terylene single filament yarn in the PRC.

(2) China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心) have not consented to the inclusion of the information quoted under this section and is thereby not liable for these statements under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the information in their proper form and context in this Prospectus and has not verified the accuracy of these statements.

COMPETITIVE STRENGTHS

We believe that we are one of the leading suppliers of 30D terylene filament yarn and foamed SBR in the PRC. Our leadership position stems from our competitive strengths, as follows:

We have established market presence for our key foamed SBR and 30D terylene filament yarn products

According to a joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心), we were named as one of the top sellers of foamed SBR and drawn textured single filament terylene yarn in the PRC. We believe that our key products, foamed SBR and 30D terylene filament yarn, are increasingly being recognised and accepted by our

customers as products that meet their quality requirements as evidenced by the significant increase in our sales of these products over the Track Record Period. We believe that this will provide us with a strong platform to expand our sales and markets for these products and further strengthen our position as market leaders for these products.

We have strong technical expertise and R&D capabilities

We have strong research and development capabilities. As at the Latest Practicable Date, our research and development team consists of 8 staff who report to our Executive Chairman and CEO, Mr Ting Chun Yuen. Our production technology and research and development efforts were recognised when, Zhihe Technology was accorded the status of a New High Tech Enterprise in Fujian Province by the Fujian Science and Technology Bureau in 2005. Our status was renewed for a period of 2 years in 2007.

In 2005, we successfully developed and launched our sandwich mesh fabric for use in automobile which was accredited as a New Product and New Technology in Fujian Province by the Fujian Science and Technology Bureau in 2006 and submitted to the State Intellectual Property Office of the PRC for patent registration in 2009.

In September 2006, we successfully developed a flame-resistant sandwich mesh fabric which was certified by the Fujian Weaving Production Quality Inspection and Test Centre as complying with grade A specification of the FZ/T77001-1992 "Flame-Resistant Knitted Fabric" industrial standard. In the same year, our research and development efforts also yielded sandwich mesh fabrics with anti-bacterial and shrink resistant properties as well as added softness and durability.

In June and October 2008, we successfully developed new production methods for the production of our SBR diving material and 30D terylene filament yarn respectively, both of which have been submitted to the State Intellectual Property Office of the PRC for patent registration in the same year. As at the Latest Practicable Date, we have submitted 10 patent registration applications, including 2 applications for invention patent and 8 applications for utility model patent, to the State Intellectual Property Office of the PRC.

Please see the sections entitled "**Our Business - Research and Development**" and "**Our Business - Intellectual Property**" of this Prospectus for more information. With our research and development capabilities, we are able to produce new and higher quality products to meet changing market preferences.

We are able to produce high quality products that meet industrial standards

Our Directors believe that our ability to continuously provide high quality products is a key factor that has contributed to the growth of our revenue. To ensure quality consistency in our products, we have implemented stringent quality control measures at every stage of our production process, from raw material procurement to production of the final products. The measures enable our products to meet our customers' quality standards.

Our attainment of ISO9001 quality management system certification in connection with the production all our products and ISO14001 environmental management system certification is a testimony of our Group's concerted efforts to deliver high quality products in an environmentally responsible manner. Please refer to the section entitled "**Our Business - Quality Control**" of this Prospectus for further details.

We have expertise and capability in production of both 30D terylene filament yarn and sandwich mesh fabric

We are among the few PRC companies who possess the experience and technical expertise to manufacture both 30D terylene filament yarn and sandwich mesh fabric. With our integrated manufacturing capabilities, we are able to enjoy, amongst other things, lower cost of sales and marketing, flexibility in pricing strategies, better quality control and logistic management. Through our manufacture and sale of sandwich mesh fabric, we are better able to understand the technical requirements and specification required of the 30D terylene filament yarn being its main raw material and this has assisted us to continuously improve our manufacture of 30D terylene filament yarn. In a short span of about 3 years, we have established ourselves as one of the leaders in the business segment of 30D terylene filament yarn.

We are strategically located in Fujian Province

We are strategically located in Quanzhou City, Fujian Province, one of the major sportswear, sports accessories, bags and luggage producing region in the PRC. Our main customers include manufacturers of sportswear and sports accessories, bag and luggage as well as their suppliers, which are located in this region. Our close proximity to our customers makes us an attractive option to our customers in view of their lower transportation and storage costs. It also provides us the opportunity to maintain regular contacts with our customers and strengthen our foothold in the region's sportswear, sports accessories, bags and luggage market. Our strategic location also gives us easy access to suppliers of raw materials that we require for our business which in turn allows us to lower our production cost.

We have a strong management team

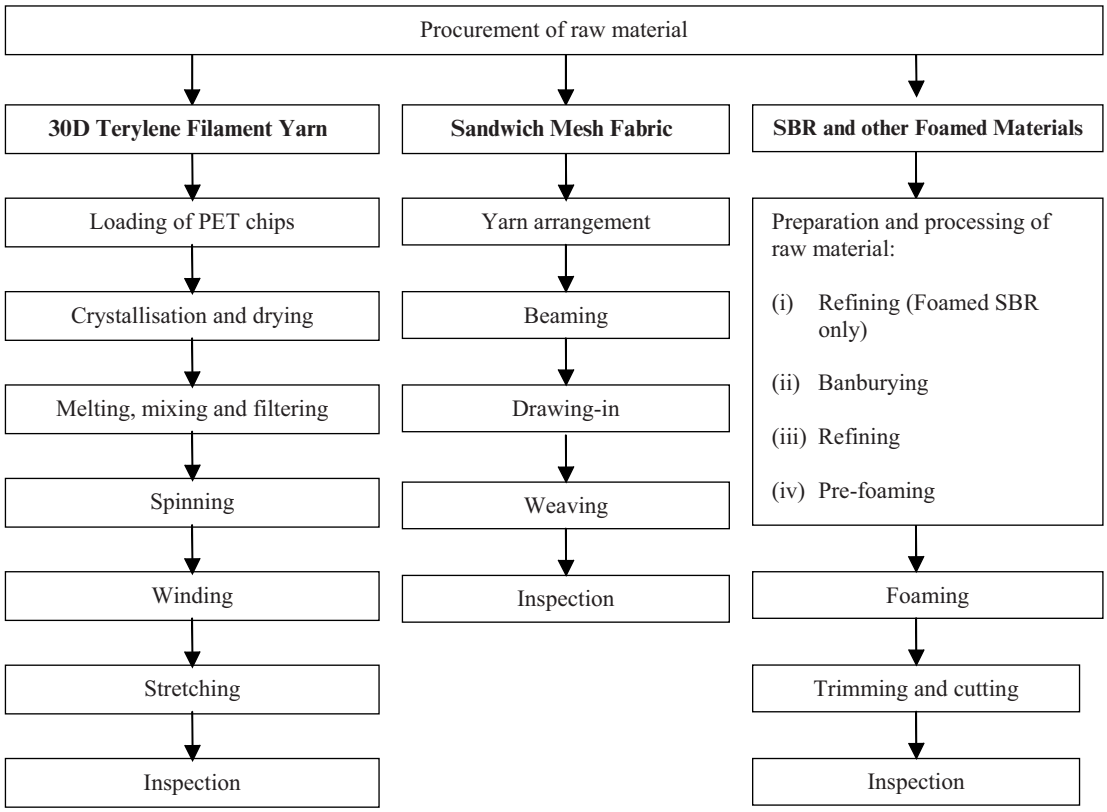
We have a highly competent and committed management team. With his vast experience and knowledge of the industry, our Executive Chairman and CEO, Mr Ting Chun Yuen is able to manage and steer the growth of our Group's business and has established an extensive customer base, with the support from our whole management team. Our management team is committed to the development of our business and will continue to spearhead our business operations and future plans so as to ensure the continuing success of our Group. Please refer to the section entitled "**Directors, Management and Staff**" of this Prospectus for more information on our Directors and Executive Officers and their experience.

We share an established long and good relationship with our customers

We believe that our commitment to product quality has assisted us in building up and maintaining good relationships with our customers. In FY2008, approximately 50.0% of our sales are attributable to our long term customers, who have remained with our Group since 2006. Our established relationship with these customers has helped us in understanding their requirements and specifications, better meet their expectation and demand, maintain a good feedback channel and hence improve our customer retention. We also receive sales referral by our customers to other manufacturers resulting in the expansion of our customer base.

PRODUCTION PROCESS

The following chart illustrates the main phases in our production process:



Procurement of raw material

(a) 30D terylene filament yarn

We purchase raw materials mainly comprising PET chips for the production of our 30D terylene filament yarn. Our quality assurance personnel from our procurement department carry out a visual inspection from samples taken from each batch to ensure that the colour and size of the PET chips conform to our requirements.

(b) Sandwich mesh fabric

For the middle layer of our sandwich mesh fabric, we utilise our own 30D terylene filament yarn. The top and bottom layers are weaved from fully drawn yarn or nylon acquired from our suppliers.

Our quality assurance personnel from our procurement department carry out visual inspections on the fully drawn yarn and nylon for defects.

(c) SBR and other foamed materials

We purchase the following raw materials:

(i) Foamed SBR – mainly comprising standard natural rubber, bacon rubber, SBR #1502 and SBR additives;

(ii) Foamed EVA – mainly comprising EVA pellets; and

(iii) High foamed PE – mainly comprising coloured or colourless PE pellets and blowing agent.

Our quality assurance personnel from our procurement department carry out inspection and testing on samples from raw materials received by us on a random basis to ensure that the quality of the raw materials meets the required specifications and quality specifications. Our production department also conducts trial production for each batch of raw material it receives.

We procure raw materials from suppliers who have been pre-approved by our Executive Director and Head of Procurement, Mr Fu Dongli, upon the recommendation of our procurement department. Our procurement department selects suppliers based on criteria such as the quality of materials supplied, pricing, track record and the ability to meet required delivery schedules. Please refer to the section entitled "**Our Business - Our Suppliers**" of this Prospectus for further details.

30D Terylene Filament Yarn

(i) Loading of PET chips

The PET chips are fed into a funnel where it will be delivered to a silo by compressed air.

(ii) Crystallisation and drying

The PET chips are fed from the silo into a drying machine to undergo crystallisation and drying. First, the PET chips are stirred and subjected to blasts of hot air. The process removes internal moisture content and causes the PET chips to crystallise. Crystallisation is necessary as PET chips would soften and stick together if heated at high temperatures. The crystallisation process would prevent the PET chips from fusing during drying.

After crystallisation, the crystallised PET chips are heated by hot air to just below melting point to remove the moisture in the PET chips.

Samples of the crystallised and dried PET chips are subjected to inspection and testing to ensure the sufficiency of the dryness.

(iii) Melting, mixing and filtering

The crystallised PET chips are fed into a spinning device known as an extruder, where the chips are heated at high temperatures and melted. The molten PET is then mixed and filtered before delivery to a spinneret for spinning.

(iv) Spinning

At this stage, the molten PET is delivered to a spinneret. The molten PET is pushed through the pores of the spinneret by rotating pumps to produce streams of molten PET. As cool air is applied to the streams, the molten PET solidifies into filaments. The thickness of the filament is produced according to specifications and is determined by the pressure created which is in turn determined by the speed of the rotating pumps.

(v) Winding

The filaments are wound onto reels by winding machines. Before the winding process, an oil mixture will be applied to the filaments to enhance the surface smoothness and elasticity, as well as to impart heat resistant and anti-static properties.

The wound filaments will undergo weighing and visual inspection to ensure the thickness and weigh of the filaments conform to required specifications. Visual inspection is also carried out to ensure the filament do not contain oil impurities.

(vi) Stretching

The filaments are stretched and drawn along coils of varying temperatures to strengthen the filaments. Once the stretching process is completed, the resultant 30D terylene filament yarn is delivered for inspection.

(vii) Inspection

All finished product will undergo both visual inspection and mechanical inspection to ensure conformation with required specifications. Yarn from each reel is also extracted and woven into small pieces of fabric to be tested for dye penetration and retention. The yarn is then weighed, graded and stored.

Sandwich mesh fabric

(i) Yarn arrangement

Before yarn is weaved into fabric, yarn threads known as warp are unwound from a group of reels and wound onto a warp beam.

(ii) Beaming

The warp is prepared for weaving by winding the warp onto a warp beam and affixing the warp beam to a loom. There the warp will be drawn into the loom for weaving.

(iii) Drawing-in

Warp from the warp beam is drawn through steel heddles and the reed.

(iv) Weaving

The looms are adjusted to control the required density and design of the fabric forming the top and bottom layers of the sandwich mesh. The warp is then interlaced with a set of horizontal yarn known as weft, which produces the fabric. The top and bottom layers are then weaved and bind together with a layer of 30D terylene filament yarn.

(v) Inspection

The completed sandwich mesh fabric will undergo visual inspection for tears, appearance and finishing before being packed and stored in our warehouse.

SBR and other foam materials

(i) Preparation and processing of raw material

Refining (Foamed SBR only)

The raw material for our foamed SBR is fed into a mixing mill, where the raw material is repeatedly mixed, rolled and compressed in accordance to a prescribed formula.

Banburying

The mixed raw material (for foamed SBR) or the pre-mixed raw materials (for high foamed PE and foamed EVA) will then be put into a mixer known as a Banbury machine. The Banbury machine blends the ingredients, under high temperatures and pressure, creating a gummy compound.

Refining

The materials are fed into a mixing mill to undergo a further mixing process to ensure a constant and consistent mix.

Pre-foaming

(a) Foamed SBR - After being refined, the raw materials are cooled for 12 hours before being fed into a screw extruder. The raw materials extruded by a continuously spinning action and softened and turned into a pre-determined viscosity. The extruded sheet form materials are then weighed and cut to a specific size in accordance with the size of the moulds.

(b) Foamed EVA - The refined materials undergo a temperature-controlled cooling process are then weighed and cut into specific size in accordance with the size of the moulds.

(c) High foamed PE - The refined materials are then weighed and measured into pre-determined quantities in accordance with the size of the moulds, which are then maintained at a pre-determined temperature before foaming.

(ii) Foaming

First stage foaming

The prepared raw materials are placed into pre-heated moulds and undergo a temperature-controlled foaming process.

Second stage foaming (Foamed SBR and PE only)

The foamed SBR and PE are placed into pre-heated moulds to undergo a second temperature-controlled foaming process.

Foamed SBR and EVA and high foamed PE are produced in sheet form from the foaming process.

(iii) Trimming and cutting

The foamed SBR and EVA and high foamed PE are placed on a trimming machine whereby any excess materials arising from the foaming process are trimmed off. Depending on our customers' requirements and specifications, the sheets may be further processed as follows:

(a) Joining and fusing the sheets into a continuous roll of sheets before slicing and cutting into sheet rolls of pre-determined lengths and thickness; or

(b) Die-cutting into pre-determined shapes and sizes.

(iv) Inspection

Before the final products are delivered to the warehouse, they are inspected to ensure the colour, hardness and other specifications meet our prescribed standard.

SALES, MARKETING AND DISTRIBUTION

Our sales and marketing department is spearheaded by our Executive Director and Head of Sales and Marketing, Mr Zhuang Qingquan, who has more than 10 years of experience in sales and marketing. As at the Latest Practicable Date, our sales and marketing department comprises 15 employees who are responsible for cultivating new customers and strengthening existing customer relationship through better after-sale service to our customers.

Our personnel from our sales and marketing department is divided into two groups; each in charge of different products as follows: (i) 30D terylene filament yarn and (ii) sandwich mesh fabric and SBR and other foamed materials. The sales and marketing team attends to customers in Fujian, Guangdong, Shandong, Zhejiang Provinces and Shanghai and Tianjin municipalities. We also have a sale liaison office situated in Dongguan, Guangdong Province. All sales and marketing activities are coordinated from our headquarters in Quanzhou City.

The responsibilities of our sales and marketing department include sourcing for new customers, maintaining and strengthening customer relationships, keeping up with domestic market trends and monitoring our competitors' products and pricing and providing after-sales service and addressing customers' feedback and complaints.

We visit and meet with our key customers regularly to maintain close relationships with our customers. Through such interaction, we are able to obtain customers' feedback on the quality of our products and understand their demands and requirements. This allows us to better understand and service our customers.

We disseminate information of our Group and our products through our website and the websites commercial business portals such as Alibaba.com and ChinaMarket.com.cn (在线广交会). We carry brochures of our existing and new products which we regularly distribute to our existing, targeted and potential customers.

We have adopted an incentive scheme to motivate our sales and marketing staff. The performance of the employees of our sales and marketing department are evaluated annually against their sales targets and such employees will be rewarded according to our incentive scheme.

In order to ensure that our sales and marketing personnel discharge their duties effectively, each member undergoes regular training on our products and production process. Please refer to the section entitled "**Our Business - Staff Training Policy**" of this Prospectus for further details.

RESEARCH AND DEVELOPMENT

To enable us to meet ever-changing market trends and customers requirements, we have placed emphasis on researching and developing new products to broaden our product range and to provide a wide selection of products to our customers.

As at the Latest Practicable Date, our research and development team consists of 8 staff, who report to our Executive Chairman and CEO, Mr Ting Chun Yuen. Our production technology and research and development efforts were recognised when, Zhihe Technology was accorded the status of a New High Tech Enterprise in Fujian Province by the Fujian Science and Technology Bureau in 2005. Our status was renewed for a period of 2 years in 2007.

In 2005, we successfully developed and launched our sandwich mesh fabric used in automobile which was accredited as a New Product and New Technology in Fujian Province by the Fujian Science and Technology Bureau in 2006 and submitted to State Intellectual Property Office of the PRC for patent application in 2009.

In September 2006, we successfully developed a flame-resistant sandwich mesh fabric which was certified by Fujian Weaving Production Quality Inspection and Test Centre (福建省纺织产品质量检验测试站) as complying with the grade A specification of the FZ/T77001-1992 "Flame-Resistant Knitted Fabric" industrial standard. In the same year, our research and development efforts also yielded sandwich mesh fabric with anti-bacterial and shrink resistant properties as well as added softness and durability.

In June and October 2008, we successfully developed new production methods for the production of our SBR diving material and terylene filament yarn respectively, both of which have been submitted to the State Intellectual Property Office of the PRC for patent registration in the same year. As at the Latest Practicable Date, we have submitted 10 patent registration applications, including 2 applications for invention patent and 8 applications for utility model patent, to the State Intellectual Property Office of the PRC.

Our research and development team works closely with and conduct frequent discussions with our suppliers and customers. Our suppliers are able to provide feedback and information on the latest developments in new raw materials, its usage, functions and technical know-how.

Through our contacts with our customers, our research and development personnel are able to better understand their product development and requirements. Our research and development personnel would assist in the production and testing of prototypes samples to ensure that our customer's required specifications are met before we proceed with actual production. In this regard, we also conduct research and development of new applications of existing material and the development of new materials and new technologies. Our research and development team also conducts study on to improve our production technologies and operational efficiency to ensure that we constantly upgrade our production process and products quality.

Our staff are required to attend seminars relevant to our industry and review industrial journals subscribed by our Group. This is to ensure our staff are updated with the latest market trends and technological developments in our industry.

Our research and development expenses incurred by us for the Track Record Period were approximately RMB129,634, RMB237,597, RMB412,235 and RMB124,570 respectively, representing 0.21%, 0.16%, 0.14% and 0.16% of the total revenue for the respective periods.

INVENTORY CONTROL

Our inventories comprise raw materials, semi-finished products and finished products. The main raw materials in our inventory are PET chips, natural rubber, bacon rubber, PE blowing agent, PE, EVA pellets, SBR #1502 and SBR additives. The inventories of raw materials, semi-finished products are managed by our procurement department while the delivery of our finished products are managed by our sales and marketing department.

Our inventory levels are managed based on confirmed sales orders, projection of our main customers' sales orders, our inventory level of raw materials, current trend in raw material prices and the supply and demand of raw materials in the market as well as the production schedules, inventory levels of our finished products and delivery schedules.

Procurement of raw materials

Generally, our procurement of raw material will be based on the specifications and fabrics required by our customer. We have implemented a comprehensive procedure in respect of our inventory management to ensure that our inventory is maintained and managed at a level which is in line with our business operations and strategy.

Inventory Management

(a) Our inventory operation is monitored by a computerised inventory management system, which enables us to make timely decisions on inventory management. We adopt a "first-in-first-out" method in the management of our inventory;

(b) Procurements of PET chips below RMB5 million and other procurements below RMB1 million have to be jointly approved by our CFO, Mr Goh Kea Chuan and our Executive Director and Head of Procurement, Mr Fu Dongli. Procurements of PET chips of RMB5 million and above and other procurement of RMB1 million and above have to be specifically approved by our Executive Chairman and CEO, Mr Ting Chun Yuen;

(c) All purchased raw materials will be examined by inventory manager according to purchase orders before acceptance;

(d) All inventories are marked with the specific codes to facilitate identification and tracing;

(e) With the approval from the relevant production managers, raw materials could be taken out of warehouse;

(f) Our sales and marketing department monitors the delivery schedules to our customers to ensure frequent and timely deliveries; and

(g) The information on delivery of finished products will also be recorded in the inventory management system, including the amount and other specifications.

We conduct physical stock-take of our inventory once every month and maintain our warehousing system and equipment in a good condition. Results of each stock-take are verified against and reconciled with our inventory management system. Any discrepancies will be reported and thoroughly investigated and corrective measures implemented.

Inventories are stated at the lower of cost and net realisable value.

Our inventory turnover days for the Track Record Period are as follows:

	FY2006	FY2007	FY2008	FP2009
Inventory turnover (days) [(1)]	74	68	37	30

Note:

(1) The inventory turnover days is calculated based on the average of the opening and closing inventory balances of the relevant financial year divided by cost of sales then multiplied by 365 days.

Our inventory turnover days decreased from 68 days in FY2007 to 37 days in FY2008 and 30 days in FP2009 as a result of better inventory management including measures such as more frequent purchases of raw materials and deliveries of our finished products to our customers, which enabled us to reduce our inventory amount with respect to sales. We have not encountered any material damage, loss or obsolescence of our inventory. During the Track Record Period, we have not made any allowance for inventory write-off or obsolescence.

QUALITY CONTROL

We believe that our product and service quality are the keys to our continued growth and success. We place great emphasis on quality assurance and the consistent quality of our products and services at all stages of our production and business process. We attribute our success to date to our commitment to and provision of quality services. As such, we believe that good quality control has been a key competitive strength of our Group.

As at the Latest Practicable Date, we have 21 quality assurance personnel, divided into various teams and attached to the various sections within the production department as well as to the procurement department. They are responsible for quality control within their respective stations and job scopes. The various teams in the production department report to the relevant production section managers, who report to our Production Manager, Mr Sheng Chunping. The team in the procurement department reports to our Executive Director and Director of Procurement, Mr Fu Dongli.

As a testimony to our commitment to quality services, we have been awarded the following certification:

Award	Awarding / Certification Body	Validity period
ISO9001:2000 Certificate of Conformity of Quality Management System	CCIC Conformity Assessment Services Co., Ltd	10 December 2007 to 9 December 2010

To attain and maintain this accreditation, we have set up a quality control management system in accordance with ISO9001:2000 standards. In addition, to maintain the high quality of our 30D terylene filament yarn, we have procured various testing and measuring equipment, to measure weight, length, tensile strength, elasticity and dye penetration and retention.

We have established the following quality control procedures to ensure the high standard of quality of our services:

In-coming

In order to ensure the quality and standard of our products, we place strong emphasis on the quality of our raw materials. Quality control checks are conducted on all incoming raw materials to ensure that the raw materials conform to our required specifications.

For our 30D terylene filament yarn, we carry out visual inspection on samples taken from each batch of raw materials to ensure that the colour and size of the PET chips conform to our requirements. Fully drawn yarn and nylon for our sandwich mesh fabric productions are visually inspected for defects.

For our SBR and other foamed materials, our quality assurance personnel from our procurement department will conduct inspections and tests to ensure that the raw materials conform to our order specifications. For our SBR and other foamed materials, our production department also conducts trial production for each batch of raw material it receives.

If there are discrepancies in the quantity or quality of raw materials delivered to us, or if the raw materials do not conform to our specifications, such raw materials are rejected and returned to our suppliers. Raw materials that pass the quality control checks are sent for storage in the warehouse until they are required in the production process.

In-process

At key stages in our 30D terylene filament yarn production process, we conduct various inspections to ensure that each process is properly completed and that the semi-finished products meet our specifications.

For our 30D terylene filament yarn, samples of the crystallised and dried PET chips are subjected to inspection and testing to ensure the sufficiency of the dryness. After winding of the 30D terylene filament yarns, the wound filament yarns will also undergo weighing and visual inspection to ensure the thickness and weight of the filament yarns conform to required specifications. Visual inspection is also carried out to ensure that the filament yarns do not contain oil impurities.

Finished products

Before the finished products are sent to our warehouse for storage, the products undergo a final round of inspection to ensure that they meet the required specifications and other qualities specified by the customers.

For our 30D terylene filament yarn, the finished product will undergo both visual inspection and mechanical inspection to ensure conformation with required specifications. Yarn from each reel is also extracted and woven into small pieces of fabric to be tested for dye penetration and retention.

For our sandwich mesh fabric, the finished products will undergo visual inspection for tears, appearance and finishing before being packed and stored in our warehouse.

Before our SBR and other foamed materials are delivered into the warehouse, they are inspected to ensure the colour, hardness and other specifications conform to our prescribed standard.

After-sales

Our sales and marketing personnel are responsible for providing after-sales service and to address customers' feedback or complaints. If required, our sales and marketing personnel are provided with technical assistance from our production department.

For the Track Record Period and from 1 April 2009 up to the Latest Practicable Date, we had not received any major complaints or rejections from our customers about our products.

OUR SUPPLIERS

The main raw materials required for use in our production processes include PET chips, natural rubber, bacon rubber, PE blowing agent, PE, EVA pellets, SBR #1502 and SBR additives. Our raw materials are sourced and procured from our suppliers located in the PRC. As at the Latest Practicable Date, we have more than 190 suppliers.

We procure raw materials from suppliers who have been pre-approved by our Executive Director and Head of Procurement, Mr Fu Dongli, upon the recommendation of our procurement department. Our procurement department selects suppliers based on criteria such as the quality of materials supplied, pricing, track record and the ability to meet required delivery schedules. The pool of approved suppliers will be reviewed and updated as and when the need arises by our procurement department and is subject to the approval of our Executive Director and Head of Procurement, Mr Fu Dongli. Towards end of the financial year, our Company will enter into non-binding letters of intents with selected suppliers and provide them with the forecasted requirements for the following financial year. The forecast is prepared based on the orders received from our customers in the immediate preceding year. The forecast allows our suppliers to plan their production schedule to meet our requirements.

The procurement department will inquire from the pre-approved suppliers their prevailing pricing of the raw materials and ability to meet the required delivery schedule before a decision is made on the supplier for each procurement.

Procurements of PET chips below RMB5 million and other procurements below RMB1 million have to be jointly approved by our finance manager and our Executive Director and Head of Procurement, Mr Fu Dongli. Procurements of PET chips of RMB5 million and above and other procurement of RMB1 million and above have to be specifically approved by our Executive Chairman and CEO, Mr Ting Chun Yuen.

We do not enter into long-term or exclusive contracts with suppliers so as to maintain flexibility in the choice of suppliers. Our location in Quanzhou City of Fujian Province, one of the major sportswear, sports accessories, bags and luggage producing region in the PRC gives us easy access to a large pool of suppliers of raw materials required in our production.

Our Group has not encountered any significant production disruption due to shortage of supply of raw materials from our suppliers to meet our production requirements. We maintain good relationships with our suppliers and do not have any major disputes with any of them in the Track Record Period. We have not experienced any major difficulties in sourcing for raw materials to meet our production requirements during the said period.

The following table sets out information of our major suppliers who accounted for 5.0% or more of our Group's total purchases for the Track Record Period:

		Percentage of total purchases (%)			
Supplier	**Products purchased**	**FY2006**	**FY2007**	**FY2008**	**FP2009**
Xiamen Xianglu Chemical Fiber Co., Ltd. (厦门翔鹭化纤股份有限公司)	PET chips	26.5	12.4 (1)	16.8 (1)	– (1)
Xiamen Runming Trading Development Import and Export Co., Ltd. (厦门润明贸易发展进出口有限公司)	PET chips	9.6	– (2)	– (2)	– (2)
Jinjiang Jingfu Chemical Fiber Co., Ltd. (晋江市锦福化纤聚合有限公司)	PET chips	–	16.5 (3)	13.8 (3)	4.3 (3)
Fujian Jinlun High Fibre Joint Stock Company (福建省金纶高纤股份有限公司)	PET chips	–	–	1.3	17.9 (4)
Fujian Jutong Group Co., Ltd. (福建巨通集团有限公司)	EVA pellets	8.1	1.5 (5)	– (5)	–
Quanzhou Huajian Logistic Co., Ltd. (泉州化建物流有限公司)	PE, blowing agent	5.0	4.4 (6)	7.1 (6)	– (6)
Xiamen Huizhi Trading Co., Ltd. (厦门汇智贸易有限公司)	SBR #1502, SBR additives	0.1	3.8 (7)	6.4 (7)	1.6 (7)
Fuzhou Zhigao Import and Export Trading Co., Ltd. (福州至高进出口贸易有限公司)	Kaolinite (SBR additives)	–	0.3 (7)	5.4 (7)	4.1(7)
Xiamen Huacheng Industry Co., Ltd. (厦门华诚实业有限公司)	Fully drawn yarn	5.2	0.4 (8)	– (8)	–
Hainan Shenhai Industry Co., Ltd. (海南琛海实业有限公司)	Natural rubber	2.6 (9)	0.4 (9)	1.2 (9)	9.2 (9)

Supplier	Products purchased	Percentage of total purchases (%) FY2006	FY2007	FY2008	FP2009
Fujian Nan'an Sumin Petrol Co., Ltd. (福建省南安市苏闽石油有限公司)	Rubber oil (SBR additives)	–	–	0.1 (10)	6.6 (10)
Xiamen Anpuer Trading Co., Ltd. (厦门安普尔贸易有限公司)	Bacon rubber	–	–	–	5.8 (11)
Shanghai Xiesong Industry Co., Ltd. (上海协松实业有限公司)	Natural rubber, SBR #1502, SBR additives	–	–	2.4 (12)	6.1 (12)

Notes:

(1) Our purchases from Xiamen Xianglu Chemical Fiber Co., Ltd. as a percentage of our total purchases decreased from FY2006 to FY2007 as a result of the increase in overall purchases in line with the increase in our overall sales revenue arising from the expansion of our product mix and scale of production even though the absolute purchase value was maintained during the period. We increased our purchases in FY2008 in view of their competitive pricing. In FP2009, we ceased our purchases from Xiamen Xianglu Chemical Fiber Co., Ltd. as it ceased production of PET chips.

(2) We stopped purchasing from Xiamen Runming Trading Development Import and Export Co., Ltd. from FY2007 as we were able to source from other suppliers such as Jinjiang Jingfu Chemical Fiber Co., Ltd., who offered more competitive pricing.

(3) Our purchases from Jinjiang Jingfu Chemical Fiber Co., Ltd. as a percentage of our total purchases decreased from FY2007 to FY2008 as a result of the increase in overall purchases in line with the increase in our overall sales revenue arising from the expansion of our product mix and scale of production even though the absolute purchase value increased during the period. In FY2009, our purchases from Jinjiang Jingfu Chemcial Fiber Co., Ltd decreased as it reduced its production of PET chips.

(4) We commenced our purchases from Fujian Jinlun High Fibre Joint Stock Company in September 2008. In FP2009, we increased our purchases from Fujian Jinlun High Fibre Joint Stock Company as a result of the cessation and reduction of purchases from Xiamen Xianglu Chemical Fiber Co., Ltd. and Jinjiang Jingfu Chemcial Fiber Co., Ltd., respectively.

(5) We gradually reduced our purchases from FY2006 to FY2007 and stopped purchasing from FY2008 from Fujian Jutong Group Co., Ltd. as we were able to source from other suppliers who offered more competitive pricing.

(6) Our purchases from our suppliers of PE and blowing agent varies from year to year as we will purchase from suppliers who are able at the material time to provide favourable terms such as competitive pricing and credit terms.

(7) Our purchases for FY2006 started when we commenced production of foamed SBR in November 2006. Our purchases as a percentage to our total revenue increased from FY2007 to FY2008 in line with the significant increase in sales revenue of our foamed SBR. In FP2009, our purchases from Xiamen Huizhi Trading Co., Ltd. decreased as we began sourcing the materials from other suppliers who were able to offer more competitive pricing. In FP2009, our purchase from Fuzhou Zhigao Import and Export Trading Co., Ltd. decreased as we have carry over stock from FY2008.

(8) We gradually reduced our purchases from FY2006 to FY2007 and stopped purchasing from FY2008 from Xiamen Huacheng Industry Co., Ltd. as we were able to source from other suppliers who offered more competitive pricing. The decrease in our purchases from FY2006 to FY2007 was also contributed by the significant increase in sales revenue of our 30D terylene filament yarn and SBR and other foamed materials.

(9) We reduced our purchases from FY2006 to FY2007 as we were able to source from other suppliers who offered more competitive pricing. In FP2009, our purchases increased in view of their competitive pricing.

(10) We commenced our purchases from Fujian Nan'an Sumin Petrol Co., Ltd. in 2008. In FP2009, we increased our purchases in view of their competitive pricing.

(11) We commenced our purchases from Xiamen Anpuer Trading Co., Ltd. in 2009 in view of their close proximity and competitive pricing.

(12) We commenced our purchases from Shanghai Xiesong Industry Co., Ltd. in April 2008. In FP2009, we increased our purchases from Shanghai Xiesong Industry Co., Ltd. in view of their competitive pricing.

Save as disclosed above, none of our suppliers accounted for 5.0% or more of our total purchases in the Track Record Period. We are not dependent on any of our major suppliers as we are able to source our raw materials from alternative suppliers should the need arise.

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. As at the Latest Practicable Date, our business and profitability are not materially dependent on any industrial, commercial or financial contract with any of our suppliers.

None of our Directors or Substantial Shareholders has any interest, director or indirect, in any of our suppliers. To the best of our knowledge and belief, there are no arrangements or understanding with any suppliers pursuant to which any of our Directors and Executive Officers were appointed.

OUR CUSTOMERS

Our customers are based in the PRC and comprise mainly manufacturers of sportswear and sports accessories, bags and luggage and their suppliers. We supply the raw materials required by our customers for the manufacture of their own products which are used in turn by their end customers. We have established good working relationships with our customers and earned the trust of our customers by delivering quality products, ensuring timely and prompt delivery and demonstrating strong research and development capability. As at the Latest Practicable Date, we have more than 400 customers, all located in the PRC.

Customers who accounted for 5.0% or more of our Group's total sales for the Track Record Period were as follows:

		Percentage of total sales (%)			
Customer	**Products supplied**	**FY2006**	**FY2007**	**FY2008**	**FP2009**
Fujian Jinjiang Huayu Weaving Co., Ltd. (福建省晋江市华宇织造有限公司)	Terylene filament yarn	13.1	9.2 (1)	7.5 (1)	5.5 (1)
Jinjiang Xulong Weaving Co., Ltd. (晋江旭龙织造有限公司)	Terylene filament yarn	6.7	4.9 (1)	2.9 (1)	1.6 (1)
Fujian Jinjiang Xielong Footwear Co., Ltd. (福建晋江市协龙鞋料有限公司)	Terylene filament yarn	6.6	3.6 (1)	2.6 (1)	1.2 (1)
361 Degree Sports Co., Ltd. (三六一度（福建）体育用品有限公司)	Sandwich mesh fabric	6.3	2.3 (2)	0.5 (2)	– (2)
Putian Hanjiang Jinxing Footwear Co., Ltd. (莆田涵江金星鞋业有限公司)	Foamed EVA	9.1	3.7 (3)	1.4 (3)	0.4 (3)

Customer	Products supplied	Percentage of total sales (%) FY2006	FY2007	FY2008	FP2009
Putian Xingchang Footwear Co., Ltd. (莆田星昌鞋业有限公司)	Foamed EVA	5.5	3.1 (3)	1.4 (3)	0.7 (3)
Dongguan Huahui Sports Co., Ltd. (东莞市桦辉运动用品有限公司)	Foamed SBR	2.0	7.5 (4)	5.1 (4)	3.9 (4)

Notes:

(1) Our sales of terylene filament yarn to Fujian Jinjiang Huayu Weaving Co., Ltd., Jinjiang Xulong Weaving Co., Ltd. and Fujian Jinjiang Xielong Footwear Co., Ltd. as a percentage of our total revenue decreased each financial period from FY2006 to FP2009 as a result of the increase in our overall sales revenue arising from the expansion of our product mix and scale of production, even though the absolute sales revenues increased annually during the corresponding periods.

(2) Our sales of sandwich mesh fabric to 361 Degree Sports Co., Ltd. maintained from FY2006 to FY2007 and decreased from FY2007 to FY2008 when 361 Degree Sports Co., Ltd. started obtaining sandwich mesh fabric from other suppliers with larger production capacity to match its increase in demand. In FP2009, 361 Degree Sports Co., Ltd. has not made any purchases from our Group. The decrease in sales as a percentage to our total revenue from FY2006 to FY2007 and from FY2007 to FY2008 was contributed by the significant increase in sales revenue of our 30D terylene filament yarn and SBR and other foamed materials.

(3) Our sales of foamed EVA to Putian Hanjiang Jinxing Footwear Co., Ltd. and Putian Xingchang Footwear Co., Ltd. as a percentage of our total revenue decreased from FY2006 to FP2009 as a result of the increase in our overall sale arising from the expansion of our product mix and scale of production. The absolute sales revenues attributable to Putian Hanjiang Jinxing Footwear Co., Ltd. and Putian Xingchang Footwear Co., Ltd. remained constant and increased annually during the corresponding periods.

(4) Our sales of foamed SBR to Dongguan Huahui Sports Co., Ltd. for FY2006 started when we commenced sale of foamed SBR in November 2006. Our sales as a percentage to our total revenue decreased from FY2007 to FP2009 as a result of the increase in our overall sale arising from the expansion of our product mix and scale of production even though the absolute sales revenues increased annually during the periods.

To the best of our Directors' knowledge, there is no information or arrangements which would lead to a cessation or termination of our current relationship with any of our major customers. As at the Latest Practicable Date, our business and profitability are not materially dependent on any industrial, commercial or financial contract with any of our customers.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in the above customers. To the best of our knowledge and belief, there are no arrangements or understanding with any customers pursuant to which any of our Directors and Executive Officers was appointed.

CREDIT MANAGEMENT

Credit Terms granted by us to our customers

Our customers are based in the PRC and comprise mainly manufacturers of sportswear, sports accessories, bags and luggage as well as their suppliers. We adopt stringent and prudent credit policy in our business dealing with our customers to avoid excessive accumulation of trade receivables.

Credit Assessments of our Customers

In deciding on the credit terms and limits to be granted to each customer, we would take into account factors such as the customer's transaction volume, financial background, management capability and length of relationship we have with the customer. Any history of default in payment will be taken into consideration in assessing a customer's credit rating. Credit assessments of our customers are undertaken on a regular basis by our personnel from our finance department.

For new customers, we will visit the customers to understand their business and operation before granting credit terms. In addition, we may require prepayment of between 70% and 100% of the purchase price by new customers.

Credit Limit

Our Executive Director and Head of Sales and Marketing, Mr Zhuang Qingquan is responsible for approving credit limits below RMB300,000. For credit limits up to RMB1 million, the approval of our Executive Chairman and CEO, Mr Ting Chun Yuen is required, after the pre-approval of our Executive Director and Head of Sales and Marketing, Mr Zhuang Qingquan is obtained. Credit limits in excess of RMB1 million will require the approval of our Board of Directors.

Credit Term

Generally, we extend credit terms of between 30 to 90 days to our customers, taking into consideration the value and type of sales, credit record and the credit limit granted to our customers. For major customers with good credit track record, longer credit terms of up to a maximum of 120 days may be granted at their request, subject to approval by our Executive Chairman and CEO, Mr Ting Chun Yuen.

Our finance and sales department are responsible for monitoring the collection of payment. Our finance department is responsible for regularly monitoring the payment status of our customers. Our sales staff will also communicate with the customers on a regular basis to remind them of the payment due dates. If any amount remains outstanding beyond the credit terms, the relevant sales personnel will contact the customer to find out the reason for such delay in payment. If the credit limit has been reached by the customer, we will not make any further deliveries to the customers until such overdue amount has been fully paid.

Assessment of Trade Receivables

Our Executive Chairman and CEO, Mr Ting Chun Yuen, Executive Director and Head of Sales and Marketing, Mr Zhuang Qingquan and CFO, Mr Goh Kea Chuan hold weekly meetings to discuss the status of trade receivables and payment performance of our customers. The meeting will also highlight and discuss all overdue payment and actions required to follow up on the collection.

Customer Visits

The regular marketing visits to our customers by our sales personnel also help to ensure the timely collection of the payment. At the same time, our sales personnel also gather market information on the financial and operation performances of the customers concerned. Necessary measures may be taken based on the feedback by our sales personnel in our credit control efforts.

Due to our strict credit control policy, in the Track Record Period, we have not made any allowance for doubtful debts and did not write off any bad debts.

Our trade receivables turnover days for the Track Record Period were as follows:

	FY2006	FY2007	FY2008	FP2009
Trade receivables turnover days[1]	54	59	45	49

Note:

(1) The trade receivables turnover days is calculated based on the average of the opening and closing trade receivables balances of the relevant financial year divided by revenue then multiplied by 365 days.

Trade receivables turnover days remained stable at within 60 days in the Track Record Period due to our strict credit control policy.

Our trade receivable as at the end of FY2008 and FP2009 amounted to approximately RMB40.7 million and RMB42.4 million respectively. The aging schedule of the balance of our trade receivables as at the end of FY2008 and FP2009 are as follows:

Period	As at 31 December 2008 (RMB million)	%	As at 31 March 2009 (RMB million)	%
Less than 30 days	24.5	60.1%	31.2	73.5%
Between 31 and 60 days	14.1	34.6%	11.2	26.5%
Between 61 and 90 days	1.9	4.7%	n.m.	n.m.
More than 91 days	0.2	0.5%	–	–

As at the Latest Practicable Date, all of our trade receivables as at 31 March 2009 had been collected.

Credit term granted to us by our Suppliers

Our suppliers comprise mainly suppliers of PET chips, natural rubber, bacon rubber, PE blowing agent, PE, EVA pellets, SBR #1502 and SBR additives. Our suppliers typically grant us credit terms of 30 to 90 days.

Our trade payables turnover days for the Track Record Period were as follows:

	FY2006	FY2007	FY2008	FP2009
Trade payables turnover days[1]	53	58	26	20

Note:

(1) The trade payables turnover days is calculated based on the average of the opening and closing trade payables balances of the relevant financial year divided by cost of sale then multiplied by 365 days.

Our trade payables turnover days for FY2006 and FY2007 were in line with our typical credit terms of 30 to 90 days granted by our suppliers. The trade payables turnover days were lower in FY2008 and FP2009 as we made earlier payments to our suppliers in order to secure better pricing.

INTELLECTUAL PROPERTY

We do not rely on any patent or trade marks owned by any third party. We do not accept any payment or royalties for use of any licence, copyright or any other intellectual property rights.

Trade marks

As at the Latest Practicable Date, our Group has the following registered trade marks in the PRC:

Trade mark	Country of Application	Class	Registration No.	Validity Period
至和 ZHIHE	PRC	24(1)	3732278	From 28 June 2006 to 27 June 2016
至和 ZHIHE	PRC	25(2)	3732279	From 7 June 2006 to 6 June 2016
	PRC	24(3)	3746422	From 28 November 2006 to 27 November 2016

Notes:

(1) The trade mark was registered in use in connection with fabric, curtain fabric, silk textile, interweaving drawing, papermaking felt (towel), handkerchief of textile, bedspread, table cloth (non-paper-made), washing gloves, Hada and flag.

(2) The trade mark was registered in use in connection with apparel, baby apparel, gym outfits, football shoes, shoes, hat, socks, gloves (apparel), veils (fabric) and apparel belts.

(3) The trade mark was registered in use in connection with washing gloves, Hada and flag.

Pending Trade Mark Registrations

As at the Latest Practicable Date, our Group has applied for registration of the following trade marks in the PRC:

Trade Mark	Country of Application	Class	Application No.	Date of Application	Status
至和 ZHIHE	PRC	23(1)	7429431	27 May 2009	Pending, examination
	PRC	23(2)	7429437	27 May 2009	Pending examination
 ZHIHE 至和	PRC	24(3)	7429455	27 May 2009	Pending, examination

Notes:

(1) This application was made for the use of the trade mark in connection with yarn, elastic silk, thread and yarn, thrum, weaving thread and yarn, cashmere wool, chenille, rayon, raw silk.

(2) This application was made for the use of the trade mark in connection with yarn, elastic silk, thread and yarn, thrum, weaving thread and yarn, cashmere wool, chenille, rayon, raw silk.

(3) This application was made for the use of the trade mark in connection with fabric, rayon fabric, non-woven fabric, silk fabric, interweave drawing, felt, textile towel, mattress covering, table blanket, washing gloves and Hada.

Pending Patent Registrations

As at the Latest Practicable Date, our Group has applied for registration of the following patents in the PRC:

Patent	Country of Application	Application No.	Date of Application	Status
A SBR diving material and production method (一种SBR潜水材料及其制备方法)	PRC	200810071165.2	4 June 2008	Under examination
An improved production method of terylene filament yarn (一种改进的涤纶单丝的生产方法)	PRC	200810072008.3	29 October 2008	Under examination
A terylene weaved sandwich mesh used as internal decoration material of automobile (一种汽车内饰涤纶经编三层网布)	PRC	200920137082.9	17 March 2009	Application lodged and pending examination
A low density polythylene used as internal roof material of automobile (一种汽车低密度聚乙烯树脂PE内装顶棚装置)	PRC	200920137340.3	1 April 2009	Application lodged and pending examination
A foaming layer of swimming suit made from SBR (一种SBR丁苯橡胶发泡层游泳衣)	PRC	200920137341.8	1 April 2009	Application lodged and pending examination
A foaming layer of mouse pad made from SBR (一种SBR丁苯橡胶发泡层鼠标垫)	PRC	200920137342.2	1 April 2009	Application lodged and pending examination
A foaming layer of laptop bag made from SBR (一种SBR丁苯橡胶发泡层电脑包)	PRC	200920137343.7	1 April 2009	Application lodged and pending examination
A foaming layer of glove made from SBR (一种SBR丁苯橡胶发泡层手套)	PRC	200920137344.1	1 April 2009	Application lodged and pending examination
Mode trap of foaming machine (发泡机模具疏水阀)	PRC	200920137345.6	1 April 2009	Application lodged and pending examination
Full flexible layer of bullet-proof vest (全柔性防弹衣层料)	PRC	200920138808.0	16 June 2009	Application lodged and pending examination

Save as disclosed above, our business and profitability is not materially dependant on any other trademark, patent or licence or any new manufacturing process nor do we do use or own any other patents, trade marks or intellectual property which are material to our business.

STAFF TRAINING POLICY

We believe in providing our staff with the necessary training to ensure that they are equipped with the right skills set for proper job performance. We place great emphasis on improving and upgrading our staff's technical knowledge and skills in their respective fields. As such, staff training is conducted in accordance with the varying requirement of each department.

New employees of our Group undergo an orientation training programme where they are introduced to their respective area of responsibilities. New employees are subject to three-months probation. Qualified new employees will further receive specific job training programme before being assigned to their respective positions.

Every new employee in the manufacturing department will undergo training programmes tailored to their respective positions and job functions in the production line. Generally, job training programmes cover training on industry standards, internal guidelines in relation to product quality and safe manufacture. Upon completing the training, employees are expected to pass a skill test and receive one-to-one personal guidance on machine operations until they are each familiar with and capable of operating the machinery within their job scope independently. In the event new machinery is introduced, our Group will contract with the suppliers to provide our staff basic operational training and maintenance skills.

In order to ensure that our sales and marketing personnel discharge their duties effectively, each member undergoes regular training on our products and production process.

For our research and development staff, our Group will provide training by sending them to seminars relevant to our industry, and subscribe to industrial journals for their review.

As a majority of our staff training is conducted internally, our expenses on staff training as a proportion of our revenue during the Track Record Period were insignificant.

PRODUCTION FACILITIES AND UTILISATION RATES

At the Latest Practicable Date, our production and processing facilities are located at the premises of our subsidiary, Zhihe Technology. As at the Latest Practicable Date, we own the following major production and processing facilities and equipment:

Equipment / Facility	Type of products produced	No. of Units / Lines
30D terylene filament yarn production line[(1)]	30D terylene filament yarn	8
Warp knitting machine (经编机)	Sandwich mesh fabric	18
Foaming production line[(2)]	Foamed SBR	3
Foaming production line[(2)]	Foamed EVA	1
Foaming production line[(2)]	High foamed PE	1

Notes:

1. The 30D terylene filament yarn production lines comprise primarily stretching machines (拉丝机).

2. The foaming production lines comprise primarily Banbury machines (密炼机), mixing mills (开炼机), foaming machines (发泡机) and second stage foaming machines (二次发泡机).

Production Capacity and Utilisation

The table below summarises the capacities and estimated utilisation rates of our facilities for the Track Record Period:

	FY2006		FY2007		FY2008		FP2009	
	Maximum Capacity (tonnes)	Utilisation Rate (%)	Maximum Capacity (tonnes)	Utilisation Rate (%)	Maximum Capacity (tonnes)	Utilisation Rate (%)	Maximum Capacity (tonnes)	Utilisation Rate (%)
SBR and other foamed materials	2,002.0	101.7	8,320.2	92.2	17,876.9	78.2	5,009.8	87.1
30D terylene filament yarn	2,150.4	93.5	4,300.8	83.8	8,243.0	83.3	2150.4	84.3
Sandwich mesh fabric	1,276.8	51.5	1,350.6	85.0	1,793.0	85.5	448.2	71.2

Notes:

The figures set out in the above are calculated based on the following assumptions:

(1) Our maximum production capacity for foamed SBR and foamed EVA materials is calculated based on the operation of our facilities for 24 hours a day and for 336 days in FY2006, FY2007, FY2008 and 84 days in FP2009. The maximum production capacity for high foamed PE is calculated based on the operation of our facilities for 12 hours a day and for 280 days in FY2008 and 84 days in FP2009.

(2) Our maximum production capacity for 30D terylene filament yarn is calculated based on the operation of our facilities for 24 hours a day and for 336 days in FY2006, FY2007, FY2008 and 84 days in FP2009.

(3) Our maximum production capacity for sandwich mesh fabric is calculated based on the operation of our facilities for 24 hours a day and for 336 days in FY2006, FY2007, FY2008 and 84 days in FP2009.

In December 2005, we acquired 6 additional sets of warp knitting machines, increasing the total number of our warp knitting machines to 14 sets. Due to the lack of skilled workers available in FY2006, we were unable to fully utilise the additional capacity arising from the acquisition.

In November and December 2006, for the production of our SBR and other foamed materials, we operated beyond 12 hours a day as we had to utilise our existing foaming production lines for the production of foamed SBR.

During the Track Record Period and from 1 April 2009 to the Latest Practicable Date, we have not experienced any significant disruption in our production facilities.

Save as disclosed in the section entitled "**Our Business - Government Regulations**" of this Prospectus, we are not aware of any regulatory requirements or environmental issues that may materially affect our Group's utilisation of any of our production or processing facility or equipment.

PROPERTIES AND FIXED ASSETS

As at the Latest Practicable Date, we hold the following land use and building ownership rights:

Land Use Rights

Certificate Reference No.	Description/ Location	Use	Tenure	Approx. land area (sq m)	Encumbrances	Approx. net book value as at 31 March 2009 (RMB'000)
Quan Guo Yong (2005) No. 100064	Land Lot A-09, A-10(B), Qingmeng Zone, Quanzhou Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC (中国福建省泉州经济技术开发区清濛园区A-09, A-10 (B))	Industrial	50 years until 20 October 2054	31,028.5	Mortgaged to Industrial Bank Co., Ltd., Quanzhou Branch for a facility of up to RMB35.0 million. For further details, please refer to the section entitled "**Capitalisation and Indebtedness**" of this Prospectus.	6,116

Building Ownership Rights

As at the Latest Practicable Date, our Group holds the following building ownership rights:

Certificate Reference No.	Description/ Location	Use	Tenure	Approx. land area (sq m)	Encumbrances	Approx. net book value as at 31 March 2009 (RMB'000)
Quan Fang Quan Zheng Kai (Kai) Zi No. 200804470	Building A, Land Lot A-09, A-10 (B), Western Section, Qingmeng Zone, Economy and Technology Development Zone (经济技术开发区清濛园区西片区A-09, A-10 (B)地块至和织造有限公司厂房A幢)	Chemical fibre plant	Until 20 October 2054	16,463.33	Mortgaged to Industrial Bank Co., Ltd., Quanzhou Branch for a facility of up to RMB35.0 million For further details, please refer to the section entitled "**Capitalisation and Indebtedness**" of this Prospectus.	11,832

Certificate Reference No.	Description/ Location	Use	Tenure	Approx. land area (sq m)	Encumbrances	Approx. net book value as at 31 March 2009 (RMB'000)
Quan Fang Quan Zheng Kai (Kai) Zi No. 200901192	Dormitory Building, Land Lot A-09, A-10 (B), Western Section, Qingmeng Zone, Economy and Technology Development Zone (经济技术开发区清濛园区西片区A-09, A-10 (B)地块泉州至和织造有限公司宿舍楼)	Office and dormitory	Until 20 October 2054	6,983.46	–	4,959
Quan Fang Quan Zheng Kai (Kai) Zi No. 200906969	Building B, Land Lot A-09, A-10 (B), Western Section, Qingmeng Zone, Economy and Technology Development Zone (经济技术开发区清濛园区西片区A-09, A-10 (B)地块至和织造有限公司厂房B)	Production facilities for sandwich mesh fabric	Until 20 October 2054	3,905.83	–	1,925
Quan Fang Quan Zheng Kai (Kai) Zi No. 200906970	Building C, Land Lot A-09, A-10 (B), Western Section, Qingmeng Zone, Economy and Technology Development Zone (经济技术开发区清濛园区西片区A-09, A-10 (B)地块至和织造有限公司厂房C)	Production facilities for SBR and other foamed materials	Until 20 October 2054	2,157.86	–	1,394

Temporary Permits

We have obtained temporary permits for the following buildings:

Description/Location	Use	Validity	Approx. area (sq m)	Approx. net book value as at 31 March 2009 (RMB'000)
Building D, Land Lot A-09. A-10(B), Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC	Trimming, cutting and warehousing facilities	Until 9 April 2011	1,115	893
Building E, Land Lot A-09. A-10(B), Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC	Trimming, cutting and warehousing facilities	Until 9 April 2011	1,115	321
Factory F, Land Lot A-09. A-10(B), Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC	Trimming, cutting and warehousing facilities	Until 9 April 2011	933	471
Building G, Land Lot A-09. A-10(B), Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC	Trimming, cutting and warehousing facilities	Until 9 April 2011	933	552

We also intend to construct new buildings to replace Buildings D, E, F and G before the expiry of the current temporary permits. If we are unable to complete the construction of the new buildings before the expiration of the temporary permits, we will have to continue to renew the temporary permits. In the event that we are unable to renew the temporary permits, we will either reorganise Buildings A, B and C and/or lease another premise on a temporary basis to accommodate the cutting, trimming and warehousing functions. Our Executive Directors are of the opinion that such a reorganisation of the existing facilities or the lease of a new premise will not have any material impact on the business operations or profitability of our Group.

Rented Properties

As at the Latest Practicable Date, Zhihe Technology has rented the following properties:

Description/ Location	Use	Tenure	Approx. area (sq m)	Monthly rental (RMB)	Landlord
2/F, No. 1 Jinhua Street, Fuxi Road, Liaobu Town, Dongguan City, Guangdong Province, PRC (中国广东省东莞市寮步镇凫西路1号2楼)	Liaison office	1 November 2008 to 1 November 2010	110	3,500	Li Jingrong

Fixed Assets

Other material fixed assets used by our Group comprise the existing production facilities and equipment used at our production facilities located at the Western Section, Qingmeng Zone, Economy and Technology Development Zone, Quanzhou City. As at 31 March 2009, the approximate net book value of our productions facilities and equipment is at RMB76.3 million.

Further details of our production facilities are set out in the sections entitled "**Business Strategies and Future Plans**" and "**Our Business - Production Facilities and Utilisation Rates**" of this Prospectus.

Save as disclosed above and in the section entitled "**Our Business - Government Regulations**" of this Prospectus, we are not aware of any regulatory requirements or environmental issues that may materially affect our Group's utilisation of any of our above properties or material fixed assets.

AWARDS AND ACCREDITATIONS

As a testimony of the quality of our products and management excellence in the industry, our subsidiary Zhihe Technology has been accorded the following awards and accreditation:

Award	Organisation which conferred the award	Date of Conferment
No. 1 Popular Product in Chinese DT Terylene Filament Yarn Industry (中国DT涤纶单丝产业畅销产品第一位)	China Market Monitoring Center (中国市场监测中心)	August 2008 and August 2009
China most Preferred Foamed SBR Material by Industrial Users (中国SBR丁苯橡胶发泡材料产业用户首选产品)	China Market Monitoring Center (中国市场监测中心)	August 2008 and August 2009
Certificate for New Product and New Technology (福建省新技术新产品鉴定证书)	Fujian Science and Technology Bureau (福建省科学技术厅)	November 2006
Certificate for the New and High-tech Products (高新技术产品认定证书)	Science and Technology Department of Fujian Province (福建省科学技术厅)	August 2005
Certificate of Credit Ranking(1) (信用等级证书)	Fujian Zhongcheng Credit Ranking Consultancy Co., Ltd. (福建中诚信信用评级咨询有限公司)	June 2008(1)
ISO9001:2000 Certificate of Conformity of Quality Management System	CCIC Conformity Assessment Services Co., Ltd	10 December 2007(2)

Notes:

(1) This certificate is valid until May 2010.

(2) The certificate is valid until 9 December 2010.

Zhihe Technology was accorded a status of New High Tech Enterprise in Fujian Province since 2005 by the Fujian Science and Technology Bureau. This status is subject to renewal every two years and the last renewal was on 16 August 2007. We have applied for the renewal of this status in May 2009. If our Group is successful in renewing its status of New High Tech Enterprise, the rate of the enterprise income tax applicable to Zhihe Technology will be 15%.

COMPETITION

We have divided our products into three main categories, 30D terylene filament yarn, sandwich mesh fabric and SBR and other foamed materials. To the best of our Directors' knowledge, the following companies are our major competitors:

SBR and other foamed materials

(a) Quanzhou Sansheng Rubber Plastic Foaming Shoes Materials Co., Ltd. (泉州三盛橡塑发泡鞋材有限公司)

(b) Qingdao Hongyuan Rubber Plastic Foaming Co., Ltd. (青岛鸿元橡塑发泡有限公司)

30D terylene filament yarn

(a) Wuxi Huayan Chemical Fiber Co., Ltd. (无锡华燕化纤有限公司)

(b) Wujiang Jingmei Chemical Fiber Co., Ltd. (吴江精美化纤有限公司)

(c) Qidong Xinfangcheng Chemical Fiber Co., Ltd. (启东新方成化纤有限公司)

Sandwich mesh fabric

(a) Fujian Jinjiang Huayu Weaving Co., Ltd. (福建晋江华宇织造有限公司)

(b) Fujian Changle Star-Light Knitting Co., Ltd. (福建省长乐市星辉针织有限公司)

(c) Jinjiang Xulong Weaving Co., Ltd. (晋江旭龙织造有限公司)

INSURANCE

We maintain the following insurance policies:

Group Company	Annual Premium (RMB)	Subject insured	Maximum Coverage (RMB)	Term
Zhihe Technology	7,200.00	Buildings , equipment and furniture	12,000,000.00	20 August 2009 to 20 August 2010
	27,614.00	Factories, machines, raw materials, semi-finished products, finished products	47,072,083.00	1 January 2009 to 2 November 2009
	10,457.00	Factories and machines	17,825,336.76	1 January 2009 to 2 November 2009

Our subsidiary, Zhihe Technology, has also been paying social insurance for its full-time employees which include coverage for medical, pension, work-related accidents and unemployment.

Our Group will renew the insurance policies upon their expiry. We do not take up product liability insurance for Zhihe Technology as it is not a requirement in the PRC and not an industry practice to do so. There has not been claim made against us in connection to our products during the Track Record Period.

Our Directors believe, having considered the risk levels and the costs of procuring insurance for certain risks associated with our business, that the coverage from above insurance policies is adequate for the purpose of our business. However significant damage to our operations or any of our properties may still have a material and adverse impact on our results of operations or financial conditions. We are not insured against loss of key personnel or business interruption. Please refer to the section entitled "**Risk Factors**", in particular, "We are exposed to potential product quality liability" and "Our insurance coverage may not cover all situations" of this Prospectus for more details. We periodically review the insurance coverage of our Group and will consider taking up additional insurance, if necessary.

GOVERNMENT REGULATIONS

As at the Latest Practicable Date, our business operations in PRC are not subject to any special legislation or regulatory controls which have a material impact on our business and operations other than those generally applicable to companies and businesses operating in the PRC. For further details on applicable PRC laws and regulations, please refer to the Appendix E on "**Summary of Relevant PRC Laws and Regulations**" in this Prospectus.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we have obtained all required approvals and are in compliance with all relevant laws and regulations in the PRC that would materially affect our business operations.

LITIGATION

As at the Latest Practicable Date, our Group is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had in the 12 months before 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 our subsidiary 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 our subsidiary.

SELECTED GROUP FINANCIAL INFORMATION

*The following selected financial information should be read in conjunction with the full text of this Prospectus, including the section entitled "**Management Discussion and Analysis of Financial Condition And Results Of Operation**" as well as the "**Audited Combined Financial Statements for the Financial Years Ended 31 December 2006, 2007, 2008**", the "**Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" and the "**Unaudited Pro Forma Combined Financial Statements for the Year Ended 31 December 2008 and Financial Period From 1 January 2009 to 31 March 2009**" set out in Appendix A, Appendix B and Appendix C, respectively, to this Prospectus.*

OPERATING RESULTS OF OUR GROUP

	Audited			Unaudited	
RMB'000	**FY2006**	**FY2007**	**FY2008**	**FP2008**	**FP2009**
Revenue	62,333	150,601	286,847	57,154	76,901
Cost of sales	(49,017)	(111,770)	(210,251)	(43,852)	(46,595)
Gross profit	13,316	38,831	76,596	13,302	30,306
Other income	79	644	863	15	215
Selling and distribution expenses	(883)	(2,792)	(3,829)	(920)	(1,381)
Administrative expenses	(1,111)	(1,960)	(2,927)	(776)	(2,143)
Finance costs	(1,469)	(3,267)	(4,636)	(923)	(540)
Profit before taxation[(1)]	**9,932**	**31,456**	**66,067**	**10,698**	**26,457**
Income tax expense	–	(3,775)	(8,335)	(1,341)	(3,469)
Net profit and profit attributable to equity holders of the Group	**9,932**	**27,681**	**57,732**	**9,357**	**22,988**
Gross profit margin (%)	21.4%	25.8%	26.7%	23.3%	39.4%
Net profit margin (%)	15.9%	18.4%	20.1%	16.4%	29.9%
Earnings per Share (RMB cents)[(2)]	5.25	14.63	30.52	4.95	12.15
Earning per Share – as adjusted (RMB cents)[(3)]	3.99	11.11	23.17	3.76	9.23

Notes:

(1) Had the Service Agreements been in existence for FY2008 and FP2009, the aggregate remuneration (including contributions, bonus, and benefits-in-kinds) paid to the Executive Directors would have been approximately RMB1.8 million and RMB0.5 million respectively instead of approximately RMB0.4 million and RMB0.1 million respectively, and our profit before taxation would have been approximately RMB64.7 million and RMB26.1 million respectively.

(2) For comparative purposes, the earnings per Share has been calculated based on the net profit attributable to equity holders and the pre-Offering issued share capital of 189,178,600 Shares.

(3) For comparative purposes, the earnings per Share (as adjusted for this Offering) has been calculated based on our net profit attributable to equity holders and the post-Offering issued share capital of 249,178,600 Shares.

SELECTED GROUP FINANCIAL INFORMATION

FINANCIAL POSITION OF OUR GROUP

RMB'000	Audited FY2008	Unaudited FP2009
ASSETS		
Non-Current Assets		
Property, plant and equipment	77,746	76,304
Land use rights	6,150	6,116
	83,896	82,420
Current Assets		
Inventories	18,656	12,358
Trade and other receivables	44,155	42,756
Other current assets	218	499
Cash and cash equivalents	43,335	77,856
	106,364	133,469
Total Assets	190,260	215,889
LIABILITIES		
Current Liabilities		
Trade and other payables	19,232	23,745
Borrowings	51,755	48,977
Income tax payable	2,563	3,469
	73,550	76,191
Non-Current Liabilities	–	–
Net Assets	116,710	139,698
Shareholders' Equity		
Share capital	54,000	54,000
Statutory reserve	3,742	9,577
Equity component – convertible loan	1,235	1,235
Retained earnings	57,733	74,886
	116,710	139,698
NAV per Share[(1)] (RMB cents)	61.69	73.84

Note:

(1) The NAV per Share has been calculated based on our NTA as at 31 December 2008 and 31 March 2009 divided by our pre-Offering share capital of 189,178,600 Shares.

*Investors should read the following discussion and analysis of our results of operations and financial condition in conjunction with the "**Audited Combined Financial Statements for the Financial Years Ended 31 December 2006, 2007, 2008**", "**Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" and the "**Unaudited Pro Forma Combined Financial Statements for the Year Ended 31 December 2008 and Financial Period from 1 January 2009 to 31 March 2009**"set out in Appendix A, Appendix B and Appendix C, respectively, to 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 section entitled "**Risk Factors**" of this Prospectus.*

OVERVIEW

Our Group is primarily engaged in the research and development and manufacture and sale of SBR and other foamed materials, 30D terylene filament yarn and sandwich mesh fabric, which are used mainly as raw materials by manufacturers of lifestyle consumer products and upholstery for furniture and automobile interior lining as well as the suppliers to these manufacturers.

According to a joint survey conducted by China Market Monitoring Center (中国市场监测中心) and China Market Research Center (中国市场研究中心), our Group has been named as one of the top sellers of foamed SBR and drawn textured terylene single filament yarn (30D terylene filament yarn being a type of drawn textured terylene single filament yarn) in the PRC in 2007 and 2008.

During the Track Record Period, our revenue had grown rapidly in line with the growth of the PRC's lifestyle consumer product industry, which was in turn driven by the strong economy performance and rapid increase in disposable income and consumer spending. In addition, rising levels of sports awareness and participation coupled with changing lifestyle have prompted greater demand for our products. Our continuous efforts in research and development of environmentally friendly materials also played an important role in the growth of our revenue.

For the Track Record Period, our products were sold mainly in the PRC market and in particular Fujian, Guangdong, Shandong and Zhejiang Provinces as well as Shanghai and Tianjin municipalities. Our production facility is strategically located at Quanzhou City, Fujian Province, one of the major sportswear, sports accessories, bags and luggage producing region in the PRC. For the Track Record Period, all of our revenue was denominated in RMB.

Revenue

Revenue by business segments

Our products are categorised into three broad business segments namely (1) SBR and other foamed materials, (2) 30D terylene filament yarn and (3) sandwich mesh fabric.

(1) SBR and other foamed materials

In February 2006, we ventured into SBR and other foamed materials segment with the production of our first product under our SBR and other foamed materials segment, namely foamed EVA, with an initial annual production capacity of approximately 2,000 tonnes. In November 2006, we successfully developed foamed SBR, our second product under the SBR and other foamed materials segment, and commenced manufacturing of foamed SBR using our existing SBR and other foamed materials production line. In January 2007, we procured an additional production line for foamed materials and our total production capacity increased to approximately 8,320 tonnes. In March 2008, we successfully introduced our third product under the SBR and other foamed materials segment, namely high foamed PE, with an additional dedicated production line and during the same period we also added two more production lines for our foamed SBR and this increased our annual production capacity to approximately 20,044 tonnes.

(2) 30D terylene filament yarn

In 2005, in line with the market demand and to ensure the quality and consistent supply of the raw materials for our sandwich mesh fabric, we decided to venture into the manufacture of 30D terylene filament yarn, a key material for the production of sandwich mesh fabric. To enable us to acquire the necessary manufacturing capability and know-how, we commenced research and development on the production technology and process required for 30D terylene filament yarn. In March 2006, we successfully completed our research and development on the formulation for our 30D terylene filament yarn. We commenced production of 30D terylene filament yarn with the procurement of two production lines with an annual production capacity of approximately 2,150 tonnes. In February 2007, we procured two additional production lines and increased our annual production capacity to approximately 4,300 tonnes. The annual production capacity was further increased to approximately 6,450 tonnes in December 2007 with the procurement of two additional production lines. In March 2008, with the procurement of two more production lines, we further increased our annual production capacity to approximately 8,600 tonnes.

(3) Sandwich mesh fabric

In April 2005, our Group commenced the manufacture and sale of sandwich mesh fabric with the procurement of three warp knitting machines. Our annual production capacity for sandwich mesh fabric was then approximately 274 tonnes. At the end of 2005, our Group acquired an additional five warp knitting machines and increased our annual production capacity to approximately 730 tonnes. In January 2006, we procured an additional six warp knitting machines and increased the annual production capacity to approximately 1,277 tonnes. In February 2007, we procured four additional warp knitting machines and increased the annual production capacity to approximately 1,793 tonnes.

Breakdown of revenue by business segments

(RMB'000)	FY2006	%	FY2007	%	FY2008	%	FP2008	%	FP2009	%
SBR and other foamed materials	24,213	38.8	78,740	52.3	168,695	58.8	32,130	56.2	47,804	62.2
30D terylene filament yarn	24,307	39.0	48,115	31.9	92,923	32.4	18,898	33.1	22,914	29.8
Sandwich mesh fabric	13,813	22.2	23,746	15.8	25,229	8.8	6,126	10.7	6,183	8.0
TOTAL	62,333	100.0	150,601	100.0	286,847	100.0	57,154	100.0	76,901	100.0

Breakdown of sales volume by business segments

(Tonne)	FY2006	%	FY2007	%	FY2008	%	FP2008	%	FP2009	%
SBR and other foamed materials	1,930	45.2	6,633	60.2	14,735	65.9	2,697	63.4	4,363	67.2
30D terylene filament yarn	1,646	38.5	3,229	29.3	6,401	28.6	1,266	29.7	1,814	27.9
Sandwich mesh fabric	694	16.3	1,151	10.5	1,227	5.5	294	6.9	318	4.9
TOTAL	4,270	100.0	11,013	100.0	22,363	100.0	4,257	100.0	6,495	100.0

Breakdown of average selling price by business segments

(RMB/Tonne)	FY2006	FY2007	FY2008	FP2008	FP2009
SBR and other foamed materials	12,546	11,871	11,449	11,913	10,957
30D terylene filament yarn	14,767	14,901	14,517	14,927	12,632
Sandwich mesh fabric	19,903	20,631	20,562	20,837	19,443

Revenue recognition policy

Our revenue is measured at the fair value of the consideration received or receivable and are presented net of goods and services taxes and trade discounts and after eliminating sales within our Group.

Revenue from the sale of manufactured products are recognised when our Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally coincides with the delivery and acceptance of goods; and when our Group can reliably measure the amount of revenue and the cost incurred and to be incurred in respect of the transaction; and it is probable that the collectibility of the related receivables is reasonably assured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Interest income is recognised as it accrues using the effective interest method.

Our revenue may be affected by, *inter alia*, the following factors:

(a) the general economic condition in the PRC and the conditions of the global economies which may affect the lifestyle consumer products and automobile industries in PRC;

(b) our ability to compete successfully with our competitors in the lifestyle consumer products and the upholstery for furniture and automobile industries in terms of pricing, quality, customer service and timely delivery of the products;

(c) our production capacity and our ability to expand our production capacity to meet the increasing demand; and

(d) our ability to introduce new and higher quality products that meet changing market demand.

Seasonality

Our business is not subject to any significant seasonal fluctuation, other than the general slow down in business activities in the PRC in the first quarter of the year as a result of the Chinese New Year festival.

Cost of Sales

Our cost of sales comprises mainly direct material costs, direct labour costs, depreciation expenses, electricity and water costs, consumable costs, transportation costs and others costs. The breakdown of these components as a percentage of our cost of sales ("COS") is as follows:

RMB'000	FY2006	% of COS	FY2007	% of COS	FY2008	% of COS	FP2008	% of COS	FP2009	% of COS
Raw material costs	39,122	79.8	95,607	85.5	189,763	90.3	39,558	90.2	41,271	88.6
Electricity and water costs	4,058	8.3	6,090	5.5	6,141	2.9	1,204	2.7	1,574	3.4
Direct labour costs	3,601	7.3	5,398	4.8	7,165	3.4	1,481	3.4	1,887	4.0
Other manufacturing overheads	2,236	4.6	4,675	4.2	7,182	3.4	1,609	3.7	1,863	4.0
TOTAL	49,017	100.0	111,770	100.0	210,251	100.0	43,852	100.0	46,595	100.0

Our raw material costs accounted for approximately 80% to 90% of our cost of sales during the Track Record Period. Our main raw materials comprise mainly PET chips, natural rubber, PE blowing agent, PE pellets, EVA pellets, SBR #1502 and SBR additives.

Breakdown of raw material costs by business segments

(RMB'000)	FY2006	%	FY2007	%	FY2008	%	FP2008	%	FP2009	%
SBR and other foamed materials	14,803	37.8	49,944	52.2	113,744	59.9	22,588	57.1	25,794	62.5
30D terylene filament yarn	16,109	41.2	31,922	33.4	61,791	32.6	13,094	33.1	12,340	29.9
Sandwich mesh fabric	8,210	21.0	13,741	14.4	14,228	7.5	3,877	9.8	3,137	7.6
TOTAL	39,122	100.0	95,607	100.0	189,763	100.0	39,558	100.0	41,271	100.0

Raw material costs were approximately RMB39.1 million, RMB95.6 million, RMB189.8 million, RMB39.6 million and RMB41.3 million for FY2006, FY2007, FY2008, FP2008 and FP2009 respectively. The increase in raw material costs was in line with the increase in our production activities during the Track Record Period. Raw material costs accounted for approximately 79.8%, 85.5%, 90.3%, 90.2% and 88.6% of our costs of sales for FY2006, FY2007, FY2008, FP2008 and FP2009 respectively. The increasing trend in our raw material costs as a percentage of costs of sales was due mainly to the change in our product mix as increasing volume of SBR and other foamed materials were sold. The unit raw material costs for SBR and other foamed materials were generally higher than our other products.

We procured our supply of raw materials mainly from a number of suppliers located in Quanzhou City and Jinjiang City, Fujian Province in the PRC. For FY2006 to FY2008 prices of our raw materials remained relatively stable, however, it was lower in FP2009 due mainly to the sharp fall in prices of our raw materials especially PET chips and SBR #1502 as a result of the over supply condition in the market for these raw materials arising from over capacity in the raw material manufacturers and fall in demand for these raw materials due to the economic crisis.

We procured our electricity and water supply from various government utilities agencies. Our electricity and water costs varies in accordance to our level of production activities and the traffic rate charged by the respective utilities agencies. Electricity and water costs accounted for approximately 8.3%, 5.5%, 2.9%, 2.7% and 3.4% of our cost of sales in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively. In FY2008, we were able to reduce our unit electricity and water costs as a result of various energy saving measures taken by Zhihe Technology such as the installation of energy saving transformers at each production line, shifting of high energy consumption processes to off peak hours and installation of heat extractors at the production areas.

Direct labour costs comprise mainly salaries and staff-related expenses for our production staff. Direct labour costs accounted for approximately 7.3%, 4.8%, 3.4%, 3.4% and 4.0% of our cost of sales in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively. Direct labour costs are dependent on factors such as the number of employees, the production volume, the salary level of our industry and labour market conditions.

Other manufacturing overheads comprise depreciation charges, transportation costs, consumable costs and other manufacturing costs. Other manufacturing overheads accounted for approximately 4.6%, 4.2%, 3.4%, 3.7% and 4.0% in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively. Consumable costs comprise mainly packaging materials, lubrication oil, machine spare parts and other low value consumables.

The major factors that affect our cost of sales include:

(a) our ability to maintain our market leadership position and enjoy cost savings particularly for raw materials through economies of scale;

(b) market prices of key raw materials which are largely affected by market demand and supply;

(c) prices of utilities such as water and electricity;

(d) labour costs; and

(e) depreciation and level of production activity.

As at the Latest Practicable Date, we are not aware of any other significant trends that may affect our cost of sales significantly. The above should be read in conjunction with the section entitled "**Risk Factors**" of this Prospectus.

Gross Profit ("GP")

GP and GP margin by products

We set out below a breakdown of our GP by products.

(RMB'000)	FY2006	%	FY2007	%	FY2008	%	FP2008	%	FP2009	%
SBR and other foamed materials	5,708	42.9	22,263	57.3	46,896	61.2	7,861	59.1	19,312	63.7
30D terylene filament yarn	4,305	32.3	9,302	24.0	21,525	28.1	3,615	27.2	8,672	28.6
Sandwich mesh fabric	3,303	24.8	7,266	18.7	8,175	10.7	1,826	13.7	2,322	7.7
TOTAL	13,316	100.0	38,831	100.0	76,596	100.0	13,302	100.0	30,306	100.0

We set out below a breakdown of our GP margin by products.

(%)	FY2006	FY2007	FY2008	FP2008	FP2009
SBR and other foamed materials	23.6	28.3	27.8	24.5	40.4
30D terylene filament yarn[(1)]	17.7	19.3	23.2	19.1	37.8
Sandwich mesh fabric[(2)]	23.9	30.6	32.4	29.8	37.6
Overall GP margin	21.4	25.8	26.7	23.3	39.4

Notes:

(1) In the computation of the GP margin for 30D terylene filament yarn, only our Group's sales to external parties are included.

(2) In the computation of the GP margin for sandwich mesh fabric, the cost of 30D terylene filament yarn, a key raw material for sandwich mesh fabric is taken at manufacturing cost as our Group uses our own manufactured 30D terylene filament yarn in the manufacture of our sandwich mesh fabric.

Our gross profit margins were approximately 21.4%, 25.8%, 26.7%, 23.3% and 39.4% in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively. The increase in gross profit margins from FY2006 to FP2009 were due mainly to the switch in our sales mix to higher proportion of SBR and other foamed materials which generally yield a higher margin than the rest of our products.

Our gross profit margin increased significantly in FP2009 due mainly to the higher than proportionate decrease in our raw material costs as compared to the decreased in our selling prices. Coupled with increase revenue due to strong market demand for our products, we were able to increase our gross profit margin in FP2009.

In addition, the improvement in utilisation rate and improved efficiency due to economies of scale had also enabled us to effectively lower our unit cost of sales over the years and thus improved our gross profit margin.

Other Income

Other operating income comprises mainly foreign exchange gain, interest income from bank deposits and incentive rewards from PRC government authorities being recognition of our contribution in the achievement of innovation and advancement in technology.

Selling and Distribution Costs

Selling and distribution costs comprise mainly transportation costs, salaries, entertainment expenses, advertisement expenses, travelling expenses and depreciation expenses. Selling and distribution costs accounted for approximately 1.4%, 1.9%, 1.3%, 1.6% and 1.8% of our revenue in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively.

Administrative Expenses

Administrative expenses comprise mainly salaries, staff welfare, union fees, office expenses, insurance, travelling, and depreciation expenses. Administrative expenses accounted for approximately 1.8%, 1.3%, 1.0%, 1.4% and 2.8% of our revenue in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively.

Finance Costs

Finance costs comprise mainly interest incurred on short term bank borrowings and bank charges. The short term bank borrowings were mainly utilised for general working capital purposes for our Group's business activities. The effective interest rates of our short term bank borrowings were 6.8%, 7.7%, 9.0%, 9.0%, and 7.8% in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively.

Finance costs accounted for approximately 2.4%, 2.2%, 1.6%, 1.6% and 0.7% of our revenue in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively.

Income Tax Expenses

Our Company, which was incorporated in Singapore, is an investment holding company, without any assessable profit, is not subject to any Singapore taxation since its incorporation.

For the Track Record Period, the statutory tax rate applicable to Zhihe Technology was 27%, 27%, 25% and 25%, respectively. As a foreign investment enterprise ("FIE") established under the laws of the PRC, our wholly-owned PRC subsidiary, Zhihe Technology is entitled to full exemption from PRC enterprise income tax ("EIT") for the first two years and a 50% reduction in the EIT for the next three years, commencing from its first profitable year. Zhihe Technology elected FY2005 as its first profitable year and is entitled to the 50% reduction from FY2007 to FY2009.

Our effective tax rates were nil, 12.0%, 12.6%, 12.5% and 13.1% in each of FY2006, FY2007, FY2008, FP2008 and FP2009 respectively.

REVIEW OF PAST OPERATING RESULTS

FY2007 vs FY2006

Revenue

Our revenue increased by RMB88.3 million or 141.6% from RMB62.3 million in FY2006 to RMB150.6 million in FY2007. The increase in revenue was due mainly to the increase in sales and demand for all of our three main product segments.

Revenue for SBR and other foamed materials increased by RMB54.5 million from RMB24.2 million in FY2006 to RMB78.7 million in FY2007. The increase was driven mainly by the increase in sales of our foamed SBR, a new product that we successfully introduced in November 2006, which contributed an increase in revenue of RMB38.5 million from RMB1.8 million in FY2006 (two months) to RMB40.3 million in FY2007. Our revenue for foamed EVA increased by RMB16.0 million from RMB22.4 million in FY2006 to RMB38.4 million in FY2007. The sales volume for SBR and other foamed materials increased significantly by 4,703 tonnes from 1,930 tonnes in FY2006 to 6,633 tonnes in FY2007 as our foamed SBR readily gained acceptance from our customers and we were successful in penetrating and capturing market share that were traditionally dominated by imports. The average selling price for SBR and other foamed materials decreased by RMB675 per tonne from RMB12,546 per tonne in FY2006 to RMB11,871 per tonne in FY2007 due mainly to the higher proportion of foamed SBR sold in FY2007. Foamed SBR has a lower average selling price as compared to foamed EVA.

Revenue for 30D terylene filament yarn increased by RMB23.8 million from RMB24.3 million in FY2006 to RMB48.1 million in FY2007. The sales volume for 30D terylene filament yarn almost doubled from 1,646 tonnes in FY2006 to 3,229 tonnes in FY2007 due mainly to increase in market demand for sandwich mesh fabric as a result of its increasing applications being developed for sandwich mesh fabric and greater end consumer demand for lifestyle consumer products. We were also able to further solidify our market leader position through continuous quality improvement and the expansion of our customer base. The average selling price for 30D terylene filament yarn increased marginally by RMB134 per tonne from RMB14,767 per tonne in FY2006 to RMB14,901 per tonne in FY2007.

Revenue for sandwich mesh fabric increased by RMB9.9 million from RMB13.8 million in FY2006 to RMB23.7 million in FY2007. The sales volume for sandwich mesh fabric increased by 457 tonnes from 694 tonnes in FY2006 to 1,151 tonnes in FY2007 due to the increase in market demand for sandwich mesh fabric. The average selling price for sandwich mesh fabric increased by RMB728 per tonne from RMB19,903 per tonne in FY2006 to RMB20,631 per tonne in FY2007 as we were able to increase selling price due to the strong market demand.

Cost of Sales

Cost of sales increased by RMB62.8 million or 128.2% from RMB49.0 million in FY2006 to RMB111.8 million in FY2007. The increase in cost of sales was due mainly to the increase in the cost of raw materials by RMB56.5 million. Foamed SBR, a new product that we introduced in November 2006, has come into full production in FY2007 and consequently the raw materials costs for our SBR and other foamed materials increased by RMB35.2 million. Raw material costs for our 30D terylene filament yarn and sandwich mesh fabric increased by RMB15.8 million and RMB5.5 million respectively. The increase in raw material costs was in line with our increase in sales revenue. There was no significant change in the prices of our key raw materials.

Direct labour costs increased by RMB1.8 million due mainly to the increase in the headcount of production staff and higher salary paid in FY2007 as compared to FY2006 as the operating activities increased significantly in FY2007.

Electricity and water costs increased by RMB2.0 million due mainly to the increase in production activities.

Other manufacturing overheads increased by RMB2.4 million. In particular, depreciation expenses increased by RMB1.7 million due mainly to the addition of two new production lines for our terylene filaments factory in February 2007 and subsequent addition of two and four new production lines for our 30D terylene filament yarn and sandwich mesh fabric respectively in December 2007. Transportation costs and consumables costs increased by RMB0.4 million and RMB0.3 million respectively in line with the increase in our business and production activities.

Gross Profit

Our gross profit increased by approximately RMB25.5 million or 191.7% from RMB13.3 million in FY2006 to RMB38.8 million in FY2007. Our gross profit margin increased by 4.4 percentage points from 21.4% in FY2006 to 25.8% in FY2007.

The increase in gross profit margin was due mainly to the improvement in the product sales mix, in particular our foamed SBR, which yielded higher margin compared to the rest of our products. In addition, the improvement in utilisation rate and improved efficiency due to economies of scale enabled us to lower our cost of sales per unit.

Other Income

Our other income increased by RMB0.6 million or 715.2% from RMB79,000 in FY2006 to RMB0.6 million in FY2007 due mainly to the government grant of RMB0.4 million received for promoting self innovation and advancement in technology. In addition, we received interest income from bank deposits and sale of scrap materials of RMB0.1 million each in FY2007.

Selling and Distribution Costs

Our selling and distribution expenses increased by approximately RMB1.9 million or 216.2% from RMB0.9 million in FY2006 to RMB2.8 million in FY2007. The increase in our selling and distribution expenses was due mainly to the increase in transportation costs which increased by RMB0.9 million mainly attributable to higher volume of operating activities. Local government levies increased by RMB0.3 million mainly attributable to higher sales activities. Salary increased by RMB0.3 million mainly attributable to the increase in sales staff headcounts by seven persons. Entertainment expenses increased by RMB0.2 million mainly attributable to higher sales activities. Research and development expenses increased by RMB0.1 million due mainly to the higher research and development expenditure in the area of SBR and other foamed materials.

Administrative Expenses

Our administrative expenses increased by RMB0.8 million or 76.4% from RMB1.1 million in FY2006 to RMB1.9 million in FY2007. This increase was due mainly to the increase in salaries expenses by RMB0.5 million. In addition, union fund expenses increased by RMB0.1 million, and staff benefit expenses increased by RMB0.1 million mainly attributable to the increase in staff headcounts and higher volume of operational activities. Depreciation charges increased by RMB0.1 million mainly attributable to the procurement of more furniture, fixture and office equipment and motor vehicle.

Finance Costs

Our finance costs increased by RMB1.8 million or 122.4% from RMB1.5 million in FY2006 to RMB3.3 million in FY2007 due mainly to the increase in average bank borrowings and increase in effective interest rate. Our average bank borrowing increased by RMB10.6 million from RMB35.7 million in FY2006 to RMB46.3 million in FY2007. Our effective interest rate increased by 3.0% from 4.1% in FY2006 to 7.1% in FY2007.

Profit Before Taxation

Profit before taxation increased by RMB21.5 million or 216.7% from RMB9.9 million in FY2006 to RMB31.4 million in FY2007 due to higher gross profit and less than proportionate increase in the operating expenses. Profit before tax margin increased by 5 percentage points from 15.9% in FY2006 to 20.9% in FY2007.

Income Tax Expense

Our Group incurred no income tax expense in FY2006, as Zhihe Technology was exempted from tax in FY2006.

Our income tax expense was approximately RMB3.8 million, representing an effective tax rate of approximately 12.0% in FY2007 (calculated based on income tax expense divided by operating profit before taxation in FY2007). The statutory income tax rate was 27.0% for Zhihe Technology for the taxable profit in FY2007.

FY2008 vs FY2007

Revenue

Our revenue increased by RMB136.2 million or 90.5% from RMB150.6 million in FY2007 to RMB286.8 million in FY2008. The increase in revenue was due mainly to the increase in sales and demand for all of our three main product segments.

Revenue for SBR and other foamed materials increased by RMB90.0 million from RMB78.7 million in FY2007 to RMB168.7 million in FY2008. In particular, our foamed SBR contributed to an increase of RMB74.9 million from RMB40.3 million in FY2007 to RMB115.2 million in FY2008 as a result of our continuous effort in research and development which enabled us to introduce new foamed SBR that can be used for more applications such as diving materials and automobile interior lining allowing us to expand our market share. Revenue for foamed EVA increased by RMB5.2 million from RMB38.4 million in FY2007 to RMB43.6 million in FY2008. In March 2008, we commenced manufacture and sale of high foamed PE which contributed RMB9.9 million to our revenue in FY2008. The sales volume for SBR and other foamed materials increased by 8,102 tonnes from 6,633 tonnes in FY2007 to 14,735 tonnes in FY2008. The average selling price for SBR and other foamed materials decreased by RMB422 per tonne from RMB11,871 per tonne in FY2007 to RMB11,449 per tonne in FY2008 due mainly to the higher proportion of sales of foamed SBR in FY2008 which had a lower average selling price as compared to the other foamed materials.

Revenue for 30D terylene filament yarn increased by RMB44.8 million from RMB48.1 million in FY2007 to RMB92.9 million in FY2008. The sales volume for 30D terylene filament yarn increased by 3,172 tonnes from 3,229 tonnes in FY2007 to 6,401 tonnes in FY2008 due mainly to increase in market demand for sandwich mesh fabric as a result of its increasing applications being developed for sandwich mesh fabric and greater end consumer demand for lifestyle consumer products. The average selling price for 30D terylene filament yarn decreased slightly by RMB384 per tonne from RMB14,901 per tonne in FY2007 to RMB14,517 per tonne in FY2008 due mainly to the decrease in the prices of raw material that was passed on to our customers.

Revenue for sandwich mesh fabric increased marginally by RMB1.5 million from RMB23.7 million in FY2007 to RMB25.2 million in FY2008 as a result of the slight increase in the sales volume from 1,151 tonnes in FY2007 to 1,227 tonnes in FY2008. The average selling price for sandwich mesh fabric remained relatively constant from FY2007 to FY2008.

Cost of Sales

Cost of sales increased by RMB98.5 million or 88.1% from RMB111.8 million in FY2007 to RMB210.3 million in FY2008. The increase in cost of sales was due mainly to the increase in the cost of raw materials by RMB94.2 million. The increase in raw material costs was in line with our increase in revenue. The price of natural rubber increased significantly by approximately 72.0% but this was negated by the decreased in prices of PET chips and the introduction of high foamed PE which has a much lower unit raw material costs.

Direct labour costs increased by RMB1.8 million due mainly to the increase in headcount of production staff and higher salary paid in FY2008 as compared to FY2007 as the operating activities increased significantly in FY2008.

Electricity and water costs increased by RMB0.1 million due mainly to the energy saving measures installed by our Group and these include the installation of energy saving transformers at each production line, shifting of high energy consumption processes to off peak hours and installation of heat extractors at the production areas.

Other manufacturing overheads increased by RMB2.5 million due mainly to increase in depreciation expenses by RMB1.1 million as a result of the addition of five new production lines for SBR and other foamed materials in March and April 2008. Transportation costs increased by RMB0.7 million due mainly to the increase in fuel costs and higher production activities in FY2008. Consumables costs and other manufacturing costs increased by RMB0.4 million and RMB0.3 million respectively as a result of higher production activities.

Gross Profit

Our gross profit increased by RMB37.8 million or 97.3% from RMB38.8 million in FY2007 to RMB76.6 million in FY2008. Our gross profit margin increased by 0.9 percentage points from 25.8% in FY2007 to 26.7% in FY2008.

The increase in gross profit margin was due mainly to the improvement in the product sales mix of our foamed SBR which yield higher margin compared to the rest of our products. In addition, the improvement in utilisation rate and improved efficiency due to economies of scale has enabled us to lower our cost of sales per unit. We were able to pass on the cost increase in raw material to our customer and maintain our profit margin.

Other Income

Our other income increased by RMB0.2 million or 34.0% from RMB0.6 million in FY2007 to RMB0.9 million in FY2008 due mainly to the increase in the sales of scrap materials by RMB0.2 million and interest income from bank deposit increased by RMB0.4 million. This was offset by the decease in government grant of RMB0.4 million as we only received an incentive rewards of RMB50,000 from the government authority for recognition of our achievement in self-innovation and improvement in FY2008.

Selling and Distribution Costs

Our selling and distribution costs increased by RMB1.0 million or 37.1% from RMB2.8 million in FY2007 to RMB3.8 million in FY2008. The increase in our selling and distribution costs was due mainly to the increased in transportation costs which increased by RMB0.3 million mainly attributable to higher volume of operating activities. Local government levies increased by RMB0.2 million mainly attributable to higher sales activities. Salary increased by RMB0.1 million mainly attributable to the increase in salary adjustment and sales headcounts by 2 persons. Research and development expenses increased by RMB0.2 million due mainly to the higher research and development expenditure in the area of SBR and other foamed materials. Sales related tax increased by RMB0.1 million due mainly to the increase in revenue and the resultant tax associated with sales.

Administrative Expenses

Our administrative expenses increased by RMB1.0 million or 49.3% from RMB2.0 million in FY2007 to RMB2.9 million in FY2008. This increase was due mainly to the increase in salaries expenses and staff benefit expenses increase by RMB0.1 million and RMB0.4 million respectively attributable to the increase in staff headcounts in administrative departments by ten persons and higher volume of operational activities. Insurance expenses increased by RMB0.2 million due mainly to the increase in the insurance coverage for our property, plant and equipment. Union fee increased by RMB0.2 million due mainly to the increase in overall staff headcounts from 312 persons in FY2007 to 317 persons in FY2008.

Finance Costs

Our finance costs increased by RMB1.4 million or 41.9% from RMB3.3 million in FY2007 to RMB4.6 million in FY2008 due mainly to the increase in bank borrowings interest expenses of RMB0.4 million and finder's fee of RMB1.0 million in relation to the investment by Group I Investors. Despite a decrease in the average bank borrowings by RMB4.0 million from RMB46.3 million in FY2007 to RMB42.3 million in FY2008, interest expenses increased by RMB0.4 million due mainly to the increase in effective interest rate from 7.1% in FY2007 to 8.7% in FY2008.

Profit Before Taxation

Profit before taxation increased by RMB34.6 million or 110.0% from RMB31.5 million in FY2007 to RMB66.1 million in FY2008 as a result of the above. Profit before tax margin increased by 2.1 percentage points from 20.9% in FY2007 to 23.0% in FY2008.

Income Tax Expense

Our income tax expense was approximately RMB8.3 million, representing an effective tax rate of approximately 12.6% in FY2008 (calculated based on income tax expense divided by operating profit before taxation in FY2008). The statutory income tax rate was 25.0% for Zhihe Technology for the taxable profit in FY2008.

FP2009 vs FP2008

Revenue

Our revenue increased by RMB19.7 million or 34.6% from RMB57.2 million in FP2008 to RMB76.9 million in FP2009. The increase in revenue was due mainly to the increase in demand for all of our three main product segments.

Revenue for SBR and other foamed materials increased by RMB15.7 million from RMB32.1 million in FP2008 to RMB47.8 million in FP2009. Our foamed SBR and high foamed PE contributed an increase in revenue of RMB17.7 million and RMB3.1 million respectively partially offset by the decrease in sales of foamed EVA of RMB5.1 million. The increase in revenue of foamed SBR was mainly due to increase in orders from our customers as a result of the strong demand for end consumer products made using foamed SBR. The decrease in revenue of foamed EVA resulted from the diversion of our existing production resources for foamed EVA to meet the increased demand for our foamed SBR and high foamed PE. The sales volume for SBR and other foamed materials increased by 1,666 tonnes from 2,697 tonnes in FP2008 to 4,363 tonnes in FP2009. The average selling price for SBR and other foamed materials decreased by RMB956 per tonne from RMB11,913 per tonne in FP2008 to RMB10,957 per tonne in FP2009 due mainly to the higher proportion of sales of foamed SBR, which had a lower average selling price as compared to the other foamed materials.

Revenue for 30D terylene filament yarn increased by RMB4.0 million from RMB18.9 million in FP2008 to RMB22.9 million in FP2009. The sales volume for 30D terylene filament yarn increased by 548 tonnes from 1,266 tonnes in FP2008 to 1,814 tonnes in FP2009 due to the increase in end consumer demand for lifestyle consumer products. The average selling price for 30D terylene filament yarn decreased by RMB2,295 per tonne from RMB14,927 per tonne in FP2008 to RMB12,632 per tonne in FP2009 due mainly to the decrease in the prices of PET chips.

Revenue for sandwich mesh fabric only increased marginally by RMB0.1 million from RMB6.1 million in FP2008 to RMB6.2 million in FP2009.

Cost of Sales

Cost of sales increased by RMB2.7 million or 6.3% from RMB43.9 million in FP2008 to RMB46.6 million in FP2009. The increase in cost of sales was due mainly to the increase in the cost of raw materials by RMB1.7 million. The increase in raw material costs was proportionately lower than the increase in sales revenue as a result of the fall in the prices of some of our key raw materials such as PET chips, natural rubber and SBR #1502 as a result of oversupply in the market for these raw materials arising from over capacity in the raw material manufacturers and fall in demand for these raw materials due to the economic crisis.

Direct labour costs increased by RMB0.4 million due mainly to the increase in headcount of production staff and higher salary paid in FP2009 as compared to FP2008 as the operating activities increased significantly in FP2009.

Electricity and water costs increased by RMB0.4 million due mainly to higher production activities.

Other manufacturing overheads increased by RMB0.3 million due mainly to the increase in depreciation expenses by RMB0.2 million. The increase in depreciation expenses was due mainly to the addition of two new production lines for SBR and other foamed materials in March 2008. Other manufacturing costs increased by RMB0.1 million due mainly to higher production activities.

Gross Profit

Our gross profit increased substantially by RMB17.0 million or 127.8% from RMB13.3 million in FP2008 to RMB30.3 million in FP2009 mainly contributed by the increase in the gross profit for SBR and other foamed materials and 30D terylene filament yarn of RMB11.5 million and RMB5.1 million respectively. The increase in gross profit for these products was due mainly to the increase in revenue as a result of strong market demand for these products and also a fall in prices of their respective raw materials which was proportionally higher than the decrease in their respective average selling prices.

Our gross profit margin increased substantially by 16.1 percentage points from 23.3% in FP2008 to 39.4% in FP2009 due mainly to the higher gross profit margins for our SBR and other foamed materials and 30D terylene filament yarn products.

The gross profit margin for SBR and other foamed materials in FP2009 increased by 15.9 percentage points as the prices of its key raw materials, natural rubber and SBR #1502 fell by 17% and 44% resepectively while its average selling price only decreased by 8%.

The gross profit margin for 30D terylene filament yarn in FP2009 increased by 18.7 percentage points as the prices of its key raw material, PET chips fell by 35% while its average selling price only decreased by 15%.

In addition, the improvement in utilisation rate and improved efficiency due to economies of scale enabled us to lower our cost of sales per unit.

Other Income

Our other income increased by RMB0.2 million due mainly to the increase in the sales of scrap materials by RMB0.2 million and interest received from bank deposit increased by RMB34,000.

Selling and Distribution Costs

Our selling and distribution expenses increased by RMB0.5 million or 50.1% from RMB0.9 million in FP2008 to RMB1.4 million in FP2009. The increase in our selling and distribution costs was due mainly to the increased in transportation costs by RMB0.2 million mainly attributable to higher volume of operating activities. Entertainment expenses increased by RMB0.1 million mainly attributable to higher sales activities. Travelling, staff welfare and other expenses also increased by RMB0.2 million due mainly to higher sales activities.

Administrative Expenses

Our administrative expenses increased by RMB1.4 million or 176.2% from RMB0.8 million in FP2008 to RMB2.1 million in FP2009. This increase was due mainly to the increase in professional fees and disbursement of expenses amounting to RMB1.5 million to various professional firms in relation to our Offering.

Finance Costs

Our finance costs decreased by RMB0.4 million or 41.5% from RMB0.9 million in FP2008 to RMB0.5 million in FP2009 due mainly to the decrease in average bank borrowings and decrease in effective interest rate. Our average bank borrowings decreased by RMB24.0 million from RMB47.0 million in FP2008 to RMB23.0 million in FP2009. Our effective interest rate increased by 1.5 percentage points from 7.9% in FP2008 to 9.4% in FP2009.

Profit Before Taxation

Profit before taxation increased by RMB15.8 million or 147.3% from RMB10.7 million in FP2008 to RMB26.5 million in FP2009 as a result of the above. Profit before tax margin increased by 15.7 percentage points from 18.7% in FP2008 to 34.4% in FP2009.

Income Tax Expense

Our income tax expense was approximately RMB3.5 million, representing an effective tax rate of approximately 13.1% in FP2009 (calculated based on income tax expense divided by operating profit before taxation in FP2009). The statutory income tax rate was 25.0% for Zhihe Technology for the taxable profit in FY2009.

REVIEW OF FINANCIAL POSITION

As at 31 December 2008

Non-Current Assets

Our non-current assets comprise mainly property, plant and equipment and land use rights.

As at 31 December 2008, property, plant and equipment amounted to approximately RMB77.7 million. Property, plant and equipment comprise mainly buildings, plant and machinery, office furniture and fixtures, and motor vehicles. We depreciate the property, plant and equipment using the straight-line method, less any estimated residual value, over their estimated useful lives as set out below:

Property, plant and equipment	Estimated useful life (years)
Buildings	10-30
Plant and machinery	5-15
Motor vehicles	5-10
Furniture, fixtures and office equipment	5

Land use rights amounted to approximately RMB6.2 million as at 31 December 2008. Land use rights are rights acquired for the land located in Western Section, Qingmeng Zone, Quanzhou Economy and Technology Development Zone, Quanzhou City, Fujian Province, PRC. These are stated at cost and are amortised on a straight-line basis over the lease term of the land of 50 years.

Current Assets

As at 31 December 2008, our current assets comprise mainly inventories, trade and other receivables, other current assets and cash and cash equivalents. Current assets amounted to RMB106.4 million or 55.9% of our total assets as at 31 December 2008.

Inventories amounted to RMB18.7 million and comprise mainly raw materials of RMB8.1 million, work-in-progress of RMB2.9 million, finished goods of RMB7.6 million.

Trade and other receivables amounted to RMB44.2 million and comprise mainly trade receivables of RMB40.7 million, other receivables of RMB3.4 million.

Other current assets amounted to RMB0.2 million and cash and cash equivalents amounted to RMB43.3 million.

Current Liabilities

As at 31 December 2008, our current liabilities comprise mainly trade and other payables, borrowings and income tax payable. Our current liabilities amounted to RMB73.6 million as at 31 December 2008.

Our trade and other payables amounted to RMB19.2 million and comprise mainly trade payable of RMB8.2 million, bills payables of RMB5.1 million, other payables of RMB4.8 million and accrued operating expenses of RMB1.2 million.

Borrowings amounted to RMB51.8 million and comprise mainly short-term secured bank borrowings of RMB29.0 million and convertible loan of RMB22.8 million.

Our income tax payable amounted to RMB2.6 million.

Shareholders' Equity

Shareholders' equity comprise share capital of RMB54.0 million, statutory reserves of RMB3.7 million, equity component of convertible loan of RMB1.2 million and retained earnings of RMB57.7 million. The total shareholders' equity amounted to RMB116.7 million.

As At 31 March 2009

Non-Current Assets

Our non-current assets comprise mainly property, plant and equipment and land use rights.

As at 31 March 2009, property, plant and equipment amounted to approximately RMB76.3 million. Property, plant and equipment comprise mainly buildings, plant and machinery, office equipment, furniture and fixtures, and motor vehicles.

Land use rights amounted to approximately RMB6.1 million as at 31 March 2009. These are stated at cost and are amortised on a straight-line basis over the lease term of the land of 50 years.

Current Assets

As at 31 March 2009, our current assets comprise mainly inventories, trade and other receivables, other current assets and cash and cash equivalent. Current assets amounted to RMB133.5 million or 61.8% of our total assets as at 31 March 2009.

Inventories amounted to RMB12.4 million and comprise mainly raw materials of RMB7.2 million, work-in-progress of RMB0.7 million, finished goods of RMB4.5 million.

Trade and other receivables amounted to RMB42.8 million and comprise mainly trade receivables of RMB42.4 million and other receivables of RMB0.4 million.

Other current assets amounted to RMB0.5 million and cash and cash equivalent amounted to RMB77.9 million.

Current Liabilities

As at 31 March 2009, our current liabilities comprise mainly trade and other payables, borrowings, and income tax payable. Current liabilities amounted to RMB76.2 million as at 31 March 2009.

Our trade and other payables amounted to RMB23.7 million and comprise mainly trade payable of RMB12.1 million, bills payables of RMB4.4 million, other payables of RMB3.1 million and accrued operating expenses of RMB4.2 million.

Borrowings amounted to RMB49.0 million and comprise mainly short-term secured bank borrowings of RMB24.0 million and convertible loan of RMB25.0 million.

Our income tax payable amounted to RMB3.5 million.

Shareholders' Equity

Shareholders' equity comprise share capital of RMB54.0 million, statutory reserves of RMB9.6 million, equity component of convertible loan of RMB1.2 million and retained earnings of RMB74.9 million. The total shareholders' equity amounted to RMB139.7 million.

LIQUIDITY AND CAPITAL RESOURCES

Since our establishment, our growth and operations have been funded mainly through a combination of cash generated from operating activities, shareholders' equity, bank borrowings and credit granted by our suppliers. Our principal uses of cash have been for the purchase of raw materials, operating expenses and capital expenditure.

As at 31 December 2008, based on our shareholders' equity of RMB116.7 million and borrowings of RMB51.8 million, our gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) was 0.44 times (or 0.21 times if we assume the convertible loan of RMB22.8 million has been converted to equity share capital) and our working capital ratio (defined as current assets divided by current liabilities) was 1.45 times. We had been able to service our interest payments on a timely basis, and our interest coverage ratio for FY2008 (defined as profit before income tax and finance cost divided by finance cost) was 15.3 times.

As at the Latest Practicable Date, our cash and bank balances amounted to approximately RMB87.9 million.

Our Directors are of the opinion that, after taking into account the cash flow generated from our operations together with the existing cash and bank balances at the date of our lodgement of this Prospectus, our Group has adequate working capital to meet its present requirements. Please refer to the section entitled "**Capitalisation and Indebtedness**" of this Prospectus for more details of our available facilities and our level of borrowings as at 31 March 2009 and the Latest Practicable Date.

Cash Flow Analysis

We set out below a summary of our combined cash flow statements for the Track Record Period.

RMB'000	FY2006	FY2007	FY2008	FP2009
Net cash flows from/(used in) operating activities	2,015	33,112	53,896	37,164
Net cash flows from/(used in) investing activities	(14,562)	(21,435)	(12,754)	121
Net cash flows from/(used in) financing activities	21,651	(11,070)	(11,898)	(2,764)
Net increase in cash and bank balances	**9,104**	**607**	**29,244**	**34,521**
Cash and bank balances at the beginning of the financial year/period	4,380	13,484	14,091	43,335
Cash and bank balances at end of financial year/period	**13,484**	**14,091**	**43,335**	**77,856**

FY2006

During FY2006, we made pre-tax profit of RMB9.9 million. After adjusting for non-cash flow items and interest income and expenses, our cash flow from operating profits before working capital changes was RMB13.5 million. This was used to fund an increase in inventories of RMB15.3 million, trade and other receivables of RMB10.9 million due mainly to the increase in our business activities and offset by the increase in trade and other payables of RMB16.1 million. Interest paid during the year amounted to RMB1.5 million due to our utilisation of bank loans. As a result, our net cash flow from operating activities was RMB2.0 million in FY2006.

Net cash flow used in investing activities amounted to RMB14.6 million due mainly to purchase of our property, plant and equipment.

Net cash flow from financing activities amounted to RMB21.7 million due mainly to the proceeds from bank borrowings of RMB42.0 million and the repayments of bank borrowings of RMB29.5 million. In addition, the net proceeds from issuance of share capital amounted to RMB9.5 million and offset by dividend paid of RMB0.4 million.

Our net increase in cash and bank balances amounted to RMB9.1 million for FY2006 and our cash and bank balances at the end of FY2006 amounted to RMB13.5 million.

FY2007

During FY2007, we made pre-tax profit of RMB31.5 million. After adjusting for non-cash flow items and interest income and expenses, our cash flow from operating profits before working capital changes was RMB38.5 million. This was used to fund the increase in inventory of RMB6.2 million and trade and other receivables of RMB6.7 million and offset by the increase in trade and other payables of RMB13.3 million. Interest paid during the year amounted to RMB3.3 million due to our utilisation of bank loans and offset by interest received of RMB0.1 million. Income tax paid during the year amounted to RMB2.6 million. As a result, our net cash flow used in operating activities was RMB33.1 million in FY2007.

Net cash flow used in investing activities amounted to RMB21.4 million due mainly to the funds used for the purchase of our property, plant and equipment.

Net cash flow used in financing activities amounted to RMB11.1 million due to the repayments of bank borrowings of RMB42.0 million. This was offset by proceeds from bank borrowings of RMB39.0 million and proceeds from the issuance of share capital amounted to RMB0.3 million. During the year, we paid dividend of RMB8.4 million.

Our net increase in cash and bank balances amounted to RMB0.6 million for FY2007 and our cash and bank balances at the end of FY2007 amounted to RMB14.1 million.

FY2008

During FY2008, we made pre-tax profit of RMB66.1 million. After adjusting for non-cash flow items and interest income and expenses, our cash flow from operating profits before working capital changes was RMB76.4 million. This was used to fund the increase in trade and other receivables of RMB1.0 million, increase in other current assets of RMB0.2 million and decrease in trade and other payables of RMB15.2 million. This was offset by the decrease in inventory of RMB5.1 million. Interest paid during the year amounted to RMB4.6 million due to our utilization of bank loans and offset by interest received of RMB0.5 million. Income tax paid was RMB7.0 million due to higher profits achieved in FY2008. As a result, our net cash flow from operating activities was RMB53.9 million in FY2008.

Net cash flow from investing activities amounted to RMB12.8 million due mainly to the purchase of our property, plant and equipment of RMB13.6 million offset by the proceeds from disposal of property, plant and equipment of RMB0.8 million.

Net cash flow used in financing activities amounted to RMB11.9 million due to the proceeds from bank borrowings of RMB29.0 million which was offset by repayments of bank borrowings of RMB39.0 million. Proceeds from convertible loan was RMB23.0 million and offset by dividend paid of RMB24.9 million.

Our net increase in cash and bank balances amounted to RMB29.2 million for FY2008 and our cash and bank balances at the end of FY2008 amounted to RMB43.3 million.

FP2009

During FP2009, we made pre-tax profit of RMB26.5 million. After adjusting for non-cash flow items and interest income and expenses, our cash flow from operating profits before working capital changes was RMB28.5 million. This was used to fund the increase in trade and other receivables of RMB0.4 million and other current assets of RMB0.3 million. This was offset by decrease in inventory of RMB6.3 million and increase in trade and other payables of RMB6.3 million. Interest paid during FP2009 amounted to RMB0.5 million due to our utilisation of bank loans and income tax paid was RMB2.6 million. Interest received amounted to RMB49,000. As a result, our net cash flow from operating activities was RMB37.2 million in FP2009.

Net cash flow from investing activities amounted to RMB121,000 due to the proceeds from disposal of property, plant and equipment.

Net cash flow used in financing activities amounted to RMB2.8 million due to the proceeds from bank borrowings of RMB7.0 million and proceeds from convertible loan of RMB2.2 million offset by repayment of bank borrowings of RMB12.0 million.

Our net increase in cash and bank balances amounted to RMB34.5 million for FP2009 and our cash and bank balances at the end of FP2009 amounted to RMB77.9 million.

CAPITAL EXPENDITURE, DIVESTMENT AND COMMITMENTS

Capital Expenditure and Divestment

The capital expenditure and divestment made by our Group for the Track Record Period and for the period from 1 January 2009 to the Latest Practicable Date were as follows:

(RMB'000)	FY2006	FY2007	FY2008	Period from 1 January 2009 to the Latest Practicable Date
Capital Expenditure				
Buildings	19,102	–	1,444	–
Plant and machinery	9,011	22,453	12,191	2,874
Furniture, fixture and office equipment	134	65	112	9
Motor vehicles	401	–	38	409
Construction in progress				
- addition	5,016	2,127	1,243	–
- transfer out	(19,102)	(3,210)	(1,444)	–
Total	**14,562**	**21,435**	**13,584**	**3,292**
Divestments				
Plant and machinery	–	–	1,112	248
Motor vehicles	–	–	–	53
Total	–	–	**1,112**	**301**

For more details, please refer to the "**Audited Combined Financial Statements for the Financial Years Ended 31 December 2006, 2007, 2008**" and the "**Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" as set out in Appendix A and Appendix B, respectively, to this Prospectus.

The above capital expenditure was financed using bank borrowings and internally generated funds.

Commitments

Capital Commitments

As at 31 December 2008 and the Latest Practicable Date, we do not have any material capital commitments.

Operating Lease Commitments

As at 31 December 2008 and the Latest Practicable Date, we have operating lease commitments in respect of our sales office as follows:

RMB'000	As at 31 December 2008	As at the Latest Practicable Date
Within one year	42	42
Between one and five years	35	16
Total	**77**	**58**

For more details, please refer to the note on "Operating Lease Commitments" in the "**Audited Combined Financial Statements for the Financial Years Ended 31 December 2006, 2007, 2008**" and the "**Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" as set out in Appendix A and Appendix B, respectively, to this Prospectus.

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

Save as disclosed above, our Group has no other material lease commitments as at the Latest Practicable Date.

Contingent Liabilities

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

Save as disclosed above, in the section entitled "**Capitalisation and Indebtedness**" in this Prospectus and in "**Audited Combined Financial Statements for the Financial Years Ended 31 December 2006, 2007, 2008**" and the "**Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" as set out in Appendix A and Appendix B, respectively, to this Prospectus, we have no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than trading bills) or acceptances credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

FOREIGN EXCHANGE MANAGEMENT

Accounting Treatment of Foreign Currencies

Our reporting currency is in RMB. Our Group transacts mainly in RMB. Transactions arising in foreign currencies are measured in the respective measurement currency and recorded in RMB at exchange rates approximating those ruling on the transaction dates. All resultant exchange differences are included in the profit and loss accounts.

Foreign Exchange Exposure

Our operations are wholly denominated in RMB as our operations are primarily carried out in the PRC.

We did not have any significant foreign exchange gain or loss for the Track Record Period.

At present, our Group does not have any hedging policy as we do not have any foreign exchange exposure. In future, we may hedge our material foreign exchange transactions, if any, after considering the foreign exchange amount, exposure period and transaction costs.

CAPITALISATION AND INDEBTEDNESS

*You should read this table in conjunction with the full text of this Prospectus, in particular the section entitled "**Management Discussion and Analysis of Financial Condition and Results of Operation**" of this Prospectus.*

We set out below our cash and cash equivalents, indebtedness and capitalisation as at 30 June 2009 (being a date no earlier than 60 days prior to the date of lodgement of this Prospectus):

(i) on an actual basis and after taking into account the Restructuring Exercise and conversion of convertible loan into shares in the share capital of our Company; and

(ii) as adjusted for the net proceeds from the issue of the New Shares.

RMB ('000)	**On actual basis after adjusting for (i)**	**As adjusted for (i) and (ii)**
Cash and cash equivalents	82,466	137,959
Indebtedness		
Short-term bank loans (secured,guaranteed)	12,900	12,900
Short-term bank loans (unsecured, guaranteed)	11,000	11,000
	23,900	23,900
Shareholders' equity	197,417	252,910
Total Capitalisation and Indebtedness	**221,317**	**276,810**

We finance our operations and capital expenditures through a combination of shareholders' equity, borrowings from financial institutions, our co-investors and internally generated funds from our operations.

Details of our borrowing as at 30 June 2009 are as follows:

Type	Borrower	Facilities granted (RMB'000)	Utilised (RMB'000)	Interest rates p.a. (%)	Maturity profile	Security
Working capital line from Industrial Bank Co., Ltd, Quanzhou Xinmen Branch	Zhihe Technology	Up to 35,000	12,900	5.31% to 7.623%	12 months from each drawdown	Land use right, buildings and guarantee from Ting Chun Yuen
Working capital line from Quanzhou City Commercial Bank, Jinjiang Branch	Zhihe Technology	Up to 13,000	11,000	6.90% to 9.71%	12 months from each drawdown	Guarantees from Ting Chun Yuen and Jinjiang Sanhui Garment Co., Ltd. (1)

Note:

(1) Jinjiang Sanhui Garment Co., Ltd. is an unrelated third party.

Please refer to the section entitled "**Interested Person Transactions and Potential Conflicts of Interests**" of this Prospectus for further details on the guarantees provided by Ting Chun Yuen.

As at the Latest Practicable Date, other than the aforesaid, we do not have any other material unused sources of liquidity.

Subsequent to this Offering, we intend to procure the discharge of the above personal and corporate guarantees. Should the terms and conditions of our existing facilities be affected by the withdrawals of the above personal and corporate guarantees, our Directors are confident that with our listed status and strengthened financial position, we should be able to secure alternative credit facilities on terms similar to those applicable to the existing facilities. In the event that the relevant financial institution does not agree to release the above guarantees, and we are unable to secure alternative credit facilities on similar terms, Mr Ting Chun Yuen has undertaken to continue to provide his guarantees for these loans and/or procure guarantees from third parties as required by the financial institution for as long as our Group requires such loans. Please refer to the section entitled "**Interested Person Transaction – Present and On-going Transactions**" of this Prospectus for more details.

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 investment of our Shareholders.

DILUTION

Dilution is the amount by which the price paid by the subscribers and purchasers of our Shares in this Offering exceeds the net tangible asset value per Share immediately after the completion of this Offering. Net tangible asset value per Share is determined by subtracting our total liabilities from the total book value of our tangible assets excluding minority interests and dividing the difference by the number of our issued Shares on the date as of which the book value is determined.

After giving effect to the issue and offer of 60,000,000 New Shares at the Offering Price of S$0.235 for each Share issued, our net tangible asset value would be approximately 16.53 cents per Share. This is after deducting estimated underwriting commissions, placement commissions and brokerages relating to this Offering, and estimated expenses of this Offering borne by us. This represents an immediate increase in net tangible asset value of 0.95 cents per Share to existing shareholders and an immediate dilution in net tangible asset value of 6.97 cents per Share to new investors.

The following table illustrates this per share dilution as of 31 December 2008:

Offering Price per Share	23.50 cents
Net tangible asset per Share after adjusting for the Restructuring Exercise	15.58 cents
Increase in net tangible asset per Share attributable to this Offering	0.95 cents
Net tangible asset per Share after this Offering	16.53 cents
Dilution in net tangible asset per Share to new public investors	6.97 cents
Dilution in net tangible asset per Share to new public investors (as a percentage of Offering Price)	29.7%

The following table summarises as of the Latest Practicable Date, the total number of Shares held by our existing Shareholders (after the Restructuring Exercise, details of which are set out at the section entitled "**Restructuring Exercise**" of this Prospectus) and our new investors and the total consideration paid by them and the average effective cash cost per Share to them respectively:

	Number of Shares	**Total Consideration (S$)**	**Average Effective Cash Cost per Share (Cents)**
Sky Upright	127,566,600	10,630,550	8.33
Group I Investors[(1)]	40,433,000	4,750,900	11.75
Group II Investors[(1)]	18,688,000	1,500,000	8.03
EV[(2)]	2,491,000	–[(3)]	–
New public shareholders	121,612,000	28,578,820	23.50

Notes:

(1) Please refer to the section entitled "**Restructuring Exercise**" of this Prospectus for details on the Shares issued to Group I Investors and Group II Investors.

(2) Please refer to the sections entitled "**Shareholders**" and "**Restructuring Exercise**" of this Prospectus for details on EV.

(3) The Shares held by EV were consideration for services rendered by EV to our Company in relation to this Offering.

DIVIDEND POLICY

We currently do not have a dividend policy. The dividends that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board of Directors:

- The level of our cash and retained earnings;
- Our actual and projected financial performance;
- Our projected levels of capital expenditure and other investment plans; and
- Restrictions on payment of dividends imposed on us by our financing arrangements or legal and contractual obligations (if any).

Any final dividends paid by us must be approved by an ordinary resolution of our Shareholders at a general meeting and must not exceed the amount recommended by our Board of Directors. Our Board of Directors may, without the approval of our Shareholders, also declare an interim dividend. We must pay all dividends out of profits pursuant to the Companies Act.

We expect to declare dividends in RMB and make payment of the dividends in S$. Shareholders should note that there will be exchange rate exposure in respect of dividends declared in RMB and subsequently paid to them in the S$ equivalent amounts. Neither our Company nor CDP will be liable for any loss howsoever arising from the conversion of the dividend entitlement of depositors holding their Shares through CDP from RMB into the S$ equivalent. No inference should or can be made from any of the foregoing statements as to our actual profitability or our ability to pay dividends in the future.

Our Group declared and paid dividends in the amounts of RMB0.4 million, RMB8.4 million and RMB24.9 million in FY2006, FY2007 and FY2008 respectively. Save as disclosed above, no dividends have been paid or proposed by our Company or our subsidiary for the Track Record Period.

For information relating to taxes payable on dividends, please refer to Appendix G on "**Taxation**" of this Prospectus.

SHARE CAPITAL

Our Company was incorporated in Singapore on 10 January 2008 under the Act as a private limited company under the name of Tianzheng Holdings Pte. Ltd.. On 3 April 2009, we changed our name to Ziwo Holdings Pte. Ltd.. As at the date of incorporation, our issued and paid-up capital was $2.00 comprising 2 ordinary shares.

By way of written resolutions passed on 25 August 2009, our Shareholder approved the following:

(a) the conversion of our Company into a public limited company and the consequential change of name to Ziwo Holdings Ltd.;

(b) the adoption of a new set of Articles of Association;

By way of written resolutions passed on 29 September 2009, our Shareholders approved, *inter alia*, the following:

(a) the sub-division of 1 Share in the issued share capital of our Company into 12 Shares (the "Share Split");

(b) the allotment and issue of an aggregate of 59,121,000 Shares to the Group I Investors and Group II Investors pursuant to their conversion of the respective convertible loans;

(c) the allotment and issue of an aggregate of 2,491,000 Shares to EV pursuant to the Consultancy Agreement;

(d) the allotment and issue of 60,000,000 New Shares pursuant to this Offering which when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued Shares;

(e) that authority be given pursuant to Section 161 of the Companies Act to our Directors to issue the new Shares which are the subject of this Offering, on the basis that the new Shares when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;

(f) that pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual, our Directors be authorised and empowered to:

    (i) issue shares in our Company whether by way of 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) options, 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

    (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,

(the "Share Issue Mandate")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) and Instruments to be issued pursuant to this resolution shall not exceed fifty per centum (50%) of the issued shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of our Company shall not exceed twenty per centum (20%) of the issued shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below) and the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) and Instruments to be issued to existing shareholders via a pro-rata renounceable rights issue pursuant to this resolution shall not exceed one hundred per centum (100%) of the issued shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of our Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this resolution, our Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) 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 earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(g) that approval be given to our Directors to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as our Directors may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 20 per centum (20.0%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST;

(h) That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, authorisation and approval be given for the exercise by our Directors of all the powers of our Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of our Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by our Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may from the time being be listed and quoted ("Other Exchange"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by our Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX- ST or, as the case may be, Other Exchange as may for the time being be applicable (the "Share Purchase Mandate");

(2) unless varied or revoked by our Company in general meeting, the authority conferred on our Directors pursuant to the Share Purchase Mandate may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of our Company is held; and

(ii) the date by which the next annual general meeting of our Company is required by law to be held;

(3) in the resolution:

"Average Closing Price" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the Market Purchase by our Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the SGX-ST on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the off-market purchase;

"Date of the making of the offer" means the date on which our Company announces its intention to make an offer for an off-market purchase, stating the purchase price (which shall not be more than Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Market Day" means a day on which the SGX-ST is open for trading in securities;

"Maximum Limit" means that number of issued Shares representing 10% of the issued ordinary share capital of our Company as at the date of the passing of the resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 120% of the Highest Last Dealt Price of the Shares; and

(4) authorisation be given to our Directors and/or any of them be and were to complete and do all such act and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by the resolution.

For further details on the Share Purchase Mandate, please refer to Appendix D on "**Information on the Share Purchase Mandate**" of this Prospectus.

As at the Latest Practicable Date, our Company has only one class of shares, being ordinary shares. The rights and privileges of our Shares are stated in our Articles of Association. There is no founder, management, deferred or unissued shares reserved for the issuance for any purpose. No person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or our subsidiary. As at the Latest Practicable Date, no option to subscribe for shares in or debentures of, our Company or our subsidiary has been granted to, or was exercised by any of our Directors or Executive Officers.

SHARE CAPITAL

The present issued and paid-up capital of our Company is S$16,881,450 divided into 189,178,600 Shares. Upon the allotment of the Offering Shares, the resultant issued and paid-up share capital of our Company will be increased to $30,981,450 divided into 249,178,600 Shares. Details of the changes in the issued and paid-up share capital of our Company since incorporation and the issued and paid-up share capital immediately after this Offering are as follows:

	Number of Shares	Resultant Issued Share Capital (S$)
Issued and fully paid Shares as at the date of incorporation of our Company	2	2
Issue of new Shares pursuant to the Restructuring Exercise	10,630,548	10,630,548
	10,630,550	10,630,550
Share Split	127,566,600	10,630,550
Group I Conversion	40,433,000	15,381,450
Group II Conversion	18,688,000	16,881,450
Issue of Shares to EV	2,491,000	16,881,450
Pre-Offering share capital	189,178,600	16,881,450
New Shares to be issued pursuant to this Offering	60,000,000	30,981,450
Post-Offering share capital	249,178,600	30,981,450

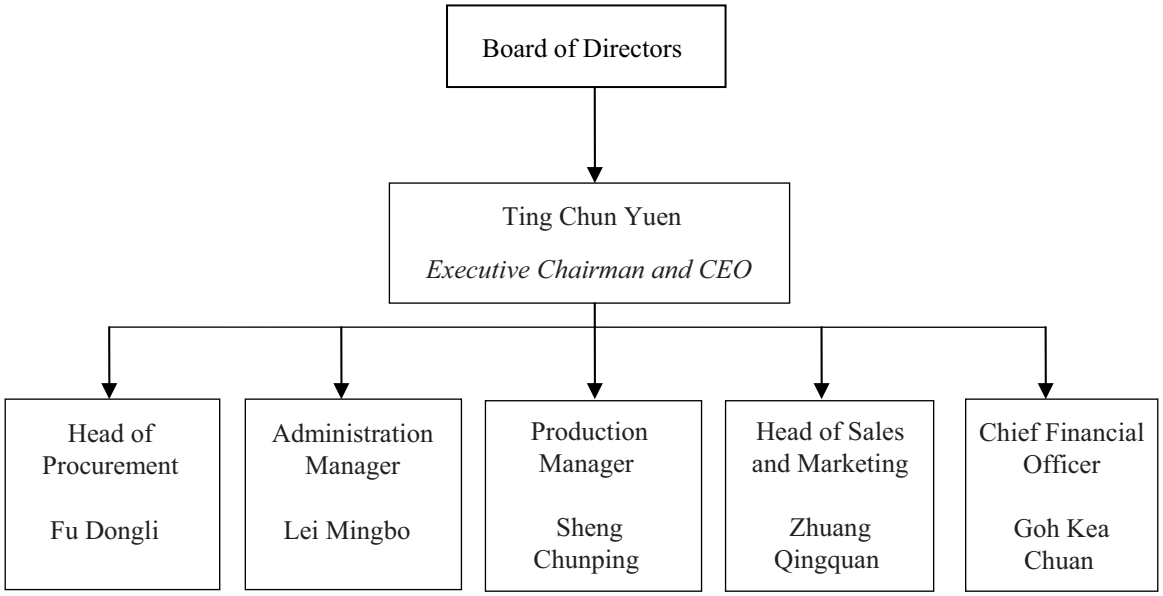
The Shareholders' equity of our Company as at (i) the date of incorporation; (ii) after adjustments to reflect the Restructuring Exercise, the Group I Conversion and the Group II Conversion ("Adjustments"); and (iii) after this Offering are set forth below. These statements should be read in conjunction with our combined financial information set out in Appendix A and Appendix B to this Prospectus.

S$ '000	As at Incorporation	After the Adjustments	After the Offering
Shareholders' equity			
Share capital	–*	16,881	30,981
Retained earnings	–	–	–
Total shareholders' equity	**–**	**16,881**	**30,981**

* Our Company was incorporated with share capital of S$2.00.

MANAGEMENT STRUCTURE

The management structure chart showing the reporting lines and the functional responsibilities of our Directors and Executive Officers as at the Latest Practicable Date is set out below.



BOARD OF DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are set out below.

Name	Age	Address	Designation
Ting Chun Yuen	44	Flat A, 5/F 441-447 King's Road North Point Hong Kong	Executive Chairman and CEO
Zhuang Qingquan	43	No. 35 Xuan Nei Mei Ling Street Jinjiang City Fujian Province PRC	Executive Director and Head of Sales and Marketing
Fu Dongli	41	No. 134, Qinghua South District Qingyang Jinjiang City Fujian Province PRC	Executive Director and Head of Procurement
Soh Beng Keng	55	126 Tai Keng Gardens Singapore 535407	Lead Independent Director
Lim Heng Chong Benny	38	Blk 8 Jalan Kukoh #15-29 Singapore 162008	Independent Director
Chai Chon Fatt	37	Blk 164 Bishan Street 13 #19-262 Singapore 570164	Independent Director

Information on the areas of responsibility, the business and working experience of our Directors are set out below.

Mr Ting Chun Yuen is our Executive Chairman and CEO and was appointed to our Board on 10 January 2008. He is the founder of our Group and has been spearheading the expansion and growth of our Group since the establishment of Zhihe Technology in 2003. Mr Ting has been in the chemical fibre, warp weaving and foamed materials business for more than 15 years and has acquired extensive experience and knowledge of the industry. Prior to establishing our Group, Mr Ting was the vice president of Fujian Hongwei Shoe Material Co., Ltd from October 1999 to July 2003 where he was in charge of procurement of raw material in relation to the manufacture of warp-knitted three-layered mesh, warp-knitted single-layered mesh, EVA products, RB sole products and chemical trade. From September 1994 to September 1999, Mr Ting was the director of Strong Progress International Limited, a Hong Kong company engaged in the business of import and export trading of oil and oil related products and chemical products, including natural rubber, PET chips and EVA products. Mr Ting obtained his high school diploma from Jinjiang City Chendai Mingzu School.

Mr Zhuang Qingquan is our Executive Director and Head of Sales and Marketing and was appointed to our Board on 25 August 2009. Mr Zhuang joined our Group in January 2006 and is responsible for overseeing our Group's general sales plans, marketing positioning strategies and products promotion activities. He has extensive knowledge and experience in sales and marketing, products management and marketing positioning that contributed greatly to our Group's success. Prior to joining our Group, Mr Zhuang was a director in Fujian Jinjiang Junsheng Real Estate Co., Ltd., from June 2002 to January 2006, where he was in charge of strategic planning. From 1999 to 2002, Mr Zhuang was the sales and marketing manager of Ocean Master International Trading Co., Ltd.. He obtained his diploma from Fujian Jinjiang Vocational Technical Secondary School.

Mr Fu Dongli is our Executive Director and Head of Procurement and was appointed to our Board on 25 August 2009. Mr Fu Dongli joined our Group in April 2009 and is in charge of planning and implementation of our Group's procurement strategies, purchasing and procuring supplies and raw materials for our manufacturing processes. Prior to joining our Group, Mr Fu worked in Fujian Putian Taian Construction Engineering Co., Ltd as its deputy general manager, from 2000 to March 2009, where he was in charge of the strategic planning and project management. From August 1991 to June 2000, Mr Fu worked in Jinjiang No. 1 Construction Engineering Co. as an engineer on project management. He graduated from the Fuqing Division of Fujian Normal University with a Diploma on Physical Education in July 1991. Mr Fu also completed a course on senior management from the School of Management, Xiamen University in 2007. Mr Fu is also qualified as a medium level construction engineer since 2002.

Mr Soh Beng Keng is our Lead Independent Director and was appointed to our Board on 25 August 2009. From March 2007 to April 2009, Mr Soh was the chief financial officer of China Fashion Holdings Limited, a public listed company in Singapore. In 1996, he became the director of finance of Heeton Management Pte Ltd, and subsequently upon listing, he became the executive director of Heeton Holdings Limited. In 2005, he joined Kim Heng Marine & Oilfield Pte Ltd, a Singapore company involved in marine and oil related industries, and served as their financial controller. In 2006, he joined Miclyn Offshore Pte Ltd, a Singapore company involved in the business of owning and chartering of ships, and served as their financial controller. Mr Soh is an independent director of ISDN Holdings Limited and China Haida Ltd. He is also a full member of the Singapore Institute of Directors and a member of the Institute of Certified Public Accountants of Singapore. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

Mr Lim Heng Chong Benny is our Independent Director and was appointed to our Board on 25 August 2009. Mr Lim is currently an independent director of China Sunsine Chemical Holdings Ltd. Mr Lim began his career in June 1997 as an advocate and solicitor in Singapore with Messrs Yeo-Leong & Peh. In May 2000, he joined Messrs Rajah & Tann, where he was a senior legal associate. In Feb 2002, he joined Messrs Chan & Goh as a partner. In June 2005, Mr Lim joined Messrs ChrisChong & CT Ho Partnership, where he is presently a partner. Mr Lim obtained a Bachelor of Laws and a Master of Laws, both from the National University of Singapore, in 1996 and 2000, respectively.

Mr Chai Chon Fatt is our Independent Director and was appointed to our Board on 25 August 2009. Mr Chai was formerly with KPMG and Grant Thornton. Mr Chai is presently a Partner at LTC LLP, a position he has held since January 2009. Prior to joining LTC LLP, he was the finance director of Communications Design International Limited from May 2007 to December 2008. From August 2004 to May 2007, Mr Chai was engaged as an audit manager with Grant Thornton, Singapore. During his stint at Grant Thornton, Singapore, he was seconded to Grant Thornton, Chicago, where he undertook the role of an assurance manager and led teams in both forensic audits and in the audit of companies listed in the United States. Prior to joining Grant Thornton, Mr Chai was the chief financial officer of New Toyo International Holdings Ltd from April 2003 to July 2004. Between November 1999 and December 2002, he was engaged as an assistant audit manager in KPMG. Mr Chai obtained a Bachelor of Commerce from Curtin University of Technology in 1995 and a Master of Business (Accounting) from Monash University in 1999. He is also a practicing member of the Institute of Certified Public Accountants of Singapore and a member of CPA Australia.

None of our Directors is related by blood or marriage to another Director or Substantial Shareholder.

EXPERIENCE AND TRAINING OF OUR DIRECTORS

Our Independent Directors, Mr Soh Beng Keng and Lim Heng Chong Benny have prior experience as directors of public listed companies in Singapore, and are familiar with the roles and responsibilities of a director of a public listed company in Singapore.

The other Directors, namely, Mr Ting Chun Yuen, Mr Zhuang Qingquan, Mr Fu Dongli and Mr Chai Chon Fatt do not have prior experience as directors of public listed companies in Singapore but have received relevant training to familiarise themselves with the roles and responsibilities of a director of a listed company on the SGX-ST.

PRESENT AND PAST DIRECTORSHIPS OF OUR DIRECTORS

The present and past directorship held by our Directors in the last five years preceding the Latest Practicable Date, excluding those held in our Company, are as follows:

Name	Present Directorships	Past Directorships
Ting Chun Yuen	***Group Companies***	***Group Companies***
	Zhihe Technology	Nil
	Other Companies	***Other Companies***
	Sky Upright Zhihe Group Holdings Ltd *(in the process of voluntary liquidation)* Zhihe (China) Co., Ltd. *(in the process of voluntary liquidation)*	Zhihe Construction Material Co., Ltd. Strong Progress International Limited *(liquidated)* Strong Progress International Holding Company Limited (*dissolved*) Strong Progress Finance Company Limited (*dissolved*) Strong Progress Property Company Limited (*dissolved*) Strong Progress Trading Company Limited (*dissolved*)
Zhuang Qingquan	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	Fujian Jinjiang Junsheng Real Estate Co., Ltd. Fujian Hexie Investment Co., Ltd. Zhangping Jinmeng Mining Co., Ltd.	Jinjiang Yiquan Business Trading Co., Ltd.
Fu Dongli	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	Nil	Nil

Name	Present Directorships	Past Directorships
Soh Beng Keng	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	ISDN Holdings Limited China Haida Ltd	Heeton Holdings Limited Heeton Management Pte Ltd Heeton Estate Pte Ltd Heeton Land Pte Ltd Heeton Properties Pte Ltd Market Investment Pte Ltd Market Holdings Pte Ltd Market Venture Pte Ltd (changed its name to Heeton Venture (Overseas) Pte. Ltd. on 12 November 2004) Mercurine Pte Ltd Kim Leong Development Pte Ltd Canberra Development Pte Ltd Shengda (Group) Holdings Ltd
Lim Heng Chong Benny	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	China Sunsine Chemical Holdings Ltd. Legallex International Alliance Pte. Ltd.	Extreme Global Capital Pte. Ltd. Mowell Pte Ltd N.I.S. New Investment Solutions Singapore Pte. Ltd. City Light Pte. Ltd.
Chai Chon Fatt	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	Nil	Above Consultancy Pte. Ltd.

INTERESTS IN SHARES

Shares held by our Directors do not carry different voting rights from the Offering Shares. For further details as to our Directors' interests in Shares, please refer to the section entitled "**Shareholders**" of this Prospectus.

TERMS OF OFFICE

Our Memorandum and Articles of Association provide that our Board of Directors will consist of not less than one Director. None of our Directors is appointed for any fixed term. At each annual general meeting, one third of Directors shall retire from office by rotation. The Directors to retire every year shall be subject to retirement by rotation who have been longest in office since their last election or appointment. Each Director shall retire from office at least once every three years. Please refer to Appendix F on "**Summary of Constitution of the Company**" of this Prospectus for further details on the appointment and retirement of Directors.

SERVICE AGREEMENTS

On 26 September 2009, our Company entered into service agreements (the "Service Agreements") with each of our Executive Chairman and CEO, Mr Ting Chun Yuen, Executive Director and Head of Sales and Marketing, Mr Zhuang Qingquan and our Executive Director and Head of Procurement, Mr Fu Dongli, for an initial period of three years each with effect from the date our Company is admitted to the Official List of the SGX-ST, unless otherwise terminated by either party giving not less than six months' notice in writing to the other. We may terminate a Service Agreement if any of Mr Ting, Mr Zhuang or Mr Fu commits a breach of their respective Service Agreement such as being convicted of any offence involving fraud or dishonesty or being adjudicated bankrupt. After the said initial period, the Service Agreements will continue for a further term of three years unless otherwise terminated by either party not less than six months' notice in writing to the other. There are no benefits payable upon termination of a Service Agreement. The Service Agreements cover the terms of employment, specifically, salary and bonus. Under the Service Agreement, Mr Ting, Mr Zhuang and Mr Fu has each also agreed not to enter into businesses that will compete with ours.

Under the terms of their respective Service Agreements, Mr Ting, Mr Zhuang and Mr Fu will be paid an annual salary of RMB840,000, RMB480,000 and RMB480,000, respectively.

Each of our Executive Directors is also entitled to share a performance bonus (the "Performance Bonus Pool") in respect of each financial year commencing from FY2009, which is calculated based on the consolidated profit before tax, extraordinary items and minority interest ("PBT") (before deducting for such Performance Bonus Pool) of our Group as follows:

	PBT Attained	Performance Bonus Pool
(i)	More than RMB90 million, up to and including RMB125 million	3.0% of the amount of PBT in excess of RMB90 million
(ii)	More than RMB125 million but up to and including RMB175 million	RMB1.05 million plus 4.0% of the amount of PBT in excess of RMB125 million
(iii)	More than RMB175 million	RMB3.05 million plus 5.0% of the amount of PBT in excess of RMB175 million

Each of Mr Ting, Mr Zhuang and Mr Fu is entitled to share in the Performance Bonus Pool in the proportions of 40.0%, 30.0% and 30.0%, respectively.

The Remuneration Committee shall have the discretion to vary the above percentages from year to year, depending on the performance of the respective Executive Directors.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by each of Mr Ting, Mr Zhuang and Mr Fu in the course of discharging their duties on our behalf will be borne by our Company.

Save as disclosed above, there are no existing or proposed service agreements between our Company, our subsidiary and any of our Directors. There are no existing or proposed service agreements entered or to be entered into by our Directors with our Company or our subsidiary which provide for benefits upon termination of employment.

CORPORATE GOVERNANCE

We recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders, and have established three committees, namely, the Audit Committee, the Remuneration Committee and the Nominating Committee.

To strengthen the independence of our Board, we have appointed Mr Soh Beng Keng as our lead independent director ("Lead Independent Director"). As the Lead Independent Director, he will co-ordinate and lead our Independent Directors to provide a non-executive perspective and contribute to a healthy balance of view-points. The Lead Independent Director will also be able to provide Shareholders with an avenue for recourse where they have concerns which cannot be resolved through recourse to the Executive Chairman or CEO, or where such contact is not possible or inappropriate.

Based on the above, our Directors are of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decision-making without the Executive Chairman and CEO being able to exercise considerable power or influence.

AUDIT COMMITTEE

Our Audit Committee comprises our Independent Directors, Mr Soh Beng Keng, Mr Lim Heng Chong Benny and Mr Chai Chon Fatt. The Chairman of our Audit Committee is Mr Soh Beng Keng. Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders of our Company. Our Audit Committee shall meet periodically to perform the following functions:

(a) review the audit plans, scope of work and results of our audits conducted by our internal and external auditors;

(b) review the cooperation given by our officers to auditors;

(c) nominate auditors for re-appointment;

(d) review the financial statements before submission to our Board for approval;

(e) review the effectiveness and adequacy of our internal control procedures relating to accounting and financial reporting functions;

(f) review the integrity of any financial information presented to our Shareholders;

(g) review the guidelines and review procedures set out under the section entitled "**Interested Person Transactions and Potential Conflicts of Interest**" of this Prospectus and future interested person transactions, if any;

(h) monitor the undertakings described under the section entitled "**Potential Conflict of Interests**" of this Prospectus and review potential conflict of interest, if any;

(i) review the suitability of the CFO and the adequacy of the finance team on an on-going basis; and

(j) review and approve future hedging policy, instruments used for hedging and foreign exchange policy and practice of our Group (if applicable).

Apart from the duties listed above, our Audit Committee shall 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 Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of our Audit Committee shall abstain from voting any resolutions in respect of matters in which he is interested.

Internal audit function

We will outsource our internal audit function to a Singapore-based certified public accounting firm, within a month from the listing of our Company on the SGX-ST. The internal auditors will report directly to our Audit Committee.

We had engaged BDO Raffles Consultants Pte Ltd, an independent Singapore certified practicing accountant, to conduct a full review on the internal controls of our Group and report its findings our Audit Committee prior to the Listing. Subsequently, our Board will decide upon our Audit Committee's advice whether to continue to commission such reviews.

NOMINATING COMMITTEE

Our Nominating Committee comprises Mr Soh Beng Keng, Mr Lim Heng Chong Benny and Mr Ting Chun Yuen. The Chairman of our Nominating Committee is Mr Lim Heng Chong Benny. Our Nominating Committee will be responsible for (i) re-nomination of our Directors having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director. Our Nominating Committee will decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how our Board has enhanced long-term shareholders' value. The performance evaluation will also include consideration of our Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution by each individual Director to the effectiveness of our Board. Each member of our Nominating Committee shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as Director.

REMUNERATION COMMITTEE

Our Remuneration Committee comprises Mr Soh Beng Keng, Mr Lim Heng Chong Benny and Mr Chai Chon Fatt. The Chairman of our Remuneration Committee is Mr Chai Chon Fatt. Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and key executives, determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee on remuneration of Directors and CEO should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, and benefits in kind shall be covered by our Remuneration Committee. Each member of our Remuneration Committee shall abstain from voting any resolutions in respect of his remuneration package.

EXEUCTIVE OFFICERS

The day-to-day operations of our Group are entrusted to our Executive Officers. Our Executive Officers are experienced and qualified and they are responsible for the different functions of our Group. The particulars of our Executive Officers are set out below:

Name	Age	Residential Address	Designation
Goh Kea Chuan	46	Block # 12 Room 1702 JinXiuJiangNan Qingmeng High-tech Industrial Zone Quanzhou City Fujian Province PRC	CFO
Sheng Chunping	39	No. 161, Team One Fengyu Neighbourhood Committee Yuhua Town Dafeng City Jiangsu Province PRC	Production Manager
Lei Mingbo	40	Plus 5 Unit 3 No 30 Hongqi Road Chengguan Town Guiding County Guizhou Province PRC	Administration Manager

Information on the business and working experience of our Executive Officers is set out below:

Mr Goh Kea Chuan is our CFO. Mr Goh joined our Group in March 2009 and is responsible for the financial and accounting functions and the compliance of the financial reporting requirements of our Group. Mr Goh has more than 15 years of experience in financial and accounting management. Prior to joining our Group, Mr Goh was the chief financial officer of China Structures Holdings Pte. Ltd., from February 2008 to December 2008, where he was in charge of financial reporting and management of its operation. From March 2007 to January 2008, he worked in BlueScope Bulter China as its financial controller and was responsible for business and financial strategy planning, monitoring and reporting. From 2006 to February 2007, Mr Goh took time off to look after his family's business interests. From May 2005 to March 2006, Mr Goh was the general manager of Changshu Pan Pacific Metal Production Co., Ltd. where he was responsible for the development and implementation of strategic business and operational plans. He worked as a business services manager in BlueScope Steel Malaysia from March 2003 to April 2005 where he was responsible for the operation of financial shared service centre and its day to day operation. From June 2001 to February 2003, Mr Goh was the financial controller of P.P Steel Group of Companies where he was responsible for the financial and administrative operation. From June 1998 to May 2001, he worked as the controller for the Star Cruise Group and was responsible for the group's financial activities. From 1993 to 1998, Mr Goh worked in MBF Commercial Vehicles Sdn Bhd as its senior manager on finance and administration. Mr Goh obtained LCCI Higher Diploma in Accounting from London Chamber of Commerce and Industry in 1984 and attained his certification by the Association of Chartered Certified Accountants in October 1996. He is currently a member of Malaysian Institute of Accountants and a fellow of the Association of Chartered Certified Accountants.

Our Audit Committee notes that prior to joining the Group, Mr Goh had held various jobs, some of which were for relatively short periods of less than one year. After discussion with Mr Goh to understand the reasons for his departure from his previous jobs and having assessed his attitude and performance thus far, our Audit Committee is confident of Mr Goh's commitment to his role in our Group. Further having taken into account Mr Goh's relevant qualifications and experience, his understanding of the business of our Group and familiarity with the finance and accounting functions of our Group as demonstrated by his contributions during the various discussions and meetings held and the preparation of the financial statements of our Group and that Mr Goh will be based at our Group's head office in the PRC, our Audit Committee finds Mr Goh to be a suitable candidate as our Group's CFO.

Mr Sheng Chunping is our Production Manager. Mr Sheng joined our Group in December 2004 and is in charge of our Group's overall production activities and quality control procedures during production. Prior to joining our Group, between November 2003 and November 2004, Mr Sheng was appointed as a member of the liquidation team of Dahong Heqian Factory. Mr Sheng was the general manger of Dafeng Terylene Factory of the Jiangsu Yancheng Fiber Group from October 1999 to October 2003. From December 1998 to October 1999, he was head of the production technical department of Zhejiang Xiaoshan Hensheng Synthetic Fiber Factory. Mr Sheng graduated from Suzhou Institute of Silk Textile Technology with a Bachelor's Degree in chemical fibre engineering in May 1993.

Mr Lei Mingbo is our Administration Manager. Mr Lei joined our Group in March 2009 and is in charge of administrative matters within our Group. Prior to joining our Group, Mr Lei was the manager in charge of the administration and human resources management of Zhangzhou Yanfeng Finishing Aquatic Product Co., Ltd. from April 2007 to February 2009. From November 2004 to March 2007, he also worked in our Group and was responsible from administration and human resources management related work. From June 2003 to October 2004, he was deputy general manager in charge of administration of Guizhou Jingxiang Industry Co.. From September 1991 to May 2003, he was the head of corporate regulations department of Guiding Cigarette Factory. Mr Lei graduated from Guizhou Mingzu Institute in January 1991 with a Bachelor's Degree in Physics.

PRESENT AND PAST DIRECTORSHIPS OF OUR EXECUTIVE OFFICERS

Save as disclosed below, none of our Executive Officers has any present or past directorships over the past five years preceding the date of this Prospectus:

Name	Present Directorships	Past Directorships
Goh Kea Chuan	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	Nil	Nil
Sheng Chunping	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	Nil	Nil
Lei Mingbo	***Group Companies***	***Group Companies***
	Nil	Nil
	Other Companies	***Other Companies***
	Nil	Nil

None of our Directors or Executive Officers are related by blood or marriage to one another nor are they related to any of our Substantial Shareholders. Save as disclosed, no relative of our Directors or Substantial Shareholder has been appointed to a managerial position or above in our Group as at the date of this Prospectus.

ARRANGEMENT OR UNDERSTANDING

None of our Directors or Executive Officers has any arrangement or understanding with any of our Substantial Shareholders, customers or suppliers or other person pursuant to which such person was appointed.

EMPLOYEES

As at the Latest Practicable Date, we had a workforce of 387 full-time employees. From time to time, we may also employ temporary staff where required.

As at the Latest Practicable Date, the employees of our Group are not unionised. The relationship between our management and staff has been good and is expected to continue to be so in the future. There has not been any incidence of work stoppages or labour disputes that affected our operations.

The functional distribution breakdown of our full-time employees for FY2006, FY2007 and FY2008 and as at the Latest Practicable Date is as follows:

By Function	**FY2006**	**FY2007**	**FY2008**	**As at the Latest Practicable Date**
Senior management, administration and finance	15	20	27	29
Production	148	272	268	326
Technical Support	5	10	7	8
Sales and marketing	2	4	6	15
Accounting and Finance	4	6	9	9
Total Number of employees	**174**	**312**	**317**	**387**

REMUNERATION

Remuneration of Directors and Executive Officers

The compensation paid to our Directors and Executive Officers for services rendered to us and our subsidiary on an individual basis and in remuneration bands during FY2006, FY2007, FY2008 and the estimated remuneration for the current FY2009 are as follows:

	FY2006	**FY2007**	**FY2008**	**FY2009 Estimated**[(1)]
Directors				
Ting Chun Yuen	Band A	Band A	Band A	Band A
Zhuang Qingquan	Band A	Band A	Band A	Band A
Fu Dongli	N/A	N/A	N/A	Band A

	FY2006	FY2007	FY2008	FY2009 Estimated[1]
Soh Beng Keng	N/A	N/A	N/A	Band A
Lim Heng Chong Benny	N/A	N/A	N/A	Band A
Chai Chon Fatt	N/A	N/A	N/A	Band A
Executive Officers				
Goh Kea Chuan	N/A	N/A	N/A	Band A
Sheng Chunping	Band A	Band A	Band A	Band A
Lei Mingbo	N/A	N/A	N/A	Band A

Notes:

(1) For the purpose of this estimate, no account is taken for the incentive bonus under the Service Agreements and the employment contract between our Company and our CFO, Mr Goh Kea Chuan as described in this section.

(2) Band A means below S$250,000; and
Band B means between S$250,000 and S$499,999.

Pursuant to an employment contract between our Company and our CFO, Mr Goh Kea Chuan, Mr Goh will be entitled to an incentive bonus upon the successful listing of our Company to be determined by the following formula:

PER (based on the Offering Price and the historical net EPS of our Group for FY2008 and the post-Offering share capital)	Incentive Bonus
5 times or below	S$70,000
6 times but below 7 times	S$85,000
7 times but below 8 times	S$100,000
8 times and above	S$120,000

Save as disclosed under this section and the section entitled "**Directors, Management and Staff - Service Agreements**" of this Prospectus, no compensation was paid or is to be paid to any of our Directors or Executive Officers in FY2006, FY2007, FY2008 or FY2009 pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement.

No compensation was paid or is to be paid in the form of stock options to any of our Directors or Executive Officers.

No amount has been set aside or accrued by our Company or our subsidiary to provide for any pension, retirement or similar benefit. There is also no policy relating to pension, retirement or similar benefits other than those required under the relevant laws.

Remuneration of Employees who are related to our Directors, Executive Officers and Substantial Shareholders

As at the date of this Prospectus, the following employees are related to our Directors and Substantial Shareholders:

Name	Relationship	Designation
Wong Kim Chu (王剑珠)	Spouse of our Executive Chairman and CEO, Mr Ting Chun Yuen	Sales Manager
Wang Jianhong (王剑虹)	Brother of Wong Kim Chu and brother-in-law of Mr Ting Chun Yuen	Procurement Manager
Wang Jianhua (王剑华)	Sister of Wong Kim Chu and Wang Jianhong and sister-in-law of Mr Ting Chun Yuen	Cashier
Ting Yeuk Hon (丁约翰)	Son of Mr Ting Chun Yuen and Wong Kim Chu	Sales staff
Ding Yashuang (丁雅霜)	Sister of Mr Ting Chun Yuen	Production staff
Zhuang Shuhuang (庄树煌)	Husband of Ding Yashuan and brother-in-law of Mr Ting Chun Yuen	Production staff
Zhuang Baihua (庄白桦)	Brother of our Executive Director and Head of Sales and Marketing, Mr Zhuang Qingquan	Warehouse staff
Zhuang Lifeng (庄丽凤)	Sister-in-law of our Executive Director and Head of Procurement, Mr Fu Dongli	Production staff

The aggregate remuneration for the above employees who are related to our Directors and Subsantial Shareholders (excluding the remuneration of our Directors and Executive Officers) in FY2008, which included salaries, bonuses and benefits-in-kind, was approximately RMB439,860.

The remuneration of employees who are related to our Directors, Executive Officers and Substantial Shareholders will be reviewed annually by our Remuneration Committee 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. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from the review.

Save as disclosed above, none of our employees is related to our Directors, Executive Officers or Substantial Shareholders.

SHAREHOLDERS

The Shareholders of our Company and their respective shareholdings immediately before this Offering (as at the Latest Practicable Date) and immediately after this Offering are set out as follows:

	Before this Offering				After this Offering			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Ting Chun Yuen[1]	–	–	127,566,600	67.4	–	–	127,566,600	51.2
Zhuang Qingquan	–	–	–	–	–	–	–	–
Fu Dongli	–	–	–	–	–	–	–	–
Soh Beng Keng	–	–	–	–	–	–	–	–
Lim Heng Chong Benny	–	–	–	–	–	–	–	–
Chai Chon Fatt	–	–	–	–	–	–	–	–
Substantial Shareholders (5% or more)								
Sky Upright[1]	127,566,600	67.4	–	–	127,566,600	51.2	–	–
Other Shareholders (less than 5%)								
Group I Investors[2]	40,433,000	21.4	–	–	–	–	–	–
Group II Investors[3]	18,688,000	9.9	–	–	–	–	–	–
EV[4]	2,491,000	1.3	–	–	–	–	–	–
Public	–	–			121,613,000	48.8		
TOTAL	**189,178,600**	**100.0**			**249,178,600**	**100.0**		

Notes:

(1) Sky Upright is an investment-holding company incorporated in the BVI. It is wholly owned by our Executive Chairman and CEO, Ting Chun Yuen.

(2) The Group I Investors comprise Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited, Superb Goal Limited. Japan Asia Investment Co., Ltd. is a company listed on Tokyo Stock Exchange. Mr Yeo Cheow Tong, who is a Group I Investor, is deemed interested in the shares held by EV by virtue of his 20.0% shareholding in EV. Vision Jade Holdings Limited is an investment holding company incorporated in the BVI and its shareholder is Mr Wang Chunquan. Superb Goal Limited is an investment holding company incorporated in the BVI and its shareholders are Mr Ng Chee Kong (50.0%) and Mr Beh Hook Seng (50.0%). The Group I Investors were allotted and issued an aggregate of 40,433,000 Shares pursuant to the Group I Conversion. None of the Group I Investors is related or acting in concert with each other or any of our Directors and Substantial Shareholders. None of the Group I Investors is holding its Shares in trust for another Group I Investor or for any of the Group II Investors or our Directors or Substantial Shareholders. Mr Yeo Cheow Tong, who is a Group I Investor, is deemed interested in the shares held by EV by virtue of his 20.0% shareholding in EV.

(3) The Group II Investors comprise Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee. The Group II Investors were allotted and issued an aggregate of 18,688,000 Shares pursuant to the Group II Conversion. None of the Group II Investors is related or acting in concert with each other or any of our Directors and Substantial Shareholders. None of the Group II Investors is holding its Shares in trust for another Group II Investor or for any of the Group I Investors or our Directors or Substantial Shareholders.

(4) EV is an investment holding company incorporated in the BVI and its shareholders are Oh Choon Gan (45.0%), Yeo Cheow Tong (20.0%), Jen Shek Voon (20.0%) and Ng Der Sian (15.0%). Each of the shareholders of EV are all unrelated to our Directors and Substantial Shareholders. Pursuant to the Consultancy Agreement, EV was allotted and issued an aggregate of 2,491,000 Shares as consideration for services rendered to our Company in relation to this Offering. EV's services provided in relation to this Offering includes but is not limited to introducing a qualified and suitable professional team for the listing, advising on the pre-listing restructuring exercise and listing matters, assisting our Group in the preparation of information required by the professional team, managing client relationship and introducing investors to our Group.

SHAREHOLDERS

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Offering Shares. Our Directors are not aware of any arrangement, the operation of which may at a subsequent date result in a change in control of our Company.

Save as disclosed above, 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.

Save as disclosed, none of our Directors and Substantial Shareholders is related to each other.

Save as disclosed herein, none of our Substantial Shareholders or Directors is interested in the Offering Shares.

Save as disclosed above and under the section entitled "**Restructuring Exercise**" of this Prospectus, there have been no changes in the percentage of ownership by our Directors, Executive Officers and Substantial Shareholders since organisation and up till the Latest Practicable Date.

VENDORS

Certain particulars of the Vendors and the Shares which they will offer pursuant to this Offering are set out below:

	Shares held as at the Latest Practicable Date		Vendor Shares offered pursuant to this Offering		Shares held after this Offering	
Name	**Number of Shares**	**% of pre-Offering share capital**	**Number of Vendor Shares**	**% of pre-Offering share capital**	**Number of Shares**	**% of post-Offering share capital**
Group I Investors						
Japan Asia Investment Co., Ltd	23,087,243	12.2	23,087,243	12.2	–	–
Yeo Cheow Tong	5,781,919	3.1	5,781,919	3.1	–	–
Vision Jade Holdings Limited	5,781,919	3.1	5,781,919	3.1	–	–
Superb Goal Limited	5,781,919	3.1	5,781,919	3.1	–	–
Group II Investors						
Mrs Chau-Chan Sui Yung	4,360,533	2.3	4,360,533	2.3	–	–
Wang Ping	2,491,733	1.3	2,491,733	1.3	–	–
Tan Kuang Hui	2,491,733	1.3	2,491,733	1.3	–	–
Ma Ong Kee	9,344,001	4.9	9,344,001	4.9	–	–
Other shareholders						
EV	2,491,000	1.3	2,491,000	1.3	–	–

Save as disclosed herein, the Vendors have not held any position, office or do not have any material relationship with our Group within the period of three years before the date of lodgement of this Prospectus.

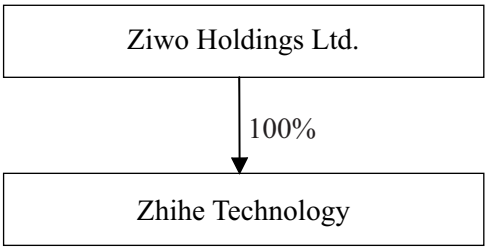
MORATORIUM

To demonstrate its commitment to our Group, our Controlling Shareholder, Sky Upright, which holds an aggregate of 127,566,600 Shares in our Company, representing approximately 51.2% of our Company's enlarged issued and paid-up share capital after this Offering, have given an undertaking to the Issue Manager not to dispose of or transfer any part of its interests in our Company for a period of six months from the date of our Company's admission to the Official List of the SGX-ST.

Our Executive Chairman and CEO, Mr Ting Chun Yuen, who owns the entire issued and paid-up share capital of Sky Upright, has undertaken to the Issue Manager that he will not sell, realise, transfer, assign or otherwise dispose of any part of his interests in Sky Upright for a period of six months from the date of our Company's admission to the Official List of the SGX-ST.

GROUP STRUCTURE

Our group structure following the Restructuring Exercise and as at the Latest Practicable Date is as follows:



Details of our subsidiary are as follows:

Name of subsidiary	Place of incorporation/	Principal place of establishment	Principal activities business	Equity held by our Company (%)
Zhihe Technology	Quanzhou City, Fujian Province, PRC	Quanzhou City, Fujian Province, PRC	Production and sale of 30D terylene filament yarn, sandwich mesh fabric, foamed EVA, foamed SBR and high foamed PE	100%

Save for the allotment and issue of new Shares in the capital of our Company pursuant to the Restructuring Exercise as set out above in paragraph (2) of the section entitled "**Restructuring Exercise**" of this Prospectus, there have not been any instances where more than 10% of our Company's capital has been paid for with assets other than in cash since its incorporation and before the date of lodgement of this Prospectus.

Our sole subsidiary, Zhihe Technology, is not listed on any stock exchange. We do not have any associated companies.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, our Directors, Executive Officers or Controlling Shareholders or the Associates of such Directors, Executive Officers or Controlling Shareholders) are known as interested person transactions.

Save as set out below and for the transactions between our Group and certain of our Shareholders pursuant to the Restructuring Exercise, there are no other interested person transactions undertaken by our Group within the last three financial years ended 31 December 2008 and up to the Latest Practicable Date (the "Relevant Period").

Past Transactions with Interested Persons

Convertible Loan from Mr Wang Ping to our Company

Mr Wang Ping was a director of our Company from 10 January 2008 to 25 August 2009. Mr Wang Ping was a nominee director and was appointed to the Board of our Company as the Companies Act requires a Singapore company to have at least one Singapore resident director. Upon the appointment of our Company's independent directors (each of whom are resident in Singapore), Mr Wang Ping resigned from the Board.

Pursuant to a convertible loan agreement dated 18 February 2009, between our Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group II Investors (including Mr Wang Ping) of the other part, the Group II Investors granted a loan of S$1.5 million to our Company in the following tranches:

(a) the first tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of execution of the convertible loan agreement;

(b) the second tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of the submission of the listing application to SGX-ST; and

(c) the third tranche comprising S$500,000 is to be disbursed by the Group II Investors on seven (7) business days prior to the lodgement of this Prospectus with the Authority.

Mr Wang Ping's share of the investment amounted to S$200,000. The loan shall be and was utilised by our Company to pay for the service provided and fees charged (exclude disbursement) by (i) issue manager, underwriter and placement agent (excluding any underwriting fee/commission), (ii) the legal advisers to our Company as to Singapore law, (iii) legal advisers to our Company as to PRC law, (iv) legal advisers to the issue manager, underwriter and placement agent, (v) auditors and reporting accountants, (vi) PRC auditors and (vii) internal auditors appointed in relation to the Listing.

On 29 September 2009, 2,491,733 Shares were allotted and issued to Wang Ping pursuant to the terms of the said convertible loan agreement. Upon such conversion, the right of the Group II Investors to repayment of the principal amount and any or all fees, costs, expenses and other monies that may be payable by the Company in relation to the principal amount, was extinguished and released pursuant to the terms of the said convertible loan agreement. For further details, please refer to the section entitled "**Restructuring Exercise**" of this Prospectus.

The aggregate outstanding amounts owing by our Company to Mr Wang Ping as at the end of each of the Track Record Period and as at the Latest Practicable Date were as follows:

(S$)	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009	As at the Latest Practicable Date
Total amount owing by our Company to Mr Wang Ping	–	–	–	66,667	133,333

The total amount owing at the end of each period is computed based on Mr Wang Ping's proportion of the aggregate loan disbursed by the Group II Investors to our Company as at the end of each period. During the Relevant Period, the largest aggregate amount owing was approximately S$66,667. The loan was fully repaid as at the date of this Prospectus. The loan was interest-free and unsecured. The loan is not considered a transaction that has been entered into on an arm's length basis.

We do not intend to enter into similar transactions in the future following the listing of the Company on the Official List of the SGX-ST.

Advances from Zhihe Technology to Mr Ting Chun Yuen

In the three financial years ended 31 December 2008 and up to the Latest Practicable Date, Zhihe Technology made several advances to our Executive Chairman and CEO, Mr Ting Chun Yuen. These advances were interest-free, unsecured and repayable on demand. The advances are not considered transactions that have been entered into on an arm's length basis.

The aggregate outstanding amounts owing from Mr Ting Chun Yuen to Zhihe Technology as at the end of each of the Track Record Period and as at the Latest Practicable Date were as follows:

(RMB'000)	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009	As at the Latest Practicable Date
Total amount owing to Zhihe Technology from Mr Ting Chun Yuen	6,761	9,766	–	–	–

During the Relevant Period, the largest aggregate amount outstanding at month end was approximately RMB11.6 million. The advances were fully repaid as at the Latest Practicable Date.

We do not intend to enter into similar transactions in the future following the listing of our Company on the Official List of the SGX-ST.

Advances from Mr Ting Chun Yuen to our Company

In the three financial years ended 31 December 2008 and up to the Latest Practicable Date, our Executive Chairman and CEO, Mr Ting Chun Yuen, made several advances to our Company. These advances were interest-free, unsecured and repayable on demand. The advances are not considered transactions that have been entered into on an arm's length basis.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

The aggregate outstanding amounts owing to Mr Ting Chun Yuen from our Company as at the end of each of the Track Record Period and as at the Latest Practicable Date were as follows:

(RMB'000)	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 March 2009	As at the Latest Practicable Date
Total amount owing by our Company to Mr Ting Chun Yuen	–	–	1,810	2,540	–

During the Relevant Period, the largest aggregate amount outstanding at month end was approximately RMB4.3 million. The advances were fully repaid as at the Latest Practicable Date. We do not intend to enter into similar transactions in the future following the listing of our Company on the Official List of the SGX-ST.

Guarantee by our Executive Chairman and CEO, Mr Ting Chun Yuen

Our Executive Chairman and CEO, Mr Ting Chun Yuen, has provided a guarantee for the following banking facility granted to our Group:

Financial institution	Borrower	Largest amount outstanding under the facilities from 1 January 2006 to the Latest Practicable Date (RMB '000)	Outstanding amount under the facilities as at the Latest Practicable date (RMB '000)	Guaranteed by
Bank of China, Quanzhou, Jiuyi Road, Licheng Branch	Zhihe Technology	5,500	–	Ting Chun Yuen

The banking facility was used to procure a series of loans for Zhihe Technology for its working capital purposes. Mr Ting Chun Yuen did not receive any fee or other benefits from providing this guarantee.

We have not and will not pay any form of consideration for the guarantee provided by Mr Ting Chun Yuen. Accordingly, our Directors are of the view that although the transactions are not on an arm's length basis, the terms are beneficial to our Group.

As at the Latest Practicable Date, the facility had been cancelled, the loan was fully repaid and the guarantee was fully discharged.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

Present and on-going Transactions with Interested Persons

Our Executive Chairman and CEO, Mr Ting Chun Yuen, has provided guarantees for the following banking facilities granted to our Group:

Financial institution	Borrower	Largest amount outstanding under the facilities from 1 January 2006 to the Latest Practicable Date (RMB '000)	Outstanding amount under the facilities as at the Latest Practicable date (RMB '000)	Guaranteed by
Industrial Bank Co., Ltd, Quanzhou Xinmen Branch	Zhihe Technology	35,000	9,900	Ting Chun Yuen
Quanzhou City Commercial Bank, Jinjiang Branch	Zhihe Technology	20,000	6,000	Ting Chun Yuen[(1)]

Note:

(1) As at the Latest Practicable Date, the outstanding loans from Quanzhou City Commercial Bank amounting to RMB6 million were jointly guaranteed by Jinjiang Sanhui garment Co., Ltd.（晋江三辉制衣有限公司）("Jinjiang Sanhui"). Jinjiang Sanhui is not an associate of the Directors or Controlling Shareholder of the Company.

The banking facilities above were used to procure a series of loans for Zhihe Technology for its working capital purposes. Mr Ting Chun Yuen did not receive any fee or other benefits from providing these guarantees.

We have not and will not pay any form of consideration for the guarantees provided by Mr Ting Chun Yuen. Accordingly, our Directors are of the view that although the transactions are not on an arm's length basis, the terms are beneficial to our Group.

Subsequent to this Offering, we intend to procure the discharge of the above personal and corporate guarantees. Should the terms and conditions of our existing facilities be affected by the withdrawals of the above personal and corporate guarantees, our Directors are confident that with our listed status and strengthened financial position, we should be able to secure alternative credit facilities on terms similar to those applicable to the existing facilities. In the event that the relevant financial institution does not agree to release the above guarantees, and we are unable to secure alternative credit facilities on similar terms, Mr Ting Chun Yuen has undertaken to continue to provide his guarantees for these loans and/or procure guarantees from third parties as required by the financial institution for as long as our Group requires such loans.

After our admission to the Official List of the SGX-ST, all transactions made between our Group and Mr Ting Chun Yuen will be entered into in accordance with such guidelines as described in the section entitled "**Guidelines and Review Procedures for Future Interested Person Transactions**" of this Prospectus and Chapter 9 of the Listing Manual.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee will review all future interested person transactions, if any, to ensure that they are carried out on an arm's length basis, and on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders. Our Audit Committee will adopt the following procedures when reviewing such interested person transactions:

(a) When purchasing products from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained (where available), contemporaneous in time, for comparison to ensure that the interests of minority shareholders are not disadvantaged. The purchase price for products or fee for services shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration;

(b) When supplying services to an interested person, the price and terms of other successful sales of a similar nature to non-interested persons, contemporaneous in time, will be used in comparison to ensure that the interests of minority shareholders are not disadvantaged. The fee for supply of services shall not be lower than the lowest price or fee of the two other successful sales to non-interested persons; and

(c) 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 inquiries with landlords of similar property and obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The amount 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 inquiries.

Transactions falling within the above categories, if any, will be reviewed at least half-yearly by our Audit Committee to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit Committee. Our Audit Committee may request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as they deem fit. In the event that a member of our Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

In addition, our Board of Directors will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and relevant accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the SGX-ST Listing Manual. There is currently no general mandate from our Shareholders for recurrent interested person transactions of a revenue or trading nature or those necessary for our day-to-day operations. In the event that such a general mandate is required in future, we will obtain it in accordance with the provisions of the SGX-ST Listing Manual.

INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

Our Audit Committee and our Board shall review internal audit reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, our Audit Committee shall review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that transactions between us and our interested persons are conducted on normal commercial terms.

Our Audit Committee is of the view that the methods and procedures for determining transaction prices, as set out above, are sufficient to ensure that our Group's transactions with interested persons are on normal commercial terms which will not be prejudicial to the interests of our Company and our minority Shareholders.

POTENTIAL CONFLICT OF INTERESTS

None of our Directors, Controlling Shareholders and Executive Officers or their Associates has any material interest, direct or indirect, in:

(i) any company carrying out the same business or dealing in similar products as our Company or its subsidiary;

(ii) any enterprise or company that is our Group's customer or supplier of goods or services; and

(iii) any transaction to which we are a party.

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

Statutory Matters

On 2 September 2002, Strong Progress International Limited**,** a company engaged in the business of shipping, real estate investment and chemical products trading, in which our Executive Chairman and CEO, Mr Ting Chun Yuen was a director and deputy general manager, was served with a winding up petition by its creditors. Strong Progress International Limited was wound up on 13 November 2002.

Strong Progress International Holding Company Limited, Strong Progress Finance Company Limited, Strong Progress Property Company Limited and Strong Progress Trading Company Limited, in which our Executive Chairman and CEO, Mr Ting Chun Yuen was a director, were dissolved on 8 October 2004.

Save as disclosed above, none of our Directors or Executive Officers:

(a) has had, at any time during the last 10 years, 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 when he was a partner or at any time within 2 years from the date he ceased to be a partner;

(b) has had, at any time, during the last 10 years, 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 a 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 2 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;

(c) has any unsatisfied judgments against him;

(d) has 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;

(e) has 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 of, for such breach:

(f) has had, at any time during the last 10 years, judgment 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, or has 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;

(g) has been convicted, in Singapore or elsewhere, of any offence in connection with the formation or management of any entity or business trust;

(h) has been disqualified from acting as a director or an 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;

(i) has been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

(j) to his knowledge, has been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

  (ii) 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;

  (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

  (iv) 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 each case, in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

(k) has 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.

Except as disclosed in the section entitled "**Shareholders**" of this Prospectus, as at the Latest Practicable Date, no person (including a Director or Executive Officer) has been, or is entitled to be, given an option to subscribe for any Shares in or debentures of our Company.

SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION

A summary of our Company's Memorandum and Articles of Association is set out in Appendix F on "**Summary of the Constitution of the Company**" of this Prospectus.

SHARE CAPITAL

As at the date of this Prospectus, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to the Shares are as stated in our Articles. The Shares owned by our Directors and Substantial Shareholders are not entitled to any different voting rights from the Offering Shares. Save as disclosed below and set out under the sections entitled "**Share Capital**" and "**Restructuring Exercise**" of this Prospectus, there were no changes in the issued and paid-up capital of our Company and its subsidiary within the three years preceding the date of lodgement of this Prospectus.

Zhihe Technology

Date	Amount of Capital Contributed (RMB)	Purpose of Contribution	Resultant Issued Share Capital (RMB)
11 October 2006	11,886,532.73	Payment of registered capital	53,680,731.66
6 November 2007	319,268.34	Payment of registered capital	54,000,000.00
4 June 2008	19,585,720.00	Payment of registered capital	73,585,720.00
1 December 2008	1,735,380.08	Payment of registered capital	75,321,100.08
18 February 2009	4,156,499.46	Payment of registered capital	79,477,599.54
27 April 2009	1,722,400.46	Payment of registered capital	81,200,000.00

Save as disclosed above, no shares or debentures were issued or agreed to be issued by our Company or its subsidiary for cash or for a consideration other than cash during the last three years preceding the date of lodgement of this Prospectus.

There are no shares in our Company that are held by or on behalf of our Company or by its subsidiary.

Save as disclosed in the section entitled "**Shareholders**" of this Prospectus, 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 of control of our Company.

MATERIAL CONTRACTS

The following contracts have been entered into by our Company and its subsidiary within the two years preceding the date of lodgement of this Prospectus, were entered into outside the ordinary course of business and are or may be material:

1. The agreement dated 6 April 2008 with Ting Chun Yuen pursuant to which our Company acquired the entire issued share capital of Zhihe Technology, from Ting Chun Yuen, at an aggregate consideration of RMB54 million based on the paid-up capital of Zhihe Technology as at 31 December 2007.

2. The agreement dated 18 March 2009 between our Company and Mr Ting Chun Yuen whereby the parties agree that the consideration owing by our Company arising from the sale and purchase of Zhihe Technology shall be settled by allotment and issuance of 10,630,548 Shares at the price of S$1.00 per Share to Mr Ting's nominee, Sky Upright, credited as fully paid.

3. A convertible loan agreement dated 16 April 2008 between our Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group I Investors of the other part, wherein the Group I Investors granted a loan of US$3.5 million to our Company convertible to new Shares in our Company.

4. A convertible loan agreement dated 18 February 2009, between our Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group II Investors of the other part, wherein the Group II Investors granted a loan of S$1.5 million to our Company convertible to new Shares in our Company.

5. A consultancy agreement dated 12 December 2007 and the supplemental agreement dated 18 February 2009 between our Company and EV, wherein our Company appointed EV to provide consultation services in connection with this Offering.

Miscellaneous

1. There was no public take-over offer, by a third party in respect of our Company's Shares or by our Company in respect of the shares of another corporation or units of a business trust, during FY2006 and up to the Latest Practicable Date.

2. No expert is employed on a contingent basis by our Group, has a material interest, whether direct or indirect, in the Shares of our Group, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of this Offering.

3. Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since 1 January 2006 to the Lastest Practicable Date, which may have a material effect on the financial information provided in the "**Audited Combined Financial Statements for the Financial Years Ended 31 December 2006, 2007 and 2008 and the Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" as set out in Appendix A and Appendix B respectively to this Prospectus.

4. The amount payable on application is S$0.235 for each Offering Share. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Prospectus.

5. Application monies received by our Company in respect of all successful applications (including successfully balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with Overseas-Chinese Banking Corporation Limited as Receiving Bank. There is no sharing arrangement in respect of the deployment of application monies to the inter-bank monies market. Any refund of the application monies to unsuccessful or partially successful applicants will be made without any interest or share of such revenue or other benefit arising therefrom.

6. No property has been purchased or acquired or proposed to be purchased or acquired by our Group which is to be paid for, wholly or in part, out of the proceeds of this Offering or the purchase or acquisition of which has not been completed at the date of this Prospectus, other than property the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Company or its subsidiary, such contract not being made in contemplation of this Offering nor this Offering in consequence of such contract.

7. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.

8. Save as disclosed under the sections entitled "**Risk Factors**", "**Prospects, Trends and Order Book**" and "**Management Discussion and Analysis of Financial Condition and Results of Operation**" of this Prospectus, the financial condition and operations of our Group are not likely to be affected by the following:

   (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

   (b) material commitments for capital expenditures;

   (c) unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and

   (d) known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on revenues or operating income.

9. We currently have no intention of changing the auditors of our Company after the listing of our Company on the Official List of the SGX-ST.

10. Details, including the names, addresses and professional qualifications (including membership in a professional body) of the auditors of our Group for the Track Record Period are as follows:

Name and address	Partner-in-charge/ Professional Qualification	Membership in professional body
Foo Kon Tan Grant Thornton 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365	Wong Kian Kok/ Certified Public Accountant	Institute of Certified Public Accountants of Singapore

CONSENTS

The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion of their reports as referred to in Appendix A, Appendix B and Appendix C of this Prospectus, their name, address and professional qualification in the form and context in which they are included in this Prospectus and references thereto in the form and context in which they appear in this Prospectus.

Zhong Lun Law Firm, the Legal Adviser to our Company as to PRC Law, has given and has not withdrawn its written consent to the issue of this Prospectus, with the inclusion of its name and references thereto in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

The Issue Manager, Underwriter and Placement Agent has given and has not withdrawn its written consent to the issue of this Prospectus and the inclusion of its name and references thereto in the form and context in which they respectively appear in this Prospectus and to act in such capacities in relation to this Prospectus.

Each of Legal Advisers to our Company as to Singapore Law, the Legal Advisers to the Issue Manager, Underwriter and Placement Agent and the Principal Bankers does 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 or omission from this Prospectus.

RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND VENDORS

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our Registered Office at 80 Raffles Place #25-01 UOB Plaza 1 Singapore 048624 during normal business hours for a period of six months from the Latest Practicable Date:

(a) the Memorandum and Articles of Association of our Company;

(b) the material contracts set out in the section entitled "**General and Statutory Information – Material Contracts**" of this Prospectus;

(c) the Service Agreements as defined in the section entitled "**Directors, Management and Staff – Service Agreements**" of this Prospectus;

(d) the "**Audited Combined Financial Statements for the Financial Years Ended 31 December 2006, 2007 and 2008**" as set out in Appendix A to this Prospectus;

(e) the "**Unaudited Interim Combined Financial Statements for the Financial Period from 1 January 2009 to 31 March 2009**" as set out in Appendix B to this Prospectus;

(f) the "**Unaudited Pro Forma Combined Financial Statements for the Years Ended 31 December 2008 and Financial Period from 1 january 2009 to 31 March 2009**" as set out in Appendix C to this Prospectus; and

(g) letters of consent as set out in the section entitled "**General and Statutory Information – Consents**" of this Prospectus.

Companies in our Group

Company	Ziwo Holdings Ltd.
Zhihe Technology	Zhihe (Fujian) Technology Co., Ltd. (至和(福建)科技有限公司), formerly known as Quanzhou Zhihe Weaving Co., Ltd. (泉州至和织造有限公司)
Group/Group Company	Our Company and our subsidaries as at the date of this Prospectus, treated for the purpose of this Prospectus as if the group structure had been in existence since 1 January 2006

Other Corporations and Agencies

Authority or MAS	The Monetary Authority of Singapore
CDP	The Central Depository (Pte) Limited
CSRC	China Securities Regulatory Commission (中国证券监督管理委员会)
EV	EV Capital Private Limited
Group I Investors	Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited
Group II Investors	Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee
IRAS	Inland Revenue Authority of Singapore
Issue Manager, Underwriter and Placement Agent	Stirling Coleman Capital Ltd
MOFCOM	The Ministry of Commerce of the PRC (中华人民共和国商务部)
Participating Bank	United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the "UOB Group"), DBS Bank Ltd (including POSB) ("DBS") and Oversea-Chinese Banking Corporation Limited ("OCBC")
SAFE	State Administration for Foreign Exchange (国家外汇管理局)
SGX-ST	Singapore Exchange Securities Trading Limited
Sky Upright	Sky Upright Holdings Limited

General

Affiliates	A person or entity who, directly or indirectly, either controls, is controlled by or is under common control with, the specified person or entity
Application Forms	The printed application forms to be used for the purpose of the Offering and which form part of this Prospectus

Application List	The list of applications for subscriptions of the Offering Shares
Associates	(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, (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's immediate family is (A) a beneficiary or, (B) 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 entity", "subsidiary", "subsidiary entity" and "substantial interest-holder" shall have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.
ATM	Automated teller machine
Board or Board of Directors	Our Company's board of Directors
BVI	The British Virgin Islands
CEO	The chief executive officer of our Company
CFO	The chief financial officer of our Company
Closing Date	The closing date of this Offering
Companies Act	Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time

Consultancy Agreement	The consultancy agreement dated 12 December 2007 and the supplemental agreement dated 18 February 2009 between our Company and EV, wherein our Company appointed EV to provide consultation services in connection with this Offering
Controlling Shareholders	In relation to a corporation means: (a) a person who has an interest in the voting shares of a corporation and who exercises control over the corporation; or (b) a person who has an interest (whether directly or indirectly) of 15.0% or more of the aggregate of all the voting shares in a corporation, unless he does not exercise control over the corporation.
Director	A member of our Board of Directors as at the date of this Prospectus
Electronic Applications	Applications for the Offering Shares made through an ATM or the IB website of one of the relevant Participating Banks in accordance with the terms and conditions of this Prospectus
Executive Officer	The officers of our Group listed in the section entitled "**Directors, Management and Staff — Executive Officers**" of this Prospectus
FP	Financial period for the three months ended 31 March
FY	Financial year ended or ending 31 December, as the case may be
GST	Singapore goods and services tax
GST Act	Goods and Services Tax Act, Cap 117A of Singapore, as amended, modified or supplemented from time to time
Latest Practicable Date	20 August 2009, being the latest practicable date prior to the lodgement of this document with the Authority
Listing	The listing of our Shares on the Official List of the SGX-ST Main Board
Listing Date	The date of commencement of dealing in our Shares on the SGX-ST
Listing Manual	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
Main Board	Main board of the SGX-ST
Market Day	A day on which the SGX-ST is open for trading in securities
Market Price	A price equal to the average of the last dealt prices for the Shares on the SGX-ST for the five (5) consecutive Market Days immediately preceding the relevant date of grant of the option
Memorandum and Articles of Association	Memorandum and Articles of Association of our Company

New Shares	60,000,000 new Shares for which our Company invites applications to subscribe pursuant to this Offering subject to and on the terms and conditions of this Prospectus
Non-Executive Directors	Our Company's non-executive Directors
Offering	This Offering of our Company and the Vendors to investors to subscribe for and/or purchase the Offering Shares, at the Offering Price, subject to and on the terms and conditions of this Prospectus
Offering Price	23.5 cents for each Offering Share
Offering Shares	The 121,612,000 Shares which are the subject of this Offering, comprising 60,000,000 New Shares and the 61,612,000 Vendor Shares
Offer Shares	The 2,000,000 Offering Shares which are the subject of the Public Offer
Placement	The placement by the Placement Agent on behalf of our Company and the Vendors of Placement Shares at the Offering Price, subject to and on the terms and conditions of this Prospectus
Placement Shares	The 119,612,000 Offering Shares which are the subject of the Placement
PRC	The People's Republic of China, excluding Macau, Hong Kong and Taiwan for the purposes of this Prospectus and for geographical reference only
Public Offer	This Offering by our Company and the Vendors to the public for subscription and/or purchase of the Offer Shares at the Offering Price, subject to and on the terms and conditions of this Prospectus
Record Date	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions
Related corporation	In relation to a corporation, where a corporation: (a) is the holding company of another corporation; (b) is a subsidiary of another corporation; or (c) is a subsidiary of the holding company of another corporation, that first mentioned corporation and that other corporation shall be related to each other. In relation to an entity (not being a corporation), means a corporation which is: (a) a subsidiary of the entity; (b) the holding company of the entity; or (c) a subsidiary of the holding company or holding entity of the entity.

R&D	Research and development
SFRS	Singapore Financial Reporting Standards
Securities and Futures Act or SFA	The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
Service Agreements	The service agreements entered into between our Company and (i) our Executive Chairman and CEO, Mr Ting Chun Yuen; (ii) our Executive Director and Head of Sales and Marketing, Mr Zhuang Qingquan; and (iii) our Executive Director and Head of Procurement, Mr Fu Dongli, as described in the section entitled "**Directors, Management and Staff – Service Agreements**" of this Prospectus
Shareholders	The shareholders of our Company
Shares	Ordinary shares in the capital of our Company
Substantial Shareholder	A person who holds directly or indirectly 5.0% or more of the total issued shares capital of our Company
Take-over Code	The Singapore Code on Take-Overs and Mergers
Track Record Period	FY2006, FY2007, FY2008 and FP2009
Vendor Shares	The 61,612,000 Shares for which the Vendors invite applications to purchase, subject to and on the terms and conditions of this Prospectus

Currencies, Units and Others

S$ or $	Singapore dollars and cents respectively
% or per cent	Per centum or percentage
Renminbi or RMB	PRC Renminbi
sq m	Square metres
US$	United States dollars and cents respectively

The expressions "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the 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 reference in this Prospectus, the Application Forms or the Electronic Applications to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act and the Securities and Futures Act or any statutory modification thereof and used in this Prospectus, the Application Forms or the Electronic Applications shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act or such statutory modification, as the case may be.

DEFINITIONS, GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

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

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based investors, 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.

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" and "our" or any grammatical variations thereof in this Prospectus is a reference to our Company, our Group or any member of our Group, as the context requires.

Any discrepancies in the tables included herein between the listed amounts 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 that precede them.

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

Technical

EVA	Ethylene vinyl acetate, raw material used to produce a type of soft and light foam material
filament	A thin, long fibre that constitutes a basic unit of yarn
heddle	A metal strand with a hole, through which the individual warp yarn is threaded
loom	An apparatus for making thread or yarn into cloth by weaving strands together at right angles
lifestyle consumer products	Fast moving consumer goods, and for the purpose of this Prospectus, comprises mainly sportswear and sport accessories, bag and luggage and furniture
PE	Polyethylene, a thermoplasic used in consumer products
PET	Polyethylene terephthalate is a thermoplastic polymer resin of the polyester family and is primarily used in synthetic fibers
reed	A toothed, comb-like device which holds the warp yarn in alignment and pushes the weft yarn against the fabric during the weaving process to tighten the weave
SBR	Styrene butadiene rubber, a widely used synthetic rubber made by copolymerizing styrene and butadiene monomers

CLEARANCE AND SETTLEMENT

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of our Shares. For the purpose of trading on the SGX-ST, a board lot for our Shares will comprise 1,000 Shares. Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of the 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 the CDP, as amended from time to time.

The CDP, a wholly-owned subsidiary of the Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. The CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between account holders through electronic book-entry changes in the securities accounts maintained by such account holders with the CDP.

Shares deposited with the CDP will be registered in the name of the CDP or its nominee and held by the CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with the CDP. The CDP and its nominee will be regarded as our shareholders in respect of the Shares registered in their respective names and persons named as direct securities account holders and depository agents in the depository register maintained by the CDP will not he treated as our shareholders in respect of the number of our Shares credited to their respective securities accounts with the CDP.

Persons holding our Shares in a securities account with the CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. These share certificates will not, however, 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 Memorandum and Articles of Association.

A fee of S$l0.00 for each withdrawal of 1,000 Shares or less and a fee of S$25.00 for each withdrawal of more than 1,000 Shares will be payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a maximum fee of S$2.00, or such other fee as our Directors may determine, will be payable to our share registrar for each share certificate issued, and stamp duty of S$l0.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares, or S$0.20 per S$ 100.00 or part thereof of the last-transacted price where our Shares are withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with the CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of the CDP, and have their respective securities accounts credited with the number of our Shares deposited before they can effect the desired trades. A fee of S$l0.00 and stamp duty of S$l0.00 is payable upon the deposit of each instrument of transfer with the 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 our Shares sold and the buyer's securities account being credited with the number of our Shares acquired. No transfer stamp duty is currently payable for the transfer of our 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 0.05% of the transaction value, subject to a maximum of S$200.00 per transaction. The clearing fee, instrument of transfer deposit fees and share withdrawal fee are subject to GST of 7.0%.

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement in the 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 day. The CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with the CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

DESCRIPTION OF SHARES

The following statements are brief summaries of our capital structure and of the more important rights and privileges of our ordinary shareholders as conferred by the laws of Singapore and our Articles of Association ("Articles"). These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our offices during normal business hours for a period of 6 months from the date of this Prospectus.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed:

(i) save for sub-paragraph (ii) below, 50% (or such other limit as may be prescribed by the SGX-ST) of the issued shares (excluding treasury shares) in the capital of our Company, of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of the issued shares (excluding treasury shares) in the capital of our Company;

(ii) the aggregate number of shares to be issued to existing shareholders via a pro-rata renounceable rights shall not exceed 100% of the issued shares (excluding treasury shares) in the capital of our Company.

Subject to such 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 (i) and (ii) above, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) in the capital of our Company at the time the approval of our Shareholders in a general meeting is obtained, after adjusting for:

(a) new shares arising from the conversion or exercise of instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the approval of our Shareholders in a general meeting is obtained; and

(c) any subsequent consolidation or subdivision of shares.

The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our 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 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 Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our register of members for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days' notice and the SGX-ST at least ten clear Market Days' notice. However, the register of members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our register of members to determine Shareholders' entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our 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. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed S$2 and furnishes any evidence and indemnity that our Board of Directors may require.

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors 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 our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the 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 our Articles, a change of our corporate name and a reduction in our share capital. We 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 each of our Shareholders who have 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 and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be shareholders. A person who holds Shares through the Depository 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, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our 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, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative 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 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 an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

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 among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any 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 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.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or moneys carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings.

Our Board of Directors may also issue rights to take up additional 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 we are listed.

Takeovers

Under the Take-over Code, issued by the Authority pursuant to section 321 of the Securities and Futures Act, 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 must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Take-over Code. In addition, 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 shares acquires additional voting shares representing more than 1% of the voting shares in any 6 month period. Under the Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

(a) the following companies:

  (i) a company;

  (ii) the parent company of (i);

  (iii) the subsidiaries of (i);

  (iv) the fellow subsidiaries of (i);

  (v) the associated companies of (i), (ii), (iii) or (iv); and

  (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:

  (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and

  (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) the following persons and entities:

(i) an individual;

(ii) the close relatives of (i);

(iii) the related trusts of (i);

(iv) any person who is accustomed to act in accordance with the instructions of (i); and

(v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding 6 months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our 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, our Articles provide that, subject to the Companies Act, our Board of Directors and officers shall be entitled to be indemnified by us 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 judgement 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. We may not indemnify our Directors and Executive 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 us.

Limitations on Rights to Hold or Vote Shares

Except as described in the sections entitled "**Additional Information** – **Voting Rights**" and "**Additional Information – Takeovers**" above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident Shareholders to hold or vote in respect of our 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 of our Shareholders, as they think fit to remedy any of the following situations where:

(a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or

(b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, the Singapore courts may:

(a) direct or prohibit any act or cancel or vary any transaction or resolution;

(b) regulate the conduct of our affairs in the future;

(c) authorise civil proceedings to be brought in our name of, or on behalf of, 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 our other shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or

(e) provide that we be wound up.

EXCHANGE RATES AND EXCHANGE CONTROL

EXCHANGE RATES

The reporting currency of our Group is RMB. The exchange rate between the RMB and the S$ as at the Latest Practicable Date was RMB4.7430 to S$1.00.

The table below sets out the high and low exchange rates between the RMB and S$ for each month for the six months prior to the Latest Practicable Date. The table below indicates how many RMB can be bought with one S$.

Month / Year	RMB / S$ Rate	
	High	**Low**
February 2009	4.576	4.422
March 2009	4.530	4.399
April 2009	4.606	4.499
May 2009	4.732	4.605
June 2009	4.754	4.671
July 2009	4.747	4.667

The following table sets forth, for each of the financial periods indicated, the average exchange rates and closing exchange rates between the RMB and S$ calculated by using the average of the exchange rates on the last day of each month during each financial period. Where applicable, the exchange rates in this table are used for our Company's financial statements disclosed elsewhere in this Prospectus.

Year	RMB/S$ Rate	
	Average	**Closing**
FY2006	5.019	5.088
FY2007	5.049	5.068
FY2008	4.919	4.760
FP2008	5.083	5.097
FP2009	4.487	4.525

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RMB amounts actually represent such S$ amounts or could be converted into S$ at the rate indicated or at any other rate.[(1)]

In certain parts of this Prospectus, we have translated RMB amounts into S$ for the convenience of potential investors of our Company. Unless otherwise noted, the exchange rate as at the Latest Practicable Date is used for the translation of RMB into S$.

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 these statements under Sections 253 and 254 of the Securities and Futures Act. Our Company has included the above exchange rates in their proper form and context in this Prospectus and has not verified the accuracy of these statements.

EXCHANGE CONTROLS

The following is a description of the exchange controls that exist in the jurisdiction which our Group operates in.

PRC

Prior to 31 December 1993, enterprises in the PRC requiring foreign currency were required to obtain approval from the State Planning Committee and the Ministry of Foreign Trade and Economic Cooperation before it could convert Renminbi into foreign currency, and such conversion had to be effected at the official rate prescribed by the SAFE. Renminbi reserved by foreign investment enterprises could also be converted into foreign currency at swap centres with the prior examination and verification by SAFE. The exchange rates used by swap centres were largely determined by the supply of and demand for foreign currencies and Renminbi.

On 28 December 1993, the People's Bank of China announced that the dual exchange rate system for Renminbi against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the People's Bank of China publishes the Renminbi exchange rate against the United States dollar daily. The daily exchange rate is set by reference to the Renminbi / US$ trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of China (as amended on 14 January 1997 and 1 August 2008) came into effect. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange were promulgated by the People's Bank of China and came into effect on 1 July 1996. On 20 June 1996, the People's Bank of China issued the Announcement on the Implementation of Sale and Purchase of Foreign Exchange for the Foreign Investment Enterprises. The foreign investment enterprises are allowed to settle their foreign exchange related transactions at designated banks or at swap centres from 1 July 1996.

On 25 October 1998, the People's Bank of China and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1 December 1998, foreign exchange transactions for foreign investment enterprises may only be conducted at designated banks. In addition, some of the swap centres would be abolished, while the others which are already linked up with the China Foreign Exchange Trading Centre (the "CFETC") by the computerised network will be merged with the CFETC and sub centres to the CFETC.

On 21 July 2005, the People's Bank of China issued the public announcement regarding reforming the RMB exchange rate regime. With effect from 21 July 2005:

(a) PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies and RMB will no longer be pegged to US$;

(b) The People's Bank of China will announce the closing price of foreign currencies including but not limited to US$ 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 price for the trading against RMB on the following working day;

(c) The exchange rate of US$ against RMB will be adjusted to 8.11 RMB per US$ at the time of 19:00 hours of 21 July 2005, which will be made as the central price for the trading against RMB on the following working day. The foreign exchange designated banks may since then adjust quotations of foreign currencies to their customers;

(d) The daily trading price of US$ against RMB in the inter-bank foreign exchange market will continue to be allowed to float within a band of ±0.3% around the central price published by the People's Bank of China, while the trading prices of the non-US$ currencies against the RMB will be allowed to move within a certain band announced by the People's Bank of China.

In the future, the People's Bank of China will make adjustment of the RMB exchange rate band when necessary according to market development as well as the economic and financial situation.

In summary, the present position under the PRC law relating to foreign exchange control, taking into account the promulgation of the recent new regulations and the extent the existing provisions stipulated in previous regulations do not contradict these new regulations, are as follows:

1. The previous dual exchange rate system for RMB was abolished and a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies was introduced. The People's Bank of China will announce the closing price of a foreign currencies including but not limited to US$ traded against RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central price for the trading against RMB on the following working day.

2. PRC enterprises are generally required to sell their foreign exchange earnings to designated banks unless specifically approved otherwise and purchase foreign exchange at designated banks for current account transactions.

3. Foreign investment enterprises, however, may have their own foreign currency account and are permitted to retain a certain percentage of their recurrent exchange earnings and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks. Capital foreign exchange must be deposited into foreign exchange bank accounts maintained with designated banks and can generally be retained in such account.

4. Despite the relaxation of foreign exchange control over current account transactions, the approval and/or of the SAFE is still required before an enterprise may receive a foreign currency loan, provide a foreign exchange guarantee, make an investment outside the PRC or enter into any other capital account transaction that involves the purchase of foreign exchange.

5. Foreign investment enterprises which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.

6. Foreign investment enterprises may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds in their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on such dividends. Where the amount of the funds in foreign exchange bank accountsis insufficient, the enterprise may, upon the presentation of the resolutions of the directors on the profit distribution plan of the particular enterprise, purchase foreign exchange from designated foreign exchange banks.

7. Foreign investment enterprises may apply to designated foreign exchange banks to remit the profits out of the PRC to the foreign parties to equity or cooperative joint ventures or the foreign investors in wholly foreign-owned enterprises if the requirements provided by the PRC laws, rules and regulations are met.

In addition, the Notice 75 and the Circular 106 would also apply to the repatriation of revenues by our PRC subsidiary to our Company in the form of dividend income or otherwise.

Pursuant to Notice 75 and Circular 106, special purpose vehicles ("SPV") are foreign companies that are established by or controlled by PRC residents for raising financing outside of the PRC by way of equity issue or convertible debt. Such PRC residents ("Relevant PRC Residents") are required to file an "overseas investment foreign exchange registration" before the establishment of such SPV and subsequently, to update such registration on the occurrence of specified events ("Specified Events") such as (i) the injection of assets or shares of a PRC domestic company into the SPV; (ii) subsequent equity financing by such SPV outside of the PRC; (iii) capital reduction; and (iv) share transfers or share swaps. Subject to completion of the aforesaid registration, payment of dividends, profits and other payments to such SPV will be permitted. According to Notice 75, where, before this Notice comes into force, a domestic resident has established or controlled a 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, it shall, in accordance with this Notice 75, go to the local foreign exchange office to make up the foreign exchange registration of the overseas investments by 31 March 2006. After the domestic resident has made up the foreign exchange registration of the overseas investments, the foreign exchange office may handle the procedures for foreign exchange registration of foreign investments or foreign debts for the relevant domestic enterprise.

Notice 75 also requires a Relevant PRC Resident to repatriate, within 180 days, distributed dividends or profits which such Relevant PRC Resident receives from a SPV and/or income deriving from changes in his/her shareholding in such SPV. Failure by such Relevant PRC residents to effect repatriation in accordance with Notice 75 would be punishable under the Rules of the PRC on Foreign Exchange Control. The Legal Advisers to our Company as to PRC Law, Zhong Lun Law Firm, has confirmed that our Executive Chairman and CEO, Mr Ting Chun Yuen, is a permanent resident in Hong Kong and he is not considered as a Relevant PRC Resident. Therefore, Mr Ting Chun Yuen is not subject to Notice 75 and not required to comply with Notice 75. Hence, the Company shall not be regarded as a SPV and is not required to comply with Notice 75 or Circular 106.

As our operations are carried out in the PRC, we are required to comply with PRC foreign exchange restrictions when we remit dividends and liquidation proceeds from our PRC subsidiary to our Group outside the PRC. Hence, our Group would be exposed to a foreign exchange risk when we receive dividends from our PRC subsidiary.

Saved as disclosed above, there are no restrictions on the ability of our PRC subsidiary to transfer funds to our Group in the form of cash dividends, loans, or advance.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

Pursuant to the management and underwriting agreement (the "Management and Underwriting Agreement") dated 30 September 2009, we appointed the Issue Manager to manage this Offering. The Issue Manager will receive a management fee from our Company and the Vendors for its services rendered in connection with this Offering.

Pursuant to the Management and Underwriting Agreement, our Company and the Vendors appointed the Underwriter to underwrite the Offer Shares. The Underwriter has agreed to underwrite the Offer Shares for a commission of 3.25% of the Offering Price for each Offer Share, payable by our Company and the Vendors in the proportion in which the Offer Shares are offered by our Company and the Vendors for subscribing or for procuring subscribers for any Offer Shares not subscribed for pursuant to this Offering and will pay or procure payment to our Company and the Vendors for such Offer Shares.

Pursuant to the placement agreement ("Placement Agreement") dated 30 September 2009, the Placement Agent agreed to subscribe or procure subscriptions for the Placement Shares for a placement commission of 3.75% of the Offering Price for each Placement Share, payable by our Company and the Vendors in the proportion in which the Placement Shares are offered by our Company and the Vendors.

Subscribers of the Placement Shares may be required to pay a commission of up to 1.0% of the Offering Price to the Placement Agent (subject to applicable GST of 7.0% or such other rate as prescribed by the GST Act).

Brokerage will be paid by our Company and the Vendors to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at the rate of 0.5% of the Offering Price for each Offering Share. In addition, DBS levies a minimum brokerage fee of $10,000 that will be paid by our Company.

Save as aforesaid, no commission, discount or brokerage, has been paid or other special terms granted within two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or debentures in our Company.

The Management and Underwriting Agreement may be terminated by the Issue Manager and/or the Underwriter at any time on or before the closing of the Application List on the occurrence of certain events including, amongst others:

(i) any breach of the warranties or undertakings in the Management and Underwriting Agreement; or

(ii) any occurrence of an event (which comes to the knowledge of the Issue Manager or the Underwriter) occurring after the date of the Management and Underwriting Agreement and prior to the closing of the Application List, which if it had occurred before the date of the Management and Underwriting Agreement would have rendered any of the warranties contained in the Management and Underwriting Agreement untrue or incorrect in any material respect; or

(iii) any adverse change, or any development involving a prospective adverse change in the condition (financial or otherwise) of our Group; or

(iv) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, notice, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore; or

(v) any change or any development involving a prospective change or any crisis in local national or international financial (including a stock market, foreign exchange market, inter-bank market or interest rates or money market), political, military, industrial, economic, legal or monetary conditions, taxation or exchange controls;

(vi) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST; or

(vii) any local, national or international occurrence, outbreak or escalation of hostilities whether war has been declared or not, or insurrection or armed conflict (whether or not involving financial markets);

(viii) any other occurrence of any nature of whatsoever; or

(ix) any litigation or claim being threatened or instituted by any third party against any member of our Group, which will or is likely to result in our Group incurring liability that is material to our Group as a whole,

which event or events shall in the opinion of the Issue Manager or Underwriter (exercised in good faith) (1) result or be likely to result in a material adverse fluctuation or material adverse conditions in the stock market in Singapore or elsewhere or (2) be likely to prejudice the success of the offer, subscription or sale of the Offering Shares (whether in the primary market or in respect of dealings in the secondary market) or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement or (4) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole or (5) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement or (6) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriting in Singapore for the Underwriter to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement.

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 in the paragraph above.

Save as disclosed above, we do not have any material relationship with the Issue Manager, the Underwriter or any other financial adviser in relation to this Offering.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in media releases and oral statements that may be made by us or our officers, Directors or employees acting on our behalf, that are not statements of historical fact, constitute forward-looking statements. You can identify some of these statements by forward-looking terms such as anticipate, believe, could, estimate, expect, forecast, future, intend, may, plan, possible, probable, project, will and would 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 our revenue and profitability, cost measures, planned strategy and any other matters discussed in this Prospectus regarding matters that are not historical facts, 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 such forward-looking statements. Please refer to the section entitled "**Risk Factors**" of this Prospectus, for a discussion of some risk factors that may affect our business and results of operation. These risks are not exhaustive. Other sections of this Prospectus may contain additional factors which could adversely impact our business and financial performance. New risk factors emerge from time to time. It is not possible for our Company to predict all risk factors, nor can we assess the impact of all factors on our business, or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

All forward-looking statements by or attributable to us, or persons acting on our behalf, contained in this Prospectus are expressly qualified in their entirety by such factors.

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, undue reliance must not be placed on these statements.

None of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or any other person represents or warrants that our actual future results, performance or achievements will be as discussed in those statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. Our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent disclaim any responsibility to update any 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 Securities and Futures Act and the Listing Manual regarding corporate disclosure as described above.

NOTICE TO INVESTORS

You should rely only on the information contained in this Prospectus or such other documents to which we have referred. We have not authorised anyone to provide you information that is different. This Prospectus may only be used where it is legal to sell our Shares. Unless otherwise stated, the information in this Prospectus may only be accurate on the date of this Prospectus.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of us, the Vendors or the Issue Manager, Underwriter and Placement Agent. Neither the delivery of this Prospectus nor any offer made under this Prospectus shall under any circumstances imply that the information in this Prospectus is correct as of any date subsequent to the date of this Prospectus or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs, conditions and prospects or our Shares (including the Offering Shares) since the date of this Prospectus. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we will make an announcement of the same to the SGX-ST and, if required, issue and lodge an amendment to this Prospectus or a supplementary document or replacement document pursuant to Section 240 or, as the case may be, Section 241 of the Securities and Futures Act and take immediate steps to comply with the said sections. You should take notice of such announcements and documents and upon release of such announcements or documents shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by us, the Vendors, the Issue Manager, Underwriter and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained in this Prospectus, and nothing contained in this Prospectus is, or shall, to the extent permitted by law, be relied upon as, a promise, representation or covenant by us, the Vendors, the Underwriter or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of us, the Vendors, the Issue Manager, Underwriter and Placement Agent or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers are making any representation or undertaking to you regarding the legality of your investment in our Shares under appropriate legal, investment or similar laws. In addition, you should not construe the contents of this Prospectus or its appendices as legal, business, financial or tax advice and related aspects of an investment in our Shares (including the Offering Shares). You should be aware that you may be required to bear the finance risks of an investment in our Shares (including the Offering Shares) for an indefinite period of time. You should consult you own professional advisers as to the legal, tax, business, financial and related aspects of an investment in our Shares (including the Offering Shares).

The distribution of this Prospectus and the offer, subscription and/or purchase of our Shares may be restricted by law in certain jurisdictions. We, the Vendors, the Issue Manager, Underwriter and Placement Agent require you to inform yourself about and to observe any such restriction at your own expense and without liability to us, the Vendors, the Issue Manager, Underwriter and Placement Agent. This Prospectus does not constitute an offer of any of our Shares in any jurisdiction in which such offer would be unlawful. You shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information in it for any purpose whatsoever nor permit or cause the same to occur.

Our Company is subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure. In particular, if after this Prospectus is registered but before the close of this Offering, 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 Securities and Futures Act; or

(c) a new circumstance that has arisen since this Prospectus was lodged with the Authority that would have been required by Section 243 of the Securities and Futures Act 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, we may lodge a supplementary or replacement document with the Authority pursuant to Section 241 of the Securities and Futures Act.

In the event that a supplementary or replacement prospectus is lodged with the Authority, our Offering shall be kept open for at least 14 days after the lodgement of such supplementary or replacement prospectus.

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 Offering Shares and:

(a) where the Offering Shares have not been issued and/or sold to the applicants, we shall:

(i) within 2 days (excluding any Saturday, Sunday or public holiday) from the date of the 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 supplementary or replacement prospectus, as the case may be, 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, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus;

(ii) within 7 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 within 7 days from the date of lodgement of the supplementary or replacement prospectus, we shall (for ourselves and on behalf of the Vendors) pay to the applicants all moneys the applicants have paid on account of their applications for the Offering Shares, without interest or a share of revenue or benefit arising therefrom; or

(b) where the Offering Shares have been issued and/or sold to the applicants, we shall either:

(i) within 2 days (excluding any Saturday, Sunday or public holiday) from the date of the 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 supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to return, to us and the Vendors, those securities 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, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary prospectus or replacement prospectus;

(ii) within 7 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 and the Vendors the Offering Shares, which they do not wish to retain title in; or

(iii) is required by the Securities and Futures Act to treat the issue and/or sale of the Offering Shares as void, in which case the issue and/or sale shall be deemed void and, within 7 days from the date of lodgement of the supplementary or replacement prospectus, we shall (for ourselves and on behalf of the Vendors) return all monies paid in respect of any application, without interest or a share of revenue or benefit arising therefrom.

Any applicant who wishes to exercise his option to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement document, notify us whereupon we shall (for ourselves and on behalf of the Vendors), within 7 days from the receipt of such notification, return the application monies without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk.

Under Section 242 of the Securities and Futures Act, the Authority may in certain circumstances issue a stop order (the "**Stop Order**") to our Company, directing that no Shares or no further Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation (i) where this Prospectus contains a statement, which in the opinion of the Authority, is false or misleading; (ii) where this Prospectus omits any information that should be included in accordance with the Securities and Futures Act; (iii) where this Prospectus does not, in the opinion of the Authority, comply with the requirements of the Securities and Futures Act; or (iv) where the Authority is of the opinion that it is in the public interest to issue a stop order.

Where the Authority issues a Stop Order and:

(a) in the case where the Offering Shares have not been issued and/or transferred to the applicants, the applications for the Offering Shares pursuant to this Offering shall be deemed to have been withdrawn and cancelled and our Company (for ourselves and on behalf of the Vendors) shall, within 14 days from the date of the Stop Order, pay to the applicants all monies that the applicants have paid on account of their applications for the Offering Shares; or

(b) in the case where the Offering Shares have been issued, the issue of the Offering Shares pursuant to this Offering is required by the Securities and Futures Act to be deemed to be void and our Company shall on behalf of itself, within 14 days from the date of the stop order, to pay to you all monies you have paid for the Offering Shares; or

(c) in the case where the Offering Shares have been transferred to the applicants, the sale of the Offering Shares shall be deemed to be void and our Company (on behalf of the Vendors) shall, (i) if no documents purporting to evidence title to those Offering Shares have been transferred to the applicants, within 14 days from the date of the stop order, pay to the applicants all monies paid by them for those Offering Shares, or (ii) if documents purporting to evidence title to those Offering Shares have been issued to the applicants, within seven days from the date of the stop order, inform all applicants to return such documents to our Company 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 later, pay to the applicants all monies paid by them for those Offering shares.

Monies paid in respect of your application will be returned to you at your own risk, without interest or any share or revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager, Underwriter and Placement Agent.

PLAN OF DISTRIBUTION

Prior to this Offering, there has been no public market for our Shares. The Offering Price was arrived by us and the Vendors after consultation with the Issue Manager, Underwriter and Placement Agent, and after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for the Offering Shares, determined through a book-building process.

Application for the Offering Shares may be made by one of the following methods:

PUBLIC OFFER

Pursuant to the terms and conditions contained in the management and underwriting agreement signed between our Company, the Vendors and the Underwriter dated 30 September 2009, the Underwriter has agreed to underwrite the Offer Shares. In the event of under-subscription, the Underwriter will be committed to subscribe and/or purchase and pay for all unsubscribed or unpurchased Offer Shares. However, the Underwriter may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

In the event of an under-subscription for 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 there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed 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 and the Vendors in consultation with the Issue Manager, Underwriter and Placement Agent and approved by the SGX-ST.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Offering Price. Investors may apply for the Offer Shares pursuant to the Offer by way of printed Application Forms, or Electronic Application.

An applicant (other than an approved nominee company) who has made an application for Offer Shares in his own name may not submit another separate 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.

An applicant who has made an application for Offer Shares by way of an Offer Shares Application Form may not make another separate 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.

An applicant who has made an application for Offer Shares either by way of an Offer Shares Application Form or by way of an Electronic Application shall not make any separate application for Placement Shares by way of a Placement Shares Application Form. Such separate applications shall be deemed to be multiple applications and shall be rejected.

Additional terms and conditions and procedures for the application for Offer Shares by way of Application Forms and Electronic Applications are set out in Appendix H of this Prospectus.

PLAN OF DISTRIBUTION

PLACEMENT

Pursuant to the terms and conditions in the placement agreement signed between our Company, the Vendors and the Placement Agent dated 30 September 2009, the Placement Agent agreed to subscribe for and/or purchase and/or procure subscriptions and/or purchasers for the Placement Shares at the Offering Price. In the event of under-subscription, the Placement Agent will be committed to subscribe and/or purchase and pay for all unsubscribed and/or unpurchased Placement Shares. However, the Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

In the event of an under-subscription for 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 the Offer Shares as at the close of the Application List.

Subscribers of Placement Shares may be required to pay a brokerage of up to 1.0% of the Offering Price to the Placement Agent.

Placement Shares

The Placement Shares are reserved for placement to members of the public and institutional investors in Singapore at the Offering Price. Application for the Placement Shares pursuant to the Placement may only be made by way of Placement Shares Application Forms.

An applicant who applies for the Placement Shares by way of a Placement Shares Application Form may not make any separate application for the Placement Shares using another Placement Shares Application Form, or for the Offering Shares (either using an Offering Share Application Form or by way of an Electronic Application). Such separate applications will be deemed to be multiple applications and shall be rejected.

Additional terms and conditions and procedures for the application for Placement Shares are set out in Appendix H of this Prospectus.

None of our Substantial Shareholders or Directors intends to subscribe for and/or purchase Shares in this Offering.

As at the Latest Practicable Date and to the best of their knowledge, our Directors are not aware of any person who intends to subscribe for and/or purchase more than 5.0% of the Offering Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate interest to subscribe for and/or purchase Shares amounting to more than 5.0% of the Offering Shares. If such person(s) were to make an application for Shares amounting to more than 5.0% of the Offering Shares, and be subsequently allotted or allocated such number of Offering 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(1)(a) of the Listing Manual.

Further, no Shares shall be allocated or allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

PLAN OF DISTRIBUTION

SELLING RESTRICTION

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Offering 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 registration of this Prospectus in Singapore in order to permit a public offering of the Offering Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Offer 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 Vendors, the Issue Manager, Underwriter and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendors, the Issue Manager, Underwriter and Placement Agent.

Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

Selling Restrictions in Hong Kong

This Prospectus has not been and will not be registered with the Registrar of Companies in Hong Kong.

Accordingly, except as mentioned below, this document may not be issued, circulated or distributed in Hong Kong. This document may be issued (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any other applicable rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or in a manner which does not constitute an invitation or offer to the public in Hong Kong to subscribe for and/or purchase the Offering Shares within the meaning of either the Securities and Futures Ordinance or the Companies Ordinance. No advertisement, invitation or document relating to the Offering Shares, whether in Hong Kong or elsewhere, has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offering Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made under that Ordinance.

General

Purchasers / subscribers of Offering Shares under the Placement may be required to pay stamp taxes and or other charges in accordance with the laws and practice of the country of purchase in addition to the Offering Price on the cover of this Prospectus.

No action has been or will be taken in any jurisdiction that would permit a public offer of the shares being offered outside of Singapore, or the possession, circulation or distribution of this Prospectus or any other material relating to us or the Shares, in any jurisdiction where action for the purpose is required. Accordingly, the Offering Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offering Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

It is expected that delivery of the Offering Shares offered in this Offering will be made through the facilities of the CDP (scripless system) approximately five business days after payment.

APPENDIX A – AUDITED COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

INDEPENDENT AUDITOR'S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

30 September 2009

The Board of Directors
Ziwo Holdings Ltd.
80 Raffles Place
#25-01 UOB Plaza 1
Singapore 048624

Dear Sirs

This report has been prepared for inclusion in the prospectus dated 30 September 2009 (the "Prospectus") in connection with the offering of shares of Ziwo Holdings Ltd. (the "Company").

We have audited the accompanying Combined Financial Statements of the Company and its subsidiary (the "Group"), as set out in Annex A on pages A-3 to A-45, which comprise the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008, the combined income statements, combined statements of changes in equity and combined cash flow statements of the Group for the financial years then ended 31 December 2006, 2007 and 2008, and a summary of significant accounting policies and other explanatory notes (the "Combined Financial Statements").

Management's responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these Combined Financial Statements in accordance with Singapore Financial Reporting Standards. This responsibility includes:

(a) 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;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

INDEPENDENT AUDITOR'S REPORT ON THE AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008 (CONTINUED)

Auditor's responsibility

The responsibility is to express an opinion on these Combined Financial Statements based on the audit. We conducted the 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 as to whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Combined 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 Combined 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 Combined Financial Statements.

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

Opinion

In our opinion, the Combined Financial Statements of the Group, for the purpose of this report and prepared on the basis set out in Note 4 of this report, are properly drawn up in accordance with Singapore Financial Reporting Standards so as to present fairly, in all material respects, the financial positions 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 31 December 2006, 2007 and 2008.

Foo Kon Tan Grant Thornton
Public Accountants and
Certified Public Accountants
Singapore

Wong Kian Kok
Partner

COMBINED INCOME STATEMENTS
For the financial years ended 31 December 2006, 2007 and 2008

	Note	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
Revenue	5	62,333	150,601	286,847
Cost of sales		(49,017)	(111,770)	(210,251)
Gross profit		13,316	38,831	76,596
Other income	5	79	644	863
Selling and distribution expenses		(883)	(2,792)	(3,829)
Administrative expenses		(1,111)	(1,960)	(2,927)
Finance costs	6	(1,469)	(3,267)	(4,636)
Profit before taxation	7	9,932	31,456	66,067
Income tax expense	8	–	(3,775)	(8,335)
Net profit and profit attributable to equity holders of the Group		9,932	27,681	57,732
Earnings per share (RMB cents)	9			
– Basic		7.79	21.70	45.26
– Diluted		7.79	21.70	36.00

The annexed notes form an integral part of and
should be read in conjunction with these combined financial statements.

COMBINED BALANCE SHEETS
As at 31 December 2006, 2007 and 2008

	Note	2006 RMB'000	2007 RMB'000	2008 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	10	52,380	70,032	77,746
Land use rights	11	6,418	6,284	6,150
		58,798	76,316	83,896
Current assets				
Inventories	12	17,579	23,756	18,656
Trade and other receivables	13	36,384	43,130	44,155
Other current asset	14	–	62	218
Cash and cash equivalents	15	13,484	14,091	43,335
		67,447	81,039	106,364
LIABILITIES				
Current liabilities				
Trade and other payables	16	21,200	34,478	19,232
Borrowings	17	42,000	39,000	51,755
Income tax payable	8	–	1,221	2,563
		63,200	74,699	73,550
Net assets		63,045	82,656	116,710
EQUITY				
Share capital	19	53,681	54,000	54,000
Statutory reserve	20	44	975	3,742
Equity component – convertible loan	18	–	–	1,235
Retained earnings		9,320	27,681	57,733
Total equity		63,045	82,656	116,710

The annexed notes form an integral part of and
should be read in conjunction with these combined financial statements.

COMBINED STATEMENTS OF CHANGES IN EQUITY
For the financial years ended 31 December 2006, 2007 and 2008

	Attributable to equity holders of the Group				
	Share capital RMB'000 (Note 19)	**Statutory reserve RMB'000** (Note 20)	**Equity component – convertible loan RMB'000** (Note 18)	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1 January 2006	44,137	–	–	(175)	43,962
Net profit and total recognised income for the year	–	–	–	9,932	9,932
Capital contribution	9,544	–	–	–	9,544
Transfer to statutory reserve	–	44	–	(44)	–
Dividends (Note 21)	–	–	–	(393)	(393)
Balance at 31 December 2006	**53,681**	**44**	**–**	**9,320**	**63,045**
Net profit and total recognised income for the year	–	–	–	27,681	27,681
Capital contribution	319	–	–	–	319
Transfer to statutory reserve	–	931	–	(931)	–
Dividends (Note 21)	–	–	–	(8,389)	(8,389)
Balance at 31 December 2007	**54,000**	**975**	**–**	**27,681**	**82,656**
Net profit and total recognised income for the year	–	–	–	57,732	57,732
Transfer to statutory reserve	–	2,767	–	(2,767)	–
Equity component of convertible loan	–	–	1,235	–	1,235
Dividends (Note 21)	–	–	–	(24,913)	(24,913)
Balance at 31 December 2008	**54,000**	**3,742**	**1,235**	**57,733**	**116,710**

The annexed notes form an integral part of and
should be read in conjunction with these combined financial statements.

COMBINED CASH FLOW STATEMENTS
For the financial years ended 31 December 2006, 2007 and 2008

	Note	Year ended 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
Cash flows from operating activities				
Profit before taxation		9,932	31,456	66,067
Adjustments for:				
Interest income		(29)	(117)	(465)
Interest expense		1,469	3,267	4,636
Depreciation of property, plant and equipment	10	2,022	3,783	4,923
Loss on disposal of property, plant and equipment		–	–	117
Finder's fees for convertible loan		–	–	975
Amortisation of land use rights	11	134	134	134
Operating profit before working capital changes		13,528	38,523	76,387
(Increase)/decrease in inventories		(15,273)	(6,177)	5,100
Increase in trade and other receivables		(10,888)	(6,746)	(1,025)
Decrease in other current assets		–	(62)	(156)
Increase/(decrease) in trade and other payables		16,088	13,278	(15,246)
Cash generated from operations		3,455	38,816	65,060
Interest received		29	117	465
Interest paid		(1,469)	(3,267)	(4,636)
Income tax paid	8	–	(2,554)	(6,993)
Net cash generated from operating activities		2,015	33,112	53,896
Cash flows from investing activities				
Purchase of property, plant and equipment		(14,562)	(21,435)	(13,584)
Proceeds from disposal of property, plant and equipment		–	–	830
Net cash used in investing activities		(14,562)	(21,435)	(12,754)
Cash flows from financing activities				
Proceeds from bank borrowings		42,000	39,000	29,000
Repayment of bank borrowings		(29,500)	(42,000)	(39,000)
Proceeds from convertible loan		–	–	23,015
Proceeds from issuance of shares		9,544	319	–
Dividends paid		(393)	(8,389)	(24,913)
Net cash generated from/(used in) financing activities		21,651	(11,070)	(11,898)
Net increase in cash and cash equivalents		9,104	607	29,244
Cash and cash equivalents at beginning of financial year		4,380	13,484	14,091
Cash and cash equivalents at end of financial year	15	**13,484**	**14,091**	**43,335**

The annexed notes form an integral part of and
should be read in conjunction with these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS
For the financial years ended 31 December 2006, 2007 and 2008

1. INTRODUCTION

The Combined Financial Statements of the Group have been prepared for inclusion in the Prospectus of the Company issued for the offering (the "Offering") by the Company in respect of the offer of 121,612,000 ordinary shares comprising 60,000,000 new shares and 61,612,000 vendor shares at S$0.235 each in the Company for cash.

2. THE COMPANY

The Company was incorporated in Singapore on 10 January 2008 under the Companies Act as a private limited company, under the name of Tianzheng Holdings Pte. Ltd. On 3 April 2009, the Company was renamed Ziwo Holdings Pte. Ltd. On 31 August 2009, the Company was converted to a public limited company and changed its name to Ziwo Holdings Ltd..

The Company is domiciled in Singapore and the registered office of the Company is located at 80 Raffles Place, UOB Plaza 1, #25-01, Singapore 048624. The principal place of business of the Company is located at Western Section, Qingmeng Hi-tech and Industrial Zone, Quanzhou City, Fujian Province, the People's Republic of China (the "PRC"). The Company does not have a place of business in Singapore at the date of this report.

The principal activity of the Company is that of an investment holding and the principal activities of the Company's subsidiary, Zhihe (Fujian) Technology Co. Ltd. ("Zhihe Technology" or the "subsidiary"), are that of research and development, manufacture and sale of 30D terylene filament yarn, sandwich mesh fabric, SBR and other foamed materials.

By way of written resolutions passed on 25 August 2009, the shareholder approved the following:

(a) the conversion of the Company into a public limited company and the consequential change of name to Ziwo Holdings Ltd.;

(b) the adoption of a new set of Articles of Association;

By way of written resolutions passed on 29 September 2009, the shareholders approved, *inter alia*, the following:

(a) the sub-division of 1 share in the issued share capital of the Company into 12 shares (the "Share Split");

(b) the allotment and issue of an aggregate of 59,121,000 shares to the Group I Investors and Group II Investors pursuant to their conversion of the respective convertible loans;

(c) the allotment and issue of an aggregate of 2,491,000 shares to EV pursuant to the Consultancy Agreement;

(d) the allotment and issue of 60,000,000 new shares pursuant to this Offering which when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued shares;

2. THE COMPANY (CONTINUED)

(e) that authority be given pursuant to Section 161 of the Companies Act to the Directors to issue the new shares which are the subject of this Offering, on the basis that the new shares when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up shares;

(f) that pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual, the Directors be authorised and empowered to:

(i) issue shares in the Company whether by way of 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) options, 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

(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,

(the "Share Issue Mandate")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the instruments, made or granted pursuant to this resolution) and instruments to be issued pursuant to this resolution shall not exceed fifty per centum (50%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) and the aggregate number of shares (including shares to be issued in pursuance of the instruments, made or granted pursuant to this resolution) and instruments to be issued to existing shareholders via a pro-rata renounceable rights issue pursuant to this resolution shall not exceed one hundred per centum (100%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

2. THE COMPANY (CONTINUED)

(2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(g) that approval be given to the Directors to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as our Directors may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 20 per centum (20.0%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST;

(h) That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, authorisation and approval be given for the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

2. THE COMPANY (CONTINUED)

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the shares may from the time being be listed and quoted ("Other Exchange"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable (the "Share Purchase Mandate");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held; and

(ii) the date by which the next annual general meeting of the Company is required by law to be held;

(3) in the resolution:

"Average Closing Price" means the average of the last dealt prices of a share for the five consecutive Market Days on which the shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

"Highest Last Dealt Price" means the highest price transacted for a share as recorded on the SGX-ST on the Market Day on which there were trades in the shares immediately preceding the day of the making of the offer pursuant to the off-market purchase;

2. THE COMPANY (CONTINUED)

"Date of the making of the offer" means the date on which the Company announces its intention to make an offer for an off-market purchase, stating the purchase price (which shall not be more than Maximum Price calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Market Day" means a day on which the SGX-ST is open for trading in securities;

3. THE RESTRUCTURING EXERCISE

To streamline and rationalise the corporate and shareholding structures in preparation for the listing on the SGX-ST, the Company undertook the following restructuring exercise prior to the Offering (the "Restructuring Exercise"):

(i) Incorporation of the Company in Singapore

On 10 January 2008, the Company was incorporated as a private limited company under the Companies Act in Singapore to be the listing vehicle and holding company of the Group. As at the date of incorporation, the initial issued and paid-up capital was S$2 comprising two ordinary shares held by the Executive Chairman and Chief Executive Officer ("CEO"), Mr Ting Chun Yuen.

(ii) Acquisition of the entire issued share capital of Zhihe Technology

In accordance with a sale and purchase agreement dated 6 April 2008, the Company acquired the entire issued share capital of Zhihe Technology, from Mr Ting Chun Yuen, at an aggregate consideration of RMB54 million based on the paid-up capital of Zhihe Technology as at 31 December 2007.

On 18 March 2009, the Company and Mr Ting entered into an agreement whereby the parties agreed that the consideration owing by the Company arising from the sale and purchase of Zhihe Technology shall be settled by the allotment and issuance of 10,630,548 shares at the price of S$1.00 per share to Mr Ting's nominee, Sky Upright, credited as fully paid. The said shares were allotted and issued to Sky Upright on 26 March 2009.

The transfer of the entire issued share capital of Zhihe Technology was approved by Foreign Trade and Economy Cooperation Bureau under Management Committee of Quanzhou Economy and Technology Development Zone (泉州经济技术开发区管理委员会对外贸易经济合作局) and the acquisition was completed on 4 November 2008.

Following completion of the acquisition, Zhihe Technology became the wholly-owned subsidiary of the Company.

(iii) Sub-division of the share capital of the Company

On 29 September 2009, the shareholders approved the sub-division of every one ordinary share in the authorised and issued share capital of the Company into 12 ordinary shares. Upon the sub-division, the issued and paid-up share capital of the Company was S$10,630,550 divided into 127,566,600 shares.

3. THE RESTRUCTURING EXERCISE (CONTINUED)

(iv) Group I Conversion

Pursuant to a convertible loan agreement dated 16 April 2008 between the Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group I Investors of the other part, the Group I Investors granted a loan of US$3.5 million to the Company to be utilised by the Company for payment towards restructuring costs and expansion of production capacity. Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new shares at the conversion price equivalent to 8 times of the Group's audited FY2008 net profit after tax or at a 50% discount to the indicative price per share for the purpose of the listing of the Company as determined by the Issue Manager and agreed by the Company after the receipt of the approval from the SGX-ST to the Listing, whichever is lower (based on exchange rate of US$1 : S$1.35740), within five (5) business day from the issuance of a written notice from the Company. Such notice shall be issued as soon as practicable upon receipt of approval from the SGX-ST to the Listing ("Group I Conversion").

On 29 September 2009, pursuant to the Group I Conversion, 40,433,000 shares were allotted and issued to Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited in the proportion of 57.1%, 14.3%, 14.3% and 14.3% comprising 23,087,243, 5,781,919, 5,781,919 and 5,781,919 shares respectively.

(v) Group II Conversion

Pursuant to a convertible loan agreement dated 18 February 2009, between the Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group II Investors of the other part, the Group II Investors granted a loan of S$1.5 million to the Company to be utilised to pay for the services provided and fees charged by professional parties appointed in relation to the Listing in the following tranches.

(a) the first tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of execution of the convertible loan agreement;

(b) the second tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of the submission of the listing application to SGX-ST; and

(c) the third tranche comprising S$500,000 is to be disbursed by the Group II Investors on seven (7) business days prior to the lodgement of this Prospectus with the Authority.

Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new shares, being equivalent to 7.5% of the issued share capital immediately following the Listing of the Company, within five business day from the issuance of a written notice from the Company. Such notice shall be issued within one month of the lodgement of this Prospectus with the Authority ("Group II Conversion").

3. THE RESTRUCTURING EXERCISE (CONTINUED)

(v) Group II Conversion (Continued)

Also under the terms of the same agreement, if the Company is not listed for whatever reason other than that of the Company's own decision or if the Company is not able to obtain the Eligibility-to-list approval from the SGX-ST by 31 December 2009, the rights of the Group II Investors under the agreement shall be extinguished subject to the repayment of any unused amount.

The 7.5% issued share capital due to the Group II Investors is a result of commercial negotiations between the parties on a willing buyer and willing seller basis, taking into account the risk undertaken by the Group II Investors and the prevailing market conditions at the point of investment.

On 29 September 2009, pursuant to the Group II Conversion, 18,688,000 shares, being equivalent to 7.5% of the issued share capital immediately following the Offering were allotted and issued to Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee in the proportion of 23.3%, 13.3%, 13.3% and 50.0% comprising 4,360,533, 2,491,733, 2,491,733 and 9,344,001 shares respectively.

(vi) Allotment of Shares to EV

Pursuant to the Consultation Agreement, the Company has agreed to allot and issue to EV such number of shares representing 1.0% of the issued share capital immediately following the Listing as payment of the consultancy fees for services rendered to the Group by EV in connection with the Offering.

On 29 September 2009, 2,491,000 shares, being equivalent to 1.0% of the issued share capital immediately following the Listing were allotted and issued to EV in satisfaction of the consultancy fees.

The key government approvals the Group obtained in relation to our Restructuring Exercise comprise (1) the Approval Opinion on Adjustment of Business Scope, Share Transfer and Increase in Registered Capital of Quanzhou Zhihe Weaving Co., Ltd. (Quan Kai Guan Wai Jing Mao 2008 No.14) issued by the Foreign Trade and Economy Cooperation Bureau under Management Committee of Quanzhou Economy and Technology Development Zone on April 8, 2008; and (2) the renewed business license (Registration No.350500400005710) issued by the Quanzhou Administration of Industry and Commerce on November 4, 2008.

Zhong Lun Law Firm, the legal advisers to the Company as to PRC Law, is of the view that the Group has obtained all governmental approvals from the PRC authorities for the Restructuring Exercise and is not required to obtain any additional approvals from the PRC authorities, including but not limited to the CSRC and the MOFCOM, for the Restructuring Exercise and the proposed listing on the SGX-ST.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The Combined Financial Statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"), and have been consistently applied for the financial years ended 31 December 2006, 2007 and 2008. The Combined Financial Statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group has early adopted FRS which is effective for accounting periods after 1 January 2006, for the preparation of these Combined Financial Statements of the Group since 1 January 2006. FRS 101, First-time Adoption of Financial Reporting Standards, has been applied in preparing these Combined Financial Statements. These Combined Financial Statements are the first set of financial statements prepared in accordance with FRS by the Group.

The accounting policies set out below have been applied consistently to all periods presented in these Combined Financial Statements and in preparing an opening FRS balance sheet as at 1 January 2006 for the purpose of the first set of FRS financial statements.

Interpretations and amendments to published standards effective in 2008

On 1 January 2008, the Group adopted the new or amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective INT FRS.

The following are the relevant new or amended FRS and INT FRS adopted by the Group:

INT FRS 111	Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these Combined Financial Statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 New or revised accounting standards and interpretations

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted.

The following are the amendments to FRS that have been published but not yet effective:

FRS 1 (Revised 2008)	Presentation of Financial Statements
Amendments to FRS 1 (Revised 2008)	Amendments relating to puttable financial instruments and obligations arising on liquidation
FRS 23 (Revised)	Borrowing costs
Amendments to FRS 27	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate.
Amendments to FRS 32	Amendments relating to puttable financial instruments and obligations arising on liquidation
Amendments to FRS 101	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to FRS 102	Amendments relating to vesting conditions and cancellation
FRS 108	Operating Segments
Improvements to FRS 2008	

The Group's assessment of the impact of adopting those amendments to FRS that are relevant to the Group is set out below:

(i) FRS 1(Revised 2008) Presentation of Financial Statements

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 New or revised accounting standards and interpretations (Continued)

(i) FRS 1(Revised 2008) Presentation of Financial Statements (Continued)

The revisions also include changes in the titles of some of the financial statements primary statements.

The Group will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

(ii) FRS 108 Operating Segments

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group does not expect the new operating segments to be significantly different from the business segments currently disclosed.

(iii) FRS 23 (Revised) Borrowing Costs

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group's current policy to capitalise borrowing costs is consistent with the requirement in the revised FRS 23.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Significant accounting estimates and judgements

The preparation of the Combined Financial Statements in conformity with FRS requires management to exercise its judgements, make estimates and assumptions that affect the application of accounting policies as disclosed below, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Combined Financial Statements and the reported amounts of revenues and expenses during the financial years.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions 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:

(i) Key sources of estimation uncertainty

Income taxes

The Group has exposure to income tax arising from their operations in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims 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. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax expense and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 December 2006, 2007 and 2008 amounted to Nil, RMB1,221,000 and RMB2,563,000 respectively.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management determines the estimated useful lives of property, plant and equipment to be within 5 to 30 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2006, 2007 and 2008 was approximately RMB52,380,000, RMB70,032,000 and RMB77,746,000 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. A 5% difference in the expected useful lives of the property, plant and equipment would not result in a significant change to the Group's net profit for the respective financial years.

(ii) Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies as described below, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the Combined Financial Statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Group Accounting

(i) Common control business combination

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The restructuring exercise described in Note 3 to the Combined Financial Statements resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103.

For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the Combined Financial Statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs are included in the Combined Financial Statements of the Group as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the Group. Therefore, the Group recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts as if such Combined Financial Statements had been prepared by the controlling party, including adjustments required for conforming to the Group's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the Combined Financial Statements of the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Group Accounting (Continued)

(ii) Subsidiary

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are excluded from the date that control ceases.

Shares in subsidiary are stated at cost less allowance for impairment losses, if any, on an individual subsidiary basis.

For acquisition of subsidiaries under common control, the identifiable assets and liabilities were accounted for at their carrying values, in a manner similar to the pooling-of-interest method of consolidation.

For acquisition of subsidiaries that is not under common control, the purchase method of accounting is adopted. The cost of such acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value on the date of the acquisition, irrespective of the extent of minority interest.

In preparing the Combined Financial Statements, transactions, balances and unrealised gains on transactions between the combining entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of fair value of the subsidiary's identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Group, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Group until the minorities' share of losses previously absorbed by the equity holders of the Group are fully recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Where the cost of an acquisition is less than the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference ("negative goodwill") is recognised directly in the income statement.

4.6 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Construction-in-progress, which represents plant and machinery and building under construction, is recognised at cost less impairment losses. Cost of construction-in-progress comprises direct costs incurred during the period of construction. The cost of other property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Construction-in-progress is not depreciated until completion. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

	No. of Years
Building	10 - 30 years
Plant and machinery	5 - 15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 -10 years

The estimated residual values, estimated useful lives, and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the net disposal proceeds and the carrying amount of the relevant asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Land use rights

Land use rights are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement, using the straight-line method, so as to write off the cost of land use rights, over the lease term of the land of 50 years.

The amortisation period and amortisation methods for land use rights are reviewed and adjusted as appropriate at each balance sheet date.

Land use rights represent up-front payments to acquire long-term interests in the usage of land.

4.8 Impairment of non-financial assets

Land use rights and property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 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 instrument. Regular way purchases and sales of financial assets are accounted at trade date, i.e. the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit and loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the income statement.

De-recognition of financial assets occurs when the contractual right to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all risks and rewards of ownership. 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.

At each of the balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Other than loan and receivables, the Group does not have other categories of financial assets.

Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date. These are presented as non-current assets.

Receivables are measured on initial recognition at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Allowances for impairment are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost of raw material and work-in-progress is determined using the first-in, first-out method. Cost of finished goods comprises raw materials, direct labour and other overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.11 Financial liabilities

Financial liabilities are recognised 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. All interest related charges are recognised as an expense in the income statement.

Financial liabilities are derecognised when the obligation for the liabilities is discharged or cancelled or expired. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process.

The Group's financial liabilities include trade and other payables and borrowings.

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after balance sheet date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Where the effect of the time value of money is material, provisions will be measured at the present value of the expenditure expected to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision.

All provisions are reviewed by the management at each balance sheet date and adjusted to reflect the current best estimates.

4.13 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable and are presented net of goods and services taxes and trade discounts and after eliminating sales within the Group.

Revenue from the sale of manufactured products are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally coincides with the delivery and acceptance of goods; and when the Group can reliably measure the amount of revenue and the cost incurred and to be incurred in respect of the transaction; and it is probable that the collectibility of the related receivables is reasonably assured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognised as it accrues, using the effective interest method.

4.14 Borrowing costs

Borrowing costs are recognised in the income statement using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the purchase of property, plant and equipment.

Borrowing costs capitalised during the financial years are disclosed in Note 10.

4.15 Cash and cash equivalents

For the purpose of presentation in the combined cash flow statements, cash and cash equivalents comprise cash on hand and in banks and any deposits with financial institutions with short term maturity of generally three months or less.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Employee benefits - Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary located in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

4.17 Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain managers are considered key management personnel of the company.

4.18 Income tax

The liability method of tax effect accounting is adopted by the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is recognised for all taxable temporary differences (unless the deferred income tax arises from goodwill or 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 the accounting profit nor taxable profit or loss). Deferred income tax is provided on all temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.19 Value-added tax ("VAT")

The Group's sale of goods in the PRC are subject to VAT at the applicable tax rate of 17% for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the combined balance sheet.

Revenue, expenses and assets are recognised net of the amount of VAT except:

(i) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of VAT included.

4.20 Foreign currencies

(i) Functional and presentation currency

Items included in the Combined Financial Statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Combined Financial Statements are presented in Renminbi.

(ii) Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Foreign currencies (Continued)

(iii) Group companies

The results and financial positions of the Group entities that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised as a separate component of equity.

4.21 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Group; (2) has an interest in an entity that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4.22 Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statements on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statements as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statements in the accounting period in which they are incurred.

4.24 Segment reporting

A segment is a distinguishable component of the Group to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and related revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products provided by the Group.

4.25 Convertible loans

When convertible loans are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible loans. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loans.

The difference between the total proceeds and the liability component is allocated to the equity component of the convertible loan which is presented in equity. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.26 Equity

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits) to the extent that they are incidental cost directly attributable to the equity transaction.

Retained earnings include all current and prior period results as determined in the income statements.

4.27 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basic and are not credited directly to equity.

Government grants are presented under "other income" in the income statements.

5. REVENUE AND OTHER INCOME

The Group's revenue and other income are as follows:

	Year ended 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Revenue			
Sale of goods	62,333	150,601	286,847
Other income			
Interest income	29	117	465
Government grants	50	370	50
Sale of scrap materials	–	157	348
	79	644	863

Government grants are cash incentives provided by the PRC government under an incentive scheme to promote self-innovation and trade by the Group.

6. FINANCE COSTS

Finance costs represent mainly the interest charged on the bank borrowings for the financial years ended 31 December 2006, 2007 and 2008. The bank borrowings at the balance sheet dates are set out in Note 17.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

7. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	Year ended 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Depreciation of property, plant and equipment charged in:			
- Cost of goods sold	1,872	3,535	4,658
- Administrative expenses	120	208	225
- Selling and distribution expenses	30	40	40
Amortisation of land use rights	134	134	134
Loss on disposal of property, plant and equipment	–	–	117
Directors' remuneration:			
- salaries and related cost	95	317	404
Key management personnel (other than directors):			
- salaries and related cost	59	95	122
Other than directors and key management personnel:			
- salaries and related cost	4,365	6,939	9,276
- retirement scheme contribution	32	51	87
Research and development expenses	130	238	412
Transportation expenses	136	1,015	1,294
Advertisement expenses	154	167	206
Operating lease expense	–	–	4

8. INCOME TAX EXPENSE

	Year ended 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Current income tax on profit arising from operations in the PRC	–	3,775	8,335

No deferred tax has been provided as the Group does not have any significant temporary differences which give rise to a deferred tax asset or liability at the balance sheet dates.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

8. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between tax expense and profit before taxation at the PRC's statutory tax rates is as follows:

	Year ended 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Profit before taxation	9,932	31,456	66,067
Tax calculated at the tax rate of 27%/25%	2,682	8,493	16,517
Tax exemption	(2,682)	(4,718)	(8,182)
	–	3,775	8,335

The Group is subject to the PRC income tax on profit arising or derived from the tax jurisdiction in which a subsidiary of the Group, Zhihe Fujian (Technology) Co. Ltd. (the "subsidiary"), operates and is domiciled. The provision for the PRC income tax on profits arising from operations in the PRC is calculated based on statutory income tax rate of 27% in accordance with the PRC relevant income tax rules and regulations for the relevant financial periods, which included a reduced rate of 24% state income tax and 3% local income tax. Pursuant to the PRC Enterprise Income Tax Law which was promulgated on 16 March 2007 and went into effect on 1 January 2008, the income tax for both domestic and foreign-invested enterprise will be unified and reduced to 25%.

Under the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC, the subsidiary, which is a wholly foreign-owned enterprise, is entitled to full exemption from income tax for the first 2 years and a 50% reduction for the following 3 consecutive years, commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years). The subsidiary has elected the tax exemption period to commence for the calendar year ended 31 December 2005. Hence the subsidiary is exempted from income tax for the financial year ended 31 December 2006 and is entitled to a 50% reduction in income tax for the years ended 31 December 2007 and 2008.

Movement in income tax payable is as follows:

	Year ended 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Beginning of financial year	–	–	1,221
Current year tax expenses on profit	–	3,775	8,335
Income tax paid	–	(2,554)	(6,993)
End of financial year	–	1,221	2,563

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the pre-invitation number of ordinary shares before adjusting for the effects of the conversion of the convertible loans and allotment of shares. The Group's pre-invitation share capital of 127,566,600 ordinary shares was assumed to be in issue throughout the respective financial years presented.

	Year ended 31 December		
	2006	2007	2008
Profit attributable to equity holders of the Group (RMB'000)	9,932	27,681	57,732
Pre-invitation number of ordinary shares ('000)	127,567	127,567	127,567
Basic earnings per share (RMB cents)	7.79	21.70	45.26

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Group and the pre-invitation number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the financial period or, if later, the date of the issue of the potential ordinary shares.

	Year ended 31 December		
	2006	2007	2008
Profit attributable to equity holders of the Group (RMB'000)	9,932	27,681	57,732
Pre-invitation number of ordinary shares ('000)	127,567	127,567	127,567
Effect of dilutive potential ordinary shares:			
- Adjustments for assumed conversion of convertible loan ('000)	–	–	30,325
- Adjustments for assumed allotment of shares	–	–	2,491
	127,567	127,567	160,383
Diluted earnings per share (RMB cents)	7.79	21.70	36.00

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

10. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Plant & Machinery RMB'000	Furniture, Fixtures and Office Equipment RMB'000	Motor Vehicle RMB'000	Construction-in-progress [(b)] RMB'000	Total [(a)] RMB'000
Cost						
At 1 January 2006	8,643	16,368	8	53	15,370	40,442
Additions	–	9,011	134	401	5,016	14,562
Transfers	19,102	–	–	–	(19,102)	–
At 31 December 2006	27,745	25,379	142	454	1,284	55,004
Additions	–	19,243	65	–	2,127	21,435
Transfers	–	3,210	–	–	(3,210)	–
At 31 December 2007	27,745	47,832	207	454	201	76,439
Additions	–	12,191	112	38	1,243	13,584
Transfers	1,444	–	–	–	(1,444)	–
Disposals	–	(1,112)	–	–	–	(1,112)
At 31 December 2008	29,189	58,911	319	492	–	88,911
Accumulated Depreciation						
At 1 January 2006	55	546	1	–	–	602
Depreciation charge	490	1,492	10	30	–	2,022
At 31 December 2006	545	2,038	11	30	–	2,624
Depreciation charge	949	2,771	22	41	–	3,783
At 31 December 2007	1,494	4,809	33	71	–	6,407
Depreciation charge	1,016	3,833	31	43	–	4,923
Disposal	–	(165)	–	–	–	(165)
At 31 December 2008	2,510	8,477	64	114	–	11,165
Net Book Value						
At 31 December 2006	27,200	23,341	131	424	1,284	52,380
At 31 December 2007	26,251	43,023	174	383	201	70,032
At 31 December 2008	26,679	50,434	255	378	–	77,746

(a) All property, plant and equipment held by the Group are located in the PRC.
(b) Construction-in-progress is transferred to either "Building" or "Plant & Machinery" when completed.
(c) Borrowing costs of RMB797,000 were capitalised for the financial year ended 31 December 2006. Borrowing costs capitalised were for the financing obtained specifically for the construction of building and plant and machinery.
(d) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of RMB12,689,000, RMB12,308,000 and RMB11,927,000 at the respective balance sheet dates.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

11. LAND USE RIGHTS

	Year ended 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Beginning of the financial year			
Cost	6,709	6,709	6,709
Accumulated amortisation	(157)	(291)	(425)
Net book amount	6,552	6,418	6,284
For the financial year			
Opening net book amount	6,552	6,418	6,284
Additions	–	–	–
Amortisation	(134)	(134)	(134)
Closing net book amount	6,418	6,284	6,150
End of the financial year			
Cost	6,709	6,709	6,709
Accumulated amortisation	(291)	(425)	(559)
Net book amount	6,418	6,284	6,150

Land use rights are rights acquired for the land located in No.4 Road, Western District, Qingmeng Technology Industrial Zone, Quanzhou, Fujian Province, the PRC.

Bank borrowings are secured on land use rights of the Group with carrying amounts of approximately RMB6,418,000, RMB6,284,000 and RMB6,150,000 at the respective balance sheet dates.

12. INVENTORIES

	As at 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
At cost			
Raw materials	13,844	10,089	8,086
Work-in-progress	2,494	3,343	2,945
Finished goods	1,241	10,324	7,625
	17,579	23,756	18,656

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

13. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Trade receivables	17,914	30,588	40,727
Other receivables	18,470	12,542	3,428
	36,384	43,130	44,155

Trade receivables are non-interest bearing and have credit terms of between 30 to 90 days.

Included in other receivables are advances to a director amounting to approximately RMB6,761,000, RMB9,766,000 and Nil at the respective balance sheet dates. The advances to a director were subsequently received after the balance sheet dates. Trade receivables and other receivables are denominated in Renminbi.

14. OTHER CURRENT ASSET

	As at 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Prepayments	–	62	218

Prepayments consist of prepaid advertising, utilities and other miscellaneous expenses.

15. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Cash on hand	217	65	43
Cash at bank	5,516	10,194	41,092
Bank deposits	7,751	3,832	2,200
	13,484	14,091	43,335

The cash at bank and bank deposits bears effective interest rate of 0.72%, 0.72% and 0.36% per annum at the respective balance sheet dates. Bank deposits have an average maturity of 6 months from the balance sheet date.

Included in the cash and cash equivalents are currency denominated in Renminbi amounting to approximately RMB13,484,000, RMB14,091,000, RMB43,096,000 as at 31 December 2006, 2007 and 2008 respectively, which are not freely remissible for use by the Group because of currency exchange restrictions.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

16. TRADE AND OTHER PAYABLES

	As at 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Trade payables	13,618	21,595	8,162
Bills payables	7,151	8,774	5,120
Other payables	398	2,788	4,795
Accrued operating expenses	33	1,321	1,155
	21,200	34,478	19,232

The carrying amounts of trade and other payables at the balance sheet dates approximate to their fair value due to the short duration of maturity.

Trade payables generally have credit terms ranging from 30 days to 90 days and are expected to be repaid within 12 months from the balance sheet dates.

Bills payables are bills of exchange and were subsequently repaid after balance sheet dates.

Included in other payables are advances from a director amounting to approximately Nil, Nil and RMB1,810,000 at the respective balance sheet dates. The advances from a director were subsequently repaid after the balance sheet dates.

Trade and other payables are denominated in Renminbi.

17. BORROWINGS

	As at 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Bank borrowings (secured)	42,000	39,000	29,000
Convertible loan (Note 18)	–	–	22,755
	42,000	39,000	51,755

Bank borrowings of the Group are jointly guaranteed by a director of the Company, certain customers of the Group and secured over the land use rights and buildings of the Group.

The bank borrowings are repayable within one year and have an effective interest rate of 6.78%, 7.65% and 9.04% per annum at the respective balance sheet dates.

Bank borrowings are denominated in Renminbi.

18. CONVERTIBLE LOANS

The Company entered into a convertible loan agreement (the "Agreement") with Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited (collectively, the "Investors") on 16 April 2008.

Pursuant to the Agreement dated 16 April 2008, the Investors granted a loan of US$3,500,000 (equivalent of RMB23,990,000) to the Company. Under the terms of the Agreement, the Investors have the right to convert the loan into such number of fully paid new shares (which is calculated on 8 times of the Group's audited FY2008 net profit after tax or at a 50% discount to the indicative price per share for the purpose of the listing of the Company as determined by the Issue Manager and agreed by the Company after the receipt of the approval from the Singapore Exchange Securities Trading Limited ("SGX-ST") to the listing, whichever is lower (the "Conversion Rights") (based on exchange rate of US$1 : S$1.35740)). The convertible loans are unsecured and repayable on 31 December 2009 (or such other date that the parties may agree in writing) or upon the exercise of the conversion option of the convertible loan as described in the Agreement, whichever is earlier.

In the event that the Company is not successfully listed on the SGX-ST before 31 December 2009 (or such other date that the parties may agree in writing), compensation cost at a compounded rate of 10% per annum on the principal amount of the convertible loan is payable by the Company to the Investors.

In the event that the Company elects to abort the initial public offering exercise after it receives the eligibility-to-list approval from the SGX-ST, compensation cost at a rate of 25% per annum on the principal amount of the convertible loan is payable by the Company to the Investors.

In the event that the Company fails, neglects or refuses to effect payment of the compensation cost for the material breach described in the Agreement, compensation cost at a rate of 50% per annum on the principal amount of the convertible loan is payable by the Company to the Investors.

The fair value of the liability component is calculated using a market interest rate of 5.31% for an equivalent non-convertible loan at the date of issue. The residual amount representing the value of the equity component of the convertible loan is included in equity.

The carrying amount of the liability component of the convertible loan at the balance sheet dates is derived as follows:

	As at 31 December		
	2006	2007	2008
	RMB'000	RMB'000	RMB'000
Principal amounts	–	–	23,990
Equity component – convertible loan	–	–	(1,235)
Liability component at end of financial year	–	–	22,755

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

18. CONVERTIBLE LOANS (CONTINUED)

On 29 September 2009, the Investors executed the Conversion Rights and 40,433,000 shares were allotted and issued to Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited in the proportion of 57.1%, 14.3%, 14.3% and 14.3% comprising 23,087,243, 5,781,919, 5,781,919 and 5,781,919 shares respectively.

19. SHARE CAPITAL

As at the date of incorporation, the Company's share capital comprises fully paid-up 2 ordinary shares amounting to a total of RMB10 (Equivalent of S$2).

The share capital was subsequently increased to 10,630,550 ordinary shares by the issuance of additional 10,630,548 ordinary shares pursuant to the Restructuring Exercise. At the Latest Practicable Date, the issued and paid-up share capital of the Company was RMB54,000,010 (Equivalent of S$10,630,550).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares will rank pari passu with respect to the company's residual assets.

20. STATUTORY RESERVE

In accordance with the relevant laws and regulations of the PRC, the subsidiary of the Group established in the PRC are required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage.

21. DIVIDENDS

Dividends declared during the relevant financial periods represent dividends declared and paid to the equity holders of the Group. The rates of dividends and number of shares ranking for dividends are not presented as such information are not meaningful.

22. OPERATING LEASE COMMITMENTS

The Group leases office premises from non-related parties under operating lease agreement. The future minimum lease payables under operating lease contracted for at the balance sheet date but not recognised as liabilities are as follows:

	As at 31 December		
	2006 RMB'000	2007 RMB'000	2008 RMB'000
Not later than one year	–	–	42
Between one and five years	–	–	35
	–	–	77

23. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Group does not have written risk management policies and guidelines. The board of directors provides guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Group's exposure to financial risk in accordance with the objectives and underlying principles approved by the board of directors. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposures to market risk and financial risk are kept at a minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(i) Market risk - currency risk

Currency risk arises within entities in the Group when transactions are denominated in foreign currency.

The Group has no significant concentration of currency risk. The Group operates predominantly in the PRC and transacts primarily in its functional currency, which is the Renminbi.

(ii) Market risk - interest rate risk

The Group is exposed to interest rate risk primarily from its interest-bearing borrowings. The Group ensures that it is not exposed to significant fluctuation in future cash flow arising from changes in market interest rates by maintaining its borrowings largely in fixed-rate instruments.

The Group has no significant interest-bearing assets except deposits with financial institution.

The Group monitors the interest rates and ensures favourable rates are obtained from the deposits with financial institution.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. Credit risk of the Group arises primarily from the Group's trade receivables.

The Group's exposure to credit risks is restricted by credit limits that are approved by the general manager. The Group typically allows the existing customer credit terms of up 3 months. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the general manager.

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables is 41.78% (comprising 5 customers), 32.54% (comprising 5 customers) and 12.99% (comprising 5 customers) as at 31 December 2006, 2007 and 2008 respectively.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the combined balance sheet.

The Group's major classes of financial assets are bank deposits and trade receivables.

There is no receivable that is past due and /or impaired. No impairment loss was recognised in the income statement as most of the receivables were subsequently received.

Bank deposits are mainly deposits with reputable banks. Trade receivables are mainly customers of good credit- standing.

(iv) Liquidity risk

The Group's financial liabilities are expected to mature within 1 year from the balance sheet dates.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to regularly monitor their current and expected liquidity requirements and ensure, as far as possible, that it will have sufficient cash reserve and available funding through credit facilities to meet its liabilities when due, without incurring unacceptable losses or risking damages to the Group's reputation.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in the Combined Financial Statements, the Group has no other transactions with related parties.

25. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to support the Group's stability and growth so as to maximise shareholder's returns and stakeholders' benefits.

To achieve its objectives, the Group ensures an optimal capital structure is maintained. The Group actively and regularly reviews its capital structure by taking into consideration the future capital requirements of the Group, capital efficiency, prevailing and projected profitability, projected operating cash flows, projected expenditures and projected strategic investment opportunities. As part of managing the capital structure, the Group may adjust the amount of dividend payment, obtain new borrowings or sell assets to reduce borrowings.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values. Fair value of convertible loans is disclosed in Note 18.

The Group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

27. SEGMENT INFORMATION

(i) Business segment

The Group's primary format for reporting segment information is by business segments, with each segment representing a product category. The Group's business segments are organised into three main business segments:

- 30D terylene filament yarn
- Sandwich mesh fabric
- SBR and other foamed materials

Other operation of the Group comprises investment holding which does not constitute a separately reportable segment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

27. SEGMENT INFORMATION (CONTINUED)

(i) Business segment (Continued)

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, land use rights, inventories, trade receivables, operating cash and exclude short-term bank deposits. Segment liabilities comprise primarily of trade payables and exclude income tax payables, other payables and borrowings. Capital expenditures comprise additions to property, plant and equipment and land use rights..

Financial year ended 31 December 2006

	30D Terylene filament yarn RMB'000	Sandwich mesh fabric RMB'000	SBR and other foamed materials RMB'000	Total RMB'000
Revenue				
- external sales	24,307	13,813	24,213	62,333
Segment results	4,305	3,303	5,708	13,316
Other income				79
Unallocated expense				(1,994)
Finance costs				(1,469)
Profit before taxation				9,932
Income tax expense				–
Profit after taxation				9,932
Other information				
Capital expenditure	(7,663)	(1,491)	(5,408)	(14,562)
Depreciation of property, plant and equipment	(1,074)	(495)	(453)	(2,022)
Amortisation of land use rights	(43)	(12)	(79)	(134)
Segment assets	49,021	20,698	34,662	104,381
Unallocated corporate assets				21,864
Total assets				126,245
Segment liabilities	(2,336)	(884)	(10,398)	(13,618)
Unallocated corporate liabilities				(49,582)
Total liabilities				(63,200)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

27. SEGMENT INFORMATION (CONTINUED)

(i) Business segment (Continued)

Financial year ended 31 December 2007

	30D Terylene filament yarn RMB'000	Sandwich mesh fabric RMB'000	SBR and other foamed materials RMB'000	Total RMB'000
Revenue				
- external sales	48,115	23,746	78,740	150,601
Segment results	9,302	7,266	22,263	38,831
Other income				644
Unallocated expense				(4,752)
Finance costs				(3,267)
Profit before taxation				31,456
Income tax expense				(3,775)
Profit after taxation				27,681
Other information				
Capital expenditure	(8,093)	(3,889)	(9,453)	(21,435)
Depreciation of property, plant and equipment	(1,206)	(1,085)	(1,492)	(3,783)
Amortisation of land use rights	(43)	(21)	(70)	(134)
Segment assets	49,014	21,126	56,825	126,965
Unallocated corporate assets				30,390
Total assets				157,355
Segment liabilities	(10,275)	(1,872)	(9,546)	(21,693)
Unallocated corporate liabilities				(53,006)
Total liabilities				(74,699)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
For the financial years ended 31 December 2006, 2007 and 2008

27. SEGMENT INFORMATION (CONTINUED)

(i) Business segment (Continued)

Financial year ended 31 December 2008

	30D Terylene filament yarn RMB'000	Sandwich mesh fabric RMB'000	SBR and other foamed materials RMB'000	Total RMB'000
Revenue				
- external sales	92,923	25,229	168,695	286,847
Segment results	21,525	8,175	46,896	76,596
Other income				863
Unallocated expense				(6,756)
Finance costs				(4,636)
Profit before taxation				66,067
Income tax expense				(8,335)
Profit after taxation				57,732
Other information				
Capital expenditure	(9,388)	(230)	(3,966)	(13,584)
Depreciation of property, plant and equipment	(1,757)	(1,247)	(1,919)	(4,923)
Amortisation of land use rights	(43)	(12)	(79)	(134)
Segment assets	50,193	25,766	64,390	140,349
Unallocated corporate assets				49,911
Total assets				190,260
Segment liabilities	(1,190)	(29)	(6,943)	(8,162)
Unallocated corporate liabilities				(65,388)
Total liabilities				(73,550)

(ii) Geographical segment

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operation is presented.

28. SUBSEQUENT EVENTS

Pursuant to a convertible loan agreement dated 18 February 2009, between the Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group II Investors of the other part, the Group II Investors granted a loan of S$1.5 million to the Company to be utilised to pay for the services provided and fees charged by professional parties appointed in relation to the Listing in the following tranches.

(a) the first tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of execution of the convertible loan agreement;

(b) the second tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of the submission of the listing application to SGX- ST; and

(c) the third tranche comprising S$500,000 is to be disbursed by the Group II Investors on seven (7) business days prior to the lodgement of this Prospectus with the Authority.

Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new shares, being equivalent to 7.5% of the issued share capital immediately following the Listing of the Company, within five business day from the issuance of a written notice from the Company. Such notice shall be issued within one month of the lodgement of this Prospectus with the Authority ("Group II Conversion").

Also under the terms of the same agreement, if the Company is not listed for whatever reason other than that of the Company's own decision or if the Company is not able to obtain the Eligibility-to-list approval from the SGX-ST by 31 December 2009, the rights of the Group II Investors under the agreement shall be extinguished subject to the repayment of any unused amount.

The 7.5% issued share capital due to the Group II Investors is a result of commercial negotiations between the parties on a willing buyer and willing seller basis, taking into account the risk undertaken by the Group II Investors and the prevailing market conditions at the point of investment.

On 29 September 2009, pursuant to the Group II Conversion, 18,688,000 shares, being equivalent to 7.5% of the issued share capital immediately following the Offering were allotted and issued to Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee in the proportion of 23.3%, 13.3%, 13.3% and 50.0% comprising 4,360,533, 2,491,733, 2,491,733 and 9,344,001 shares respectively.

APPENDIX B – UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 31 MARCH 2009

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APPENDIX B – UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 31 MARCH 2009

REVIEW REPORT FROM THE REPORTING ACCOUNTANT
For the Financial Period From 1 January 2009 To 31 March 2009

30 September 2009

The Board of Directors
Ziwo Holdings Ltd.
80 Raffles Place
#25-01 UOB Plaza 1
Singapore 048624

Dear Sirs

Introduction

This report has been prepared for inclusion in the Prospectus dated 30 September 2009 ("Prospectus") in connection with the offering of shares of Ziwo Holdings Ltd. (the "Company").

We have reviewed the unaudited interim Combined Financial Statements of the Company and its subsidiaries (collectively the "Group"), as set out in Annex B on pages B-4 to B-47, which comprise the unaudited interim combined statement of comprehensive income, unaudited interim combined statement of changes in equity and unaudited interim combined statement of cash flow of the Group for the financial period from 1 January 2009 to 31 March 2009 and the unaudited interim Combined Statement of Financial Position of the Group as at 31 March 2009, and a summary of significant accounting policies and other explanatory notes (the "Interim Combined Financial Statements"). The unaudited Interim Combined Financial Statements, which have been prepared in accordance with Singapore Financial Reporting Standards ("SFRS"), are the responsibility of the management of the Company. The responsibility is to express an opinion on the unaudited Interim Combined Financial Statements based on the review.

Scope of Review

We conducted the review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the unaudited Interim Combined Financial Statements consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REVIEW REPORT FROM THE REPORTING ACCOUNTANT (CONTINUED)
For the Financial Period From 1 January 2009 To 31 March 2009

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the unaudited Interim Combined Financial Statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2009, and of its results, changes in equity and cash flows for the financial period from 1 January 2009 to 31 March 2009 in accordance with SFRS.

Foo Kon Tan Grant Thornton
Public Accountant and
Certified Public Accountants
Singapore

Wong Kian Kok
Partner

UNAUDITED INTERIM COMBINED STATEMENT OF COMPREHENSIVE INCOME
For the Financial Period From 1 January 2009 To 31 March 2009

	Note	For the period 1 January 2009 to 31 March 2009 (Unaudited) RMB'000	For the period 1 January 2008 to 31 March 2008 (Unaudited) RMB'000
Revenue	5	76,901	57,154
Cost of sales		(46,595)	(43,852)
Gross profit		30,306	13,302
Other income	5	215	15
Selling and distribution expenses		(1,381)	(920)
Administrative expenses		(2,143)	(776)
Finance costs	6	(540)	(923)
Profit before taxation	7	26,457	10,698
Income tax expense	8	(3,469)	(1,341)
Total profit and comprehensive income for the year attributable to equity holders of the Group		22,988	9,357
Earnings per share (RMB cents)	9		
– Basic		18.02	7.33
– Dilutive		12.57	7.33

The annexed notes form an integral part of and
should be read in conjunction with these unaudited interim combined financial statements

UNAUDITED INTERIM COMBINED STATEMENT OF FINANCIAL POSITION
As at 31 March 2009

	Note	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	76,304	77,746
Land use rights	11	6,116	6,150
		82,420	83,896
Current assets			
Inventories	12	12,358	18,656
Trade and other receivables	13	42,756	44,155
Other current asset	14	499	218
Cash and cash equivalents	15	77,856	43,335
		133,469	106,364
LIABILITIES			
Current liabilities			
Trade and other payables	16	23,745	19,232
Borrowings	17	48,977	51,755
Income tax payable		3,469	2,563
		76,191	73,550
Net assets		139,698	116,710
EQUITY			
Share capital	19	54,000	54,000
Statutory reserve	20	9,577	3,742
Equity component – convertible loan	18	1,235	1,235
Retained earnings		74,886	57,733
Total equity		139,698	116,710

The annexed notes form an integral part of and
should be read in conjunction with these unaudited interim combined financial statements

UNAUDITED INTERIM COMBINED STATEMENT OF CHANGES IN EQUITY
For the Financial Period From 1 January 2009 To 31 March 2009

	Attributable to owners of the parent				
	Share Capital RMB'000 (Note 19)	**Statutory Reserve RMB'000 (Note 20)**	**Equity component – convertible loan RMB'000 (Note 18)**	**Retained Profits RMB'000**	**Total Equity RMB'000**
Balance at 1 January 2009	54,000	3,742	1,235	57,733	116,710
Total comprehensive income for the financial period	–	–	–	22,988	22,988
Transfer to statutory reserve	–	5,835	–	(5,835)	–
Balance at 31 March 2009 (unaudited)	**54,000**	**9,577**	**1,235**	**74,886**	**139,698**
Balance at 1 January 2008	54,000	975	–	27,681	82,656
Total comprehensive income for the financial period	–	–	–	9,357	9,357
Transfer to statutory reserve	–	2,767	–	(2,767)	–
Dividends	–	–	–	(24,913)	(24,913)
Balance at 31 March 2008 (unaudited)	54,000	3,742	–	9,358	67,100

The annexed notes form an integral part of and
should be read in conjunction with these unaudited interim combined financial statements

UNAUDITED INTERIM COMBINED STATEMENT OF CASH FLOW
For the Financial Period From 1 January 2009 To 31 March 2009

	Note	For the period 1 January 2009 to 31 March 2009 (Unaudited) RMB'000	For the period 1 January 2008 to 31 March 2008 (Unaudited) RMB'000
Cash flows from operating activities			
Profit before taxation		26,457	10,698
Adjustments for :			
Interest income		(49)	(15)
Interest expense		540	923
Depreciation of property, plant and equipment	9	1,292	1,138
Amortisation of land use rights	11	34	34
Loss on disposal of property, plant and equipment		29	–
Operating profit before working capital changes		28,303	12,778
Decrease in inventories		6,298	4,351
(Increase)/decrease in trade and other receivables		(425)	475
Increase in other current assets		(281)	(73)
Increase in trade and other payables		6,323	12,695
Cash generated from operations		40,218	30,226
Interest received		49	15
Interest paid		(540)	(923)
Income tax paid		(2,563)	(620)
Net cash generated from operating activities		37,164	28,698
Cash flows from investing activities			
Purchase of property, plant and equipment		(69)	(4,119)
Proceeds from disposal of property, plant and equipment		190	
Cash generated from/(used in) investing activities		121	(4,119)

The annexed notes form an integral part of and
should be read in conjunction with these unaudited interim combined financial statements

UNAUDITED INTERIM COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
For the Financial Period From 1 January 2009 To 31 March 2009

	Note	For the period 1 January 2009 to 31 March 2009 (Unaudited) RMB'000	For the period 1 January 2008 to 31 March 2008 (Unaudited) RMB'000
Cash flows from financing activities			
Proceeds from bank borrowings		7,000	45,000
Repayment of bank borrowings		(12,000)	(39,000)
Proceeds from convertible loan		2,236	–
Dividends paid		–	(24,913)
Net cash used in financing activities		(2,764)	(18,913)
Net increase in cash and cash equivalents		34,521	5,666
Cash and cash equivalents at beginning of financial period		43,335	14,091
Cash and cash equivalents at end of financial period	15	77,856	19,757

The annexed notes form an integral part of and
should be read in conjunction with these unaudited interim combined financial statements

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS

1. INTRODUCTION

The unaudited Interim Combined Financial Statements of the Group have been prepared solely to present the financial position of the Group as at 31 March 2009 and for inclusion in the Prospectus of the Company issued for the offering (the "Offering") by the Company in respect of the offer of 121,612,000 ordinary shares comprising 60,000,000 new shares and 61,612,000 vendor shares at S$0.235 each in the Company for cash.

2. THE COMPANY

The Company was incorporated in Singapore on 10 January 2008 under the Companies Act as a private limited company, under the name of Tianzheng Holdings Pte. Ltd. On 3 April 2009, the Company was renamed Ziwo Holdings Pte. Ltd. On 31 August 2009, the Company was converted to a public limited company and changed its name to Ziwo Holdings Ltd..

The Company is domiciled in Singapore and the registered office of the Company is located at 80 Raffles Place UOB Plaza 1 #25-01 Singapore 048624. The principal place of business of the Company is located at Western Section, Qingmeng Hi-tech and Industrial Zone, Quanzhou City, Fujian Province, the People's Republic of China (the "PRC"). The Company does not have a place of business in Singapore at the date of this report.

The principal activity of the Company is that of an investment holding and the principal activities of the Company's subsidiary, Zhihe (Fujian) Technology Co., Ltd. ("Zhihe Technology" or the "subsidiary"), are that of research and development, manufacture and sale of 30D terylene filament yarn, sandwich mesh fabric, SBR and other foamed materials.

By way of written resolutions passed on 25 August 2009, the shareholder approved the following:

(a) the conversion of the Company into a public limited company and the consequential change of name to Ziwo Holdings Ltd.;

(b) the adoption of a new set of Articles of Association;

By way of written resolutions passed on 29 September 2009, the shareholders approved, *inter alia*, the following:

(a) the sub-division of 1 share in the issued share capital of the Company into 12 shares (the "Share Split");

(b) the allotment and issue of an aggregate of 59,121,000 shares to the Group I Investors and Group II Investors pursuant to their conversion of the respective convertible loans;

(c) the allotment and issue of an aggregate of 2,491,000 shares to EV pursuant to the Consultancy Agreement;

(d) the allotment and issue of 60,000,000 new shares pursuant to this Offering which when fully paid, allotted and issued, will rank *pari passu* in all respects with the existing issued shares;

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. THE COMPANY (CONTINUED)

(e) that authority be given pursuant to Section 161 of the Companies Act to the Directors to issue the new shares which are the subject of this Offering, on the basis that the new shares when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up shares;

(f) that pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual, the Directors be authorised and empowered to:

(i) issue shares in the Company whether by way of 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) options, 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

(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,

(the "Share Issue Mandate")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the instruments, made or granted pursuant to this resolution) and instruments to be issued pursuant to this resolution shall not exceed fifty per centum (50%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (2) below) and the aggregate number of shares (including shares to be issued in pursuance of the instruments, made or granted pursuant to this resolution) and instruments to be issued to existing shareholders via a pro-rata renounceable rights issue pursuant to this resolution shall not exceed one hundred per centum (100%) of the issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. THE COMPANY (CONTINUED)

(2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(g) that approval be given to the Directors to allot and issue shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as our Directors may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 20 per centum (20.0%) to the weighted average price per share determined in accordance with the requirements of the SGX-ST;

(h) That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, authorisation and approval be given for the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the shares may from the time being be listed and quoted ("Other Exchange"); and/or

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. THE COMPANY (CONTINUED)

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable (the "Share Purchase Mandate");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held; and

(ii) the date by which the next annual general meeting of the Company is required by law to be held;

(3) in the resolution:

"Average Closing Price" means the average of the last dealt prices of a Share for the five consecutive Market Days on which the shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period;

"Highest Last Dealt Price" means the highest price transacted for a share as recorded on the SGX-ST on the Market Day on which there were trades in the share immediately preceding the day of the making of the offer pursuant to the off-market purchase;

"Date of the making of the offer" means the date on which the Company announces its intention to make an offer for an off-market purchase, stating the purchase price (which shall not be more than Maximum Price calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"Market Day" means a day on which the SGX-ST is open for trading in securities;

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. THE RESTRUCTURING EXERCISE

To streamline and rationalise the corporate and shareholding structures in preparation for the listing on the SGX-ST, the Company undertook the following restructuring exercise prior to the Offering (the "Restructuring Exercise"):

(i) Incorporation of the Company in Singapore

On 10 January 2008, the Company was incorporated as a private limited company under the Companies Act in Singapore to be the listing vehicle and holding company of the Group. As at the date of incorporation, the initial issued and paid-up capital was S$2 comprising two ordinary shares held by the Executive Chairman and Chief Executive Officer ("CEO"), Mr Ting Chun Yuen.

(ii) Acquisition of the entire issued share capital of Zhihe Technology

In accordance with a sale and purchase agreement dated 6 April 2008, the Company acquired the entire issued share capital of Zhihe Technology, from Mr Ting Chun Yuen, at an aggregate consideration of RMB54 million based on the paid-up capital of Zhihe Technology as at 31 December 2007.

On 18 March 2009, the Company and Mr Ting entered into an agreement whereby the parties agreed that the consideration owing by the Company arising from the sale and purchase of Zhihe Technology shall be settled by the allotment and issuance of 10,630,548 shares at the price of S$1.00 per share to Mr Ting's nominee, Sky Upright, credited as fully paid. The said shares were allotted and issued to Sky Upright on 26 March 2009.

The transfer of the entire issued share capital of Zhihe Technology was approved by Foreign Trade and Economy Cooperation Bureau under Management Committee of Quanzhou Economy and Technology Development Zone (泉州经济技术开发区管理委员会对外贸易经济合作局) and the acquisition was completed on 4 November 2008.

Following completion of the acquisition, Zhihe Technology became the wholly-owned subsidiary of the Company.

(iii) Sub-division of the share capital of the Company

On 29 September 2009, the shareholders approved the sub-division of every one ordinary share in the authorised and issued share capital of the Company into 12 ordinary shares. Upon the sub-division, the issued and paid-up share capital of the Company was S$10,630,550 divided into 127,566,600 shares.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. THE RESTRUCTURING EXERCISE (CONTINUED)

(iv) Group I Conversion

Pursuant to a convertible loan agreement dated 16 April 2008 between the Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group I Investors of the other part, the Group I Investors granted a loan of US$3.5 million to the Company. Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new shares at the conversion price equivalent to 8 times of the Group's audited FY2008 net profit after tax or at a 50% discount to the indicative price per share for the purpose of the listing of the Company as determined by the Issue Manager and agreed by the Company after the receipt of the approval from the SGX-ST to the Listing, whichever is lower (based on exchange rate of US$1 : S$1.35740), within five (5) business day from the issuance of a written notice from the Company. Such notice shall be issued as soon as practicable upon receipt of approval from the SGX-ST to the Listing ("Group I Conversion ").

On 29 September 2009, pursuant to the Group I Conversion, 40,433,000 shares were allotted and issued to Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited in the proportion of 57.1%, 14.3%, 14.3% and 14.3% comprising 23,087,243, 5,781,919, 5,781,919 and 5,781,919 shares respectively.

(v) Group II Conversion

Pursuant to a convertible loan agreement dated 18 February 2009, between the Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group II Investors of the other part, the Group II Investors granted a loan of S$1.5 million to the Company to be utilised to pay for the services provided and fees charged by professional parties appointed in relation to the Listing in the following tranches.

(a) the first tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of execution of the convertible loan agreement;

(b) the second tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of the submission of the listing application to SGX-ST; and

(c) the third tranche comprising S$500,000 is to be disbursed by the Group II Investors on seven (7) business days prior to the lodgement of this Prospectus with the Authority.

Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new shares, being equivalent to 7.5% of the issued share capital immediately following the Listing of the Company, within five business day from the issuance of a written notice from the Company. Such notice shall be issued within one month of the lodgement of this Prospectus with the Authority ("Group II Conversion").

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. THE RESTRUCTURING EXERCISE (CONTINUED)

(v) Group II Conversion (Continued)

Also under the terms of the same agreement, if the Company is not listed for whatever reason other than that of the Company's own decision or if the Company are not able to obtain the Eligibility-to-list approval from the SGX-ST by 31 December 2009, the rights of the Group II Investors under the agreement shall be extinguished subject to the repayment of any unused amount.

The 7.5% issued share capital due to the Group II Investors is a result of commercial negotiations between the parties on a willing buyer and willing seller basis, taking into account the risk undertaken by the Group II Investors and the prevailing market conditions at the point of investment.

On 29 September 2009, pursuant to the Group II Conversion, 18,688,000 shares, being equivalent to 7.5% of the issued share capital immediately following the Offering were allotted and issued to Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee in the proportion of 23.3%, 13.3%, 13.3% and 50.0% comprising 4,360,533, 2,491,733, 2,491,733 and 9,344,001 shares respectively.

(vi) Allotment of Shares to EV

Pursuant to the Consultation Agreement, the Company has agreed to allot and issue to EV such number of shares representing 1.0% of the issued share capital immediately following the Listing as payment of the consultancy fees for services rendered to the Group by EV in connection with the Offering.

On 29 September 2009, 2,491,000 shares, being equivalent to 1.0% of the issued share capital immediately following the Listing were allotted and issued to EV in satisfaction of the consultancy fees.

The key government approvals the Group obtained in relation to our Restructuring Exercise comprise (1) the Approval Opinion on Adjustment of Business Scope, Share Transfer and Increase in Registered Capital of Quanzhou Zhihe Weaving Co., Ltd. (Quan Kai Guan Wai Jing Mao 2008 No.14) issued by the Foreign Trade and Economy Cooperation Bureau under Management Committee of Quanzhou Economy and Technology Development Zone on April 8, 2008; and (2) the renewed business license (Registration No.350500400005710) issued by the Quanzhou Administration of Industry and Commerce on November 4, 2008.

Zhong Lun Law Firm, the legal advisers to the Company as to PRC Law, is of the view that the Group has obtained all governmental approvals from the PRC authorities for the Restructuring Exercise and is not required to obtain any additional approvals from the PRC authorities, including but not limited to the CSRC and the MOFCOM, for the Restructuring Exercise and the proposed listing on the SGX-ST.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The unaudited Interim Combined Financial Statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC"), and are consistent with those applied in the audited financial statements for the financial year ended 31 December 2008. The unaudited Interim Combined Financial Statements have been prepared under the historical cost convention, except as disclosed in the accounting polices below.

Interpretations and amendments to published standards effective in 2009

On 1 January 2009, the Group adopted the new or amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the relevant new or amended FRS adopted by the Group:

FRS 1 (Revised 2008)	Presentation of Financial Statements
Amendments to FRS 1 (Revised 2008)	Amendments relating to puttable financial instruments and obligations arising on liquidation
FRS 23 (Revised)	Borrowing costs
Amendments to FRS 32	Amendments relating to puttable financial instruments and obligations arising on liquidation
FRS 108	Operating Segments
Improvements to FRS 2008	

The adoption of the above new or amended FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these unaudited Interim Combined Financial Statements except for a revision in the titles of some of the financial statements primary statements.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 New or revised accounting standards and interpretations

At the date of this report, certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods after 1 January 2009 or later periods and which the Group has not early adopted.

The following are the amendments to FRS that have been published but not yet effective:

Amendments to FRS 27	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate.
Amendments to FRS 32	Amendments relating to puttable financial instruments and obligations arising on liquidation
Amendments to FRS 101	Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate
Amendments to FRS 102	Amendments relating to vesting conditions and cancellation

The Group do not expect the adoption of these amendments to FRS that are relevant to the Group to result in any substantial changes to the Group's accounting policies.

4.3 Significant accounting estimates and judgement

The preparation of the unaudited Interim Combined Financial Statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the application of accounting policies as disclosed below, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial periods.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(i) Key sources of estimation uncertainty

Income taxes

The Group has exposure to income tax arising from their operations in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims 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. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax expense and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payable as at 31 March 2009 amounted to approximately RMB3,469,000 (2008: RMB2,563,000).

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Significant accounting estimates and judgement (Continued)

(i) Key sources of estimation uncertainty (Continued)

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management determines the estimated useful lives of property, plant and equipment to be within 5 to 30 years. The carrying amount of the Group's property, plant and equipment as at 31 March 2009 was approximately RMB76,304,000 (2008: RMB77,746,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. A 5% difference in the expected useful lives of the property, plant and equipment would not result in a significant change to the Group's net profit for the financial period.

(ii) Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies as described below, the management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the unaudited Interim Combined Financial Statements.

4.4 Group Accounting

(i) Common control business combination

A business combination involving entities under common control is a business combination in which all the combining entities or business are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The restructuring exercise described in Note 3 to the unaudited Interim Combined Financial Statements resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103.

For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the unaudited Interim Combined Financial Statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs are included in the unaudited Interim Combined Financial Statements of the Group as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Group Accounting (Continued)

(i) Common control business combination (Continued)

A single uniform set of accounting policies is adopted by the Group. Therefore, the Group recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts as if such unaudited Interim Combined Financial Statements had been prepared by the controlling party, including adjustments required for conforming to the Group's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the unaudited Interim Combined Financial Statements of the Group.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recognised in the statement of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the Group's incremental share of the carrying value of identifiable net assets of the subsidiary.

(ii) Subsidiary

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are excluded from the date that control ceases.

Shares in subsidiary are stated at cost less allowance for impairment losses, if any, on an individual subsidiary basis.

For acquisition of subsidiaries under common control, the identifiable assets and liabilities were accounted for at their carrying values, in a manner similar to the pooling-of-interest method of consolidation.

For acquisition of subsidiaries that is not under common control, the purchase method of accounting is adopted. The cost of such acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value on the date of the acquisition, irrespective of the extent of minority interest.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Group Accounting (Continued)

(ii) Subsidiary (Continued)

In preparing the unaudited Interim Combined Financial Statements, transactions, balances and unrealised gains on transactions between the combining entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the assets transferred.

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of fair value of the subsidiary's identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Group, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Group until the minorities' share of losses previously absorbed by the equity holders of the Group are fully recovered.

4.5 Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Where the cost of an acquisition is less than the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference ("negative goodwill") is recognised directly in the statement of comprehensive income.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Construction-in-progress, which represents plant and machinery and building under construction, is recognised at cost less impairment losses. Cost of construction-in-progress comprises direct costs incurred during the period of construction. The cost of other property, plant and equipment comprises the purchase price and any costs directly attributable to bringing the asset to the working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, and the expenditure of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset.

Construction-in-progress is not depreciated until completion. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

	No. of Years
Building	10 - 30 years
Plant and machinery	5 - 15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 -10 years

The estimated residual values, estimated useful lives, and depreciation method of the property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date.

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the statement of comprehensive income is the difference between the net disposal proceeds and the carrying amount of the relevant asset.

4.7 Land use rights

Land use rights are recognised at cost less accumulated amortisation and impairment losses. Amortisation is charged to the statement of comprehensive income, using the straight-line method, so as to write off the cost of land use rights, over the lease term of the land of 50 years.

The amortisation period and amortisation methods for land use rights are reviewed and adjusted as appropriate at each date of statement of financial position.

Land use rights represent up-front payments to acquire long-term interests in the usage of land.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Impairment of non-financial assets

Land use rights and property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the statement of comprehensive income, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the statement of comprehensive income, a reversal of that impairment is also recognised in the statement of comprehensive income.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial assets

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted at trade date, i.e. the date that the Group commits to purchase or sell the asset. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit and loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in the statement of comprehensive income.

De-recognition of financial assets occurs when the contractual right to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all risks and rewards of ownership. 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 statement of comprehensive income.

At each of the statement of financial position date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised.

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through income statement, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Other than loan and receivables, the Group does not have other categories of financial assets.

Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the statement of financial position date. These are presented as non-current assets.

Receivables are measured on initial recognition at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Allowances for impairment are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost of raw material and work-in-progress is determined using the first-in, first-out method. Cost of finished goods comprises raw materials, direct labour and other overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.11 Financial liabilities

Financial liabilities are recognised 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. All interest related charges are recognised as an expense in the statement of comprehensive income.

Financial liabilities are derecognised when the obligation for the liabilities is discharged or cancelled or expired. For financial liabilities other than derivatives, gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised or impaired, and through the amortisation process.

The Group's financial liabilities include trade and other payables and borrowings.

Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the statement of financial position date.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation. Where the effect of the time value of money is material, provisions will be measured at the present value of the expenditure expected to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision.

All provisions are reviewed by the management at each statement of financial position date and adjusted to reflect the current best estimates.

4.13 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable and are presented net of goods and services taxes and trade discounts and after eliminating sales within the Group.

Revenue from the sale of manufactured products are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which generally coincides with the delivery and acceptance of goods; and when the Group can reliably measure the amount of revenue and the cost incurred and to be incurred in respect of the transaction; and it is probable that the collectibility of the related receivables is reasonably assured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is recognised as it accrues, using the effective interest method.

4.14 Borrowing costs

Borrowing costs are recognised in the statement of comprehensive income using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the purchase of property, plant and equipment.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Employee benefits - Retirement benefits scheme

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary located in the PRC are required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary located in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the statement of comprehensive income as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

4.16 Income tax

The liability method of tax effect accounting is adopted by the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts in the unaudited Interim Combined Financial Statements.

Deferred income tax is recognised for all taxable temporary differences (unless the deferred income tax arises from goodwill or 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 the accounting profit nor taxable profit or loss). Deferred income tax is provided on all temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted or substantively enacted at the date of the statement of financial position are used to determine deferred income tax.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Value-added tax ("VAT")

The Group's sale of goods in the PRC are subject to VAT at the applicable tax rate of 17% for the PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" in the unaudited interim combined statement of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except:

(i) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables that are stated with the amount of VAT included.

4.18 Foreign currencies

(i) Functional and presentation currency

Items included in the unaudited Interim Combined Financial Statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The unaudited Interim Combined Financial Statements are presented in Renminbi.

(ii) Transactions and balances

Foreign currency transactions are measured and recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates ruling at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.18 Foreign currencies (Continued)

(iii) Group companies

The results and financial positions of the Group entities that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised as a separate component of equity.

4.19 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Group; (2) has an interest in an entity that gives it significant influence over the Group; or (3) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the statement of comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the statement of comprehensive income in the accounting period in which they are incurred.

4.21 Segment reporting

A segment is a distinguishable component of the Group to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and related revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Segment information is presented in a manner consistent with the internal reporting provided to the management of the Company.

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products provided by the Group.

4.22 Convertible loans

When convertible loans are issued, the total proceeds are allocated to the liability component and the equity component, which are separately presented on the statement of financial position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible loans. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loans.

The difference between the total proceeds and the liability component is allocated to the equity component of the convertible loan which is presented in equity. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount will be transferred to the share capital account. When the conversion option lapses, its carrying amount will be transferred to retained earnings.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.23 Equity

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from the proceeds (net of any related income tax benefits) to the extent that they are incidental cost directly attributable to the equity transaction.

Retained earnings include all current and prior period results as determined in the statement of comprehensive income.

4.24 Research and development costs

Research costs are expensed as incurred, except for development costs which relates to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

4.25 Cash and cash equivalents

For the purpose of presentation in the unaudited interim combined statement of cash flow, cash and cash equivalents comprise cash on hand and in banks and any deposits with financial institutions with short term maturity of generally three months or less.

5. REVENUE AND OTHER INCOME

The Group's revenue and other income are as follow:

	For the period 1 January 2009 to 31 March 2009 (Unaudited) RMB'000	For the period 1 January 2008 to 31 March 2008 (Unaudited) RMB'000
Revenue		
Sale of goods	76,901	57,154
Other income		
Interest income	49	15
Sale of scrap materials	166	–
	215	15

6. FINANCE COSTS

Finance costs represent the interest charged on the bank borrowings for the financial period from 1 January 2009 to 31 March 2009. The bank borrowings at the statement of financial position date are set out in Note 17.

7. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	For the period 1 January 2009 to 31 March 2009 (Unaudited) RMB'000	For the period 1 January 2008 to 31 March 2008 (Unaudited) RMB'000
Amortisation of land use rights	34	34
Depreciation of property, plant and equipment charged in:	1,292	1,138
- cost of goods sold	1,222	1,074
- administrative expenses	59	54
- selling and distribution expenses	11	10
Loss on disposal of property, plant and equipment	29	–
Directors' remuneration		
- salaries and related cost	108	152
Key management personnel (other than directors):		
- salaries and related cost	46	30
Other than directors and key management personnel:		
- salaries and related cost	2,803	2,272
- retirement scheme contribution	31	13
Transportation expenses	386	206
Research and development expenses	125	60
Advertisement expenses	65	45
Professional fees	1,454	–
Operating lease expense	14	–

8. INCOME TAX EXPENSE

	For the period 1 January 2009 to 31 March 2009 (Unaudited) RMB'000	For the period 1 January 2008 to 31 March 2008 (Unaudited) RMB'000
Current income tax on profit arising from operations in the PRC	3,469	1,341

No deferred tax has been provided as the Group does not have any significant temporary differences which give rise to a deferred tax asset or liability at the date of the statement of financial position.

8. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between tax expense and profit before taxation at the PRC's statutory tax rates is as follows:

	For the period 1 January 2009 to 31 March 2009 (Unaudited) RMB'000	For the period 1 January 2008 to 31 March 2008 (Unaudited) RMB'000
Profit before taxation	26,457	10,698
Tax calculated at the tax rate of 25%	6,614	2,675
Tax exemption	(3,145)	(1,334)
	3,469	1,341

The Group is subject to the PRC income tax on profit arising or derived from the tax jurisdiction in which a subsidiary of the Group, Zhihe (Fujian) Technology Co., Ltd. (the "subsidiary"), operates and is domiciled.

Under the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC, the subsidiary, which a wholly foreign-owned enterprise, is entitled to full exemption from income tax for the first 2 years and a 50% reduction for the following 3 consecutive years, commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years). The subsidiary has elected the tax exemption period to commence for the calendar year ended 31 December 2005. Hence the subsidiary is entitled to a 50% reduction in income tax for the financial period ended 31 March 2009.

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the pre-invitation number of ordinary shares before adjusting for the effects of the conversion of the convertible loans and allotment of shares. The Group's pre-invitation share capital of 127,566,600 ordinary shares was assumed to be in issue throughout the respective financial years presented.

	For the period 1 January 2009 to 31 March 2009 (Unaudited)	For the period 1 January 2008 to 31 March 2008 (Unaudited)
Profit attributable to equity holders of the Group (RMB'000)	22,988	9,357
Pre-invitation number of ordinary shares ('000)	127,567	127,567
Basic earnings per share (RMB cents)	18.02	7.33

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Group and the pre-invitation number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

	For the period 1 January 2009 to 31 March 2009 (Unaudited)	For the period 1 January 2008 to 31 March 2008 (Unaudited)
Profit attributable to equity holders of the Group (RMB'000)	22,988	9,357
Pre-invitation number of ordinary shares ('000)	127,567	127,567
Effect of dilutive potential ordinary shares:		
- Adjustments for assumed conversion of convertible loan ('000)	52,892	–
- Adjustments for assumed allotment of shares	2,491	
	182,950	127,567
Diluted earnings per share (RMB cents)	12.57	7.33

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Plant & Machinery RMB'000	Furniture, Fixtures and Office Equipment RMB'000	Motor Vehicle RMB'000	Construction -in -progress[(b)] RMB'000	Total[(a)] RMB'000
Cost						
At 31 December 2007						
Additionsss	27,745	47,832	207	454	201	76,439
Additions	–	12,191	112	38	1,243	13,584
Transfers	1,444	–	–	–	(1,444)	–
Disposals	–	(1,112)	–	–	–	(1,112)
At 31 December 2008	29,189	58,911	319	492	–	88,911
Additions	–	–	4	65	–	69
Disposals	–	(248)	–	–	–	(248)
At 31 March 2009	29,189	58,663	323	557	–	88,732
Accumulated Depreciation						
At 31 December 2007	1,494	4,809	33	71	–	6,407
Depreciation charge	1,016	3,833	31	43	–	4,923
Disposal	–	(165)	–	–	–	(165)
At 31 December 2008	2,510	8,477	64	114	–	11,165
Depreciation charge	270	998	11	13	–	1,292
Disposal	–	(29)	–	–	–	(29)
At 31 March 2009	2,780	9,446	75	127	–	12,428
Net Book Value						
At 31 December 2008	26,679	50,434	255	378	–	77,746
At 31 March 2009	26,409	49,217	248	430	–	76,304

(a) All property, plant and equipment held by the Group are located in the PRC.
(b) Construction-in-progress is transferred to either "Building" or "Plant & Machinery" when completed.
(c) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of RMB11,832,000 (2008: RMB11,927,000) at the statement of financial position date.

11. LAND USE RIGHTS

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Beginning of the financial period/year		
Cost	6,709	6,709
Accumulated amortisation	(559)	(425)
Net book amount	6,150	6,284
For the financial period/year		
Opening net book amount	6,150	6,284
Amortisation	(34)	(134)
Net book amount	6,116	6,150
End of the financial period/year		
Cost	6,709	6,709
Accumulated amortisation	(593)	(559)
Net book amount	6,116	6,150

Land use rights are rights acquired for the land located in No.4 Road, Western District, Qingmeng Technology Industrial Zone, Quanzhou, Fujian Province, the PRC.

Bank borrowings are secured on land use rights of the Group with carrying amounts of approximately RMB6,116,000 (2008: RMB6,150,000) at the statement of financial position date.

12. INVENTORIES

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
At cost		
Raw materials	7,202	8,086
Work-in-progress	684	2,945
Finished goods	4,472	7,625
	12,358	18,656

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER RECEIVABLES

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Trade receivables	42,404	40,727
Other receivables	352	3,428
	42,756	44,155

Trade receivables are non-interest bearing and have credit terms of between 30 to 90 days.

Trade receivables and other receivables are denominated in Renminbi.

14. OTHER CURRENT ASSET

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Prepayments	499	218

Prepayments consist of prepaid advertising, utilities and other miscellaneous expenses.

15. CASH AND CASH EQUIVALENT

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Cash on hand	50	43
Cash at bank	75,822	41,092
Bank deposits	1,984	2,200
	77,856	43,335

The cash at bank bears effective interest rate of 0.36% (2008: 0.36%) per annum at the date of the statement of financial position.

Bank deposits have an average maturity of 6 months and bears effective interest rate of 0.36% (2008: 0.36%) per annum at the date of the statement of financial position.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

15. CASH AND CASH EQUIVALENT (CONTINUED)

Included in the cash and cash equivalent are currency denominated in Renminbi amounting to approximately RMB76,658,000 (2008: RMB43,096,000), which are not freely remissible for use by the Group because of currency exchange restrictions.

16. TRADE AND OTHER PAYABLES

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Trade payables	12,063	8,162
Bills payables	4,400	5,120
Other payables	3,115	4,795
Accrued operating expenses	4,167	1,155
	23,745	19,232

The carrying amounts of trade and other payables at the date of the statement of financial position approximate to their fair value due to the short duration of maturity.

Trade payables generally have credit terms ranging from 30 days to 90 days and are expected to be repaid within 12 months from the date of the statement of financial position.

Bills payables are bills of exchange and were subsequently repaid within 6 months from the date of issue.

Included in other payables are advances from a director amounting to approximately RMB2,540,000 (2008: RMB1,810,000) at the date of the statement of financial position. The advances from a director were subsequently repaid after the date of the statement of financial position.

Trade and other payables are denominated in Renminbi.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. BORROWINGS

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Bank borrowings (secured)	24,000	29,000
Convertible loan (Note 18)	24,977	22,755
	48,977	51,755

Bank borrowings of the Group are jointly guaranteed by a director of the Company, certain customers of the Company and secured over the land use rights and buildings of the Company.

The bank borrowings are repayable within one year and have an effective interest rate of 7.80% (2008: 9.04%) per annum at the date of the statement of financial position.

Bank borrowings are denominated in Renminbi.

18. CONVERTIBLE LOANS

The Company entered into a convertible loan agreement (the "Agreement I") with Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited (collectively, the "Group I Investors") on 16 April 2008.

Pursuant to the Agreement I dated 16 April 2008, the Group I Investors granted a loan of US$3,500,000 (equivalent of RMB23,990,000) to the Company. Under the terms of the Agreement I, the Group I Investors have the right to convert the loan into such number of fully paid new shares (which is calculated on 8 times of the Group's audited FY2008 net profit after tax or at a 50% discount to the indicative price per share for the purpose of the listing of the Company as determined by the Issue Manager and agreed by the Company after the receipt of the approval from the Singapore Exchange Securities Trading Limited ("SGX-ST") to the listing, whichever is lower (the "Group I Conversion") (based on exchange rate of US$1 : S$1.35740)). The convertible loans are unsecured and repayable on 31 December 2009 (or such other date that the parties may agree in writing) or upon the exercise of the conversion option of the convertible loan as described in the Agreement I, whichever is earlier.

In the event that the Company is not successfully listed on the SGX-ST before 31 December 2009 (or such other date that the parties may agree in writing), compensation cost at a compounded rate of 10% per annum on the principal amount of the convertible loan is payable by the Company to the Group I Investors.

In the event that the Company elects to abort the initial public offering exercise after it receives the eligibility-to-list approval from the SGX-ST, compensation cost at a rate of 25% per annum on the principal amount of the convertible loan is payable by the Company to the Group I Investors.

18. CONVERTIBLE LOANS (CONTINUED)

In the event that the Company fails, neglects or refuses to effect payment of the compensation cost for the material breach described in the Agreement I, compensation cost at a rate of 50% per annum on the principal amount of the convertible loan is payable by the Company to the Group I Investors.

The Company entered into a second convertible loan agreement (the "Agreement II") with Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui, Ma Ong Kee, Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited (collectively, the "Group II Investors") on 18 February 2009. Pursuant to the Agreement dated 18 February 2009, the Group II Investors granted a loan of S$1,500,000 (equivalent of RMB6,708,000) to the Company to be utilised to pay for the services provided and fees charged by professional parties appointed in relation to the Listing in the following tranches.

(a) the first tranche comprising S$500,000 is to be disbursed by the Group II Investors within 7 business days from the date of execution of the convertible loan agreement;

(b) the second tranche comprising S$500,000 is to be disbursed by the Group II Investors within 7 business days for the date of the submission of the listing application to SGX- ST; and

(c) the third tranche comprising S$500,000 is to be disbursed by the Group II Investors on 7 business days prior to the lodgement of this Prospectus with the Authority.

Under the terms of the Agreement II, the Group II Investors have the right to convert the loan into such number of fully paid new shares, being equivalent to 7.5% of the Company's issued share capital immediately following the Listing of the Company, within 5 business day from the issuance of a written notice from the Company. Such notice shall be issued within 1 month of the lodgement of the Prospectus with the Authority ("Group II Conversion"). The convertible loans are unsecured and repayable on 31 December 2009 or such other date that the parties may agree in writing or upon the exercise of the conversion option of the convertible loan as described in the Agreement II, whichever is earlier.

In the event that the Company is not listed for whatever reason other than that of the Company's own decision or if the Company is not able to obtain the Eligibility-to-list approval from the SGX-ST by 31 December 2009, the rights of the Group II Investors under the agreement shall be extinguished subject to the repayment of any unused amount.

The 7.5% issued share capital due to the Group II Investors is a result of commercial negotiations between the parties on a willing buyer and willing seller basis, taking into account the risk undertaken by the Group II Investors and the prevailing market conditions at the point of investment.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

18. CONVERTIBLE LOANS (CONTINUED)

The fair value of the liability component is calculated using a market interest rate of 5.31% for an equivalent non-convertible loan at the date of issue. The residual amount representing the value of the equity component of the convertible loan is included in equity.

The carrying amount of the liability component of the convertible loans at the statement of financial position date is derived as follows:

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Principal amounts	26,212	23,990
Equity component – convertible loan	(1,235)	(1,235)
Liability component at end of financial period/year	24,977	22,755

On 29 September 2009, the Group I Investors executed the Conversion Rights and 40,433,000 shares were allotted and issued to Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited in the proportion of 57.1%, 14.3%, 14.3% and 14.3% comprising 23,087,243, 5,781,919, 5,781,919 and 5,781,919 shares respectively.

On 29 September 2009, pursuant to the Group II Conversion, 18,688,000 shares, being equivalent to 7.5% of the issued share capital immediately following the Offering were allotted and issued to Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee in the proportion of 23.3%, 13.3%, 13.3% and 50.0% comprising 4,360,533, 2,491,733, 2,491,733 and 9,344,001 shares respectively.

19. SHARE CAPITAL

As at the date of incorporation, the Company's share capital comprises fully paid-up 2 ordinary shares amounting to a total of RMB10 (Equivalent of S$2).

The share capital was subsequently increased to 10,630,550 ordinary shares by the issuance of additional 10,630,548 ordinary shares pursuant to the Restructuring Exercise. At the Latest Practicable Date, the issued and paid-up share capital of the Company was RMB54,000,010 (Equivalent of S$10,630,550).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares will rank pari passu with respect to the company's residual assets.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. STATUTORY RESERVE

In accordance with the relevant laws and regulations of the PRC, the subsidiary of the Group established in the PRC are required to transfer 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve. When the balance of such reserve reaches 50% of the subsidiary's share capital, any further transfer of its annual statutory net profit is optional. Such reserve may be used to offset accumulated losses or to increase the registered capital of the subsidiary subject to the approval of the relevant authorities. However, except for offsetting prior years' losses, such statutory reserve must be maintained at a minimum of 25% of the share capital after such usage.

21. DIVIDENDS

Dividends declared during the financial periods represent dividends declared and paid to the equity holders of the Group. The rates of dividends and number of shares ranking for dividends are not presented as such information are not meaningful.

22. OPERATING LEASE COMMITMENTS

The Group leases office premises from non-related parties under operating lease agreement. The future minimum lease payables under operating lease contracted for at the statement of financial position date but not recognised as liabilities are as follows:

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Not later than one year	32	42
Between one and five years	35	35
	67	77

23. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group does not have written risk management policies and guidelines. The board of directors provides guidance for overall risk management as well as policies covering specific areas. Management analyses and formulates measures to manage the Group's exposure to financial risk in accordance with the objectives and underlying principles approved by the board of directors. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposures to market risk and financial risk are kept at a minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(i) Market risk - currency risk

Currency risk arises within entities in the Group when transactions are denominated in foreign currency.

The Group has no significant concentration of currency risk. The Group operates predominantly in the PRC and transacts primarily in its functional currency, which is the Renminbi.

(ii) Market risk - interest rate risk

The Group is exposed to interest rate risk primarily from its interest-bearing borrowings. The Group ensures that it is not exposed to significant fluctuation in future cash flow arising from changes in market interest rates by maintaining its borrowings largely in fixed-rate instruments.

The Group has no significant interest-bearing assets except deposits with financial institution.

The Group monitors the interest rates and ensures favourable rates are obtained from the deposits with financial institution.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. Credit risk of the Group arises primarily from the Group's trade receivables.

The Group's exposure to credit risks is restricted by credit limits that are approved by the general manager. The Group typically allows the existing customer credit terms of up 3 months. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. In relation to new customers, the sales and marketing department will prepare credit proposals for approval by the general manager.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Credit risk (Continued)

The Group performs on-going credit evaluation of its customers' financial position. The concentration of credit risk from the Group's trade receivables is 13% (2008: 13%) comprising of 5 (2008: 5) customers at the date of the statement of financial position.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the unaudited interim combined statement of financial position.

(iv) Liquidity risk

The Group's financial liabilities are expected to mature within 1 year from the statement of financial position date.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to regularly monitor their current and expected liquidity requirements and ensure, as far as possible, that it will have sufficient cash reserve and available funding through credit facilities to meet its liabilities when due, without incurring unacceptable losses or risking damages to the Group's reputation.

24. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in the unaudited Interim Combined Financial Statements, the Group has no other transactions with related parties.

25. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to support the Group's stability and growth so as to maximise shareholder's returns and stakeholders' benefits.

To achieve its objectives, the Group ensures an optimal capital structure is maintained. The Group actively and regularly reviews its capital structure by taking into consideration the future capital requirements of the Group, capital efficiency, prevailing and projected profitability, projected operating cash flows, projected expenditures and projected strategic investment opportunities. As part of managing the capital structure, the Group may adjust the amount of dividend payment, obtain new borrowings or sell assets to reduce borrowings.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values. Fair value of convertible loans is disclosed in Note 18.

The Group does not anticipate that the carrying amounts recorded at the statement of financial position date would be significantly different from the values that would eventually be received or settled.

27. SEGMENT INFORMATION

(i) Business segment

Management determines the business segments, which represent product category, based on reports reviewed and used for strategic decisions. The Group's business segments are organised into three main product categories:

- 30D terylene filament yarn
- Sandwich mesh fabric
- SBR and other foamed materials

Other operation of the Group comprises investment holding which does not constitute a separately reportable segment.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, land use rights, inventories, trade receivables, operating cash and exclude short-term bank deposits. Segment liabilities comprise primarily of trade payables and exclude income tax payable, other payables and borrowings. Capital expenditures comprise additions to property, plant and equipment and land use rights.

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. SEGMENT INFORMATION (CONTINUED)

(i) Business segment (Continued)

The segment information provided to the management for the reportable segments for the financial period from 1 January 2009 to 31 March 2009 is as follows:

Financial period from 1 January 2009 to 31 March 2009 (Unaudited)

	30D Terylene filament yarn RMB'000	Sandwich mesh fabric RMB'000	SBR and other foamed materials RMB'000	Total RMB'000
Revenue				
- external sales	22,914	6,183	47,804	76,901
Segment results	8,672	2,322	19,312	30,306
Other income				215
Unallocated expense				(3,524)
Finance costs				(540)
Profit before taxation				26,457
Income tax expense				(3,469)
Total profit				22,988
Other information				
Capital expenditure	(20)	(5)	(44)	(69)
Depreciation of property, plant and equipment	(478)	(322)	(492)	(1,292)
Amortisation of land use rights	(10)	(2)	(22)	(34)
Segment assets	43,208	22,885	65,110	131,203
Unallocated corporate assets				84,686
Total assets				215,889
Segment liabilities	(201)	(502)	(11,696)	(12,399)
Unallocated corporate liabilities				(63,792)
Total liabilities				(76,191)

27. SEGMENT INFORMATION (CONTINUED)

(i) Business segment (Continued)

The segment information provided to the management for the reportable segments for the financial period from 1 January 2008 to 31 March 2008 and for the financial year ended 31 December 2008 is as follows;

Financial period from 1 March 2008 to 31 March 2008 (Unaudited)

	30D Terylene filament yarn RMB'000	Sandwich mesh fabric RMB'000	SBR and other foamed materials RMB'000	Total RMB'000
Revenue				
- external sales	18,898	6,126	32,130	57,154
Segment results	3,615	1,826	7,861	13,302
Other income				15
Unallocated expense				(1,696)
Finance costs				(923)
Profit before taxation				10,698
Income tax expense				(1,341)
Profit after taxation				9,357

Financial year ended 31 December 2008 (Audited)

	30D Terylene filament yarn RMB'000	Sandwich mesh fabric RMB'000	SBR and other foamed materials RMB'000	Total RMB'000
Other information				
Capital expenditure	(9,388)	(230)	(3,966)	(13,584)
Depreciation of property, plant and equipment	(1,757)	(1,247)	(1,919)	(4,923)
Amortisation of land use rights	(43)	(12)	(79)	(134)
Segment assets	50,193	25,766	64,390	140,349
Unallocated corporate assets				49,911
Total assets				190,260
Segment liabilities	(1,190)	(29)	(6,943)	(8,162)
Unallocated corporate liabilities				(65,388)
Total liabilities				(73,550)

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. SEGMENT INFORMATION (CONTINUED)

(i) Business segment (Continued)

The revenue from external sales reported to the management is measured in a manner consistent with that in the statement of comprehensive income.

Management assesses the performance of the operating segments based on segment results. Segment result represents the profit earned by each segment without allocation of central administration, transportation, advertising and entertainment cost. This is the measure reported to the management for the purposes of resource allocation and assessment of segment performance.

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the unaudited Interim Combined Financial Statements. For the purposes of monitoring segment performance and allocating resources between segments, management monitors the property, plant and equipment, inventories, trade receivables and operating cash attributable to each segment. All assets are allocated to reportable segments other than other current asset, cash and cash equivalents, other receivables and property, plant and equipment.

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Segment assets		
Unallocated:		
Other current asset	499	218
Cash and cash equivalents	77,856	43,335
Other receivables	352	3,428
Property, plant and equipment	5,979	2,930
	84,686	49,911

NOTES TO THE UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. SEGMENT INFORMATION (CONTINUED)

(i) Business segment (Continued)

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the unaudited Interim Combined Financial Statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax payable, borrowings and certain trade and other payables.

	As at 31 March 2009 (Unaudited) RMB'000	As at 31 December 2008 (Audited) RMB'000
Segment Liabilities		
Unallocated:		
Income tax payable	3,469	2,563
Borrowings	48,977	51,755
Trade and other payables	11,346	11,070
	63,792	65,388

(ii) Geographical segment

As the business of the Group is engaged entirely in the PRC, no reporting by geographical location of operation is presented.

28. SUBSEQUENT EVENTS

Other than the events disclosed in Note 3, no other item, transaction or event of a material or unusual nature has arisen in the interval between 31 March 2009 and the date of the report from the independent auditor.

APPENDIX C – UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 AND FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 31 MARCH 2009

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APPENDIX C – UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 AND FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 31 MARCH 2009

REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 31 MARCH 2009

30 September 2009

The Board of Directors
Ziwo Holdings Ltd.
80 Raffles Place
#25-01 UOB Plaza 1
Singapore 048624

Dear Sirs

Introduction

This report has been prepared for inclusion in the prospectus dated 30 September 2009 (the "Prospectus") in connection with the invitation in respect of offer of shares of Ziwo Holdings Ltd. (the "Company").

The unaudited Pro Forma Combined Financial Statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2008 and the financial period from 1 January 2009 to 31 March 2009 as set out in Appendix C on page C-4 to C-19 of the Prospectus comprise the unaudited Pro Forma Combined Statement of Financial Position of the Group, unaudited Pro Forma Combined Statement of Comprehensive Income, unaudited Pro Forma Combined Statement of Changes in Equity of the Group and unaudited Pro Forma Combined Statement of Cash Flow of the Group (hereinafter collectively referred to as the "unaudited Pro Forma Combined Financial Statements").

The unaudited Pro Forma Combined Financial Statements have been prepared on the basis set out in Note 2 "Basis of Preparation" and after making certain adjustments to show:

(i) the financial results of the Group for the financial year ended 31 December 2008 and the financial period from 1 January 2009 to 31 March 2009, would have been if the completion of the Significant Events as stated in Note 3 had occurred since the beginning of the financial year and financial period being reported on;

(ii) the financial position of the Group as at 31 December 2008 and 31 March 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred on those dates; and

(iii) the changes in equity and the cash flows of the Group for the financial year ended 31 December 2008 and the financial period from 1 January 2009 to 31 March 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred at the beginning of the financial year and financial period being reported on.

The unaudited Pro Forma Combined Financial Statements have been prepared for illustrative purposes only and, because of the nature, may not give a true picture of the Group's actual financial position, results, changes in equity and cash flows of the Group.

REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 AND THE FINANCIAL PERIOD FROM 1 JANUARY 2009 TO 31 MARCH 2009 (CONTINUED)

Introduction (Continued)

The unaudited Pro Forma Combined Financial Statements is the responsibility of the management of the Company. Our responsibility is to express an opinion on the unaudited Pro Forma Combined Financial Statements based on our work.

Scope of Work

We carried out procedures in accordance with Singapore Statement of Auditing Practice ("SSAP") 24: "*Auditors and Public Offering Documents*". Our work, which involved no independent examination of the unaudited Pro Forma Combined Financial Statements, consisted primarily of comparing the unaudited Pro Forma Combined Financial Statements to the audited Combined Financial Statements of the Group for the financial year ended 31 December 2008 and to the unaudited Interim Combined Financial Statements of the Group for the financial period from 1 January 2009 to 31 March 2009 (or where information is not available in these financial statements, to accounting records), considering the evidence supporting the pro forma adjustments and discussing the unaudited Pro Forma Combined Financial Statement with the management of the Company.

Opinion

In our opinion:

(a) the unaudited Pro Forma Combined Financial Statements have been properly prepared:

  (i) in a manner consistent with both the format of the audited Combined Financial Statements for the financial year ended 31 December 2008 and the unaudited Interim Combined Financial Statements for the financial period from 1 January 2009 to 31 March 2009 and the accounting policies of the Group which are prepared in accordance with Singapore Financial Reporting Standards;

  (ii) on the basis set out in Note 2 "Basis of Preparation" after making the pro forma adjustments; and

(b) each material pro forma adjustment made to the audited Combined Financial Statements for the financial year ended 31 December 2008 and the unaudited Interim Combined Financial Statements for the financial period from 1 January 2009 to 31 March 2009 used in the preparation of the unaudited Pro Forma Combined Financial Statements is appropriate for the purpose of preparing such financial statements.

Foo Kon Tan Grant Thornton
Public Accountants and
Certified Public Accountants
Singapore

Wong Kian Kok
Partner

UNAUDITED PRO FORMA COMBINED STATEMENT OF COMPREHENSIVE INCOME
For the financial year ended 31 December 2008

The Unaudited Pro Forma Combined Statement of Comprehensive Income of the Group for the financial year ended 31 December 2008, and the pro forma adjustments made, is set out below:-

	Audited Combined Statement of Comprehensive Income RMB'000	Note	Pro forma adjustments RMB'000	Unaudited Pro forma Combined Statement of Comprehensive Income RMB'000
Revenue	286,847			286,847
Cost of sales	(210,251)			(210,251)
Gross profit	76,596			76,596
Other income	863			863
Selling and distribution expenses	(3,829)			(3,829)
Administrative expenses	(2,927)	*(a)*	(320)	(3,247)
Finance costs	(4,636)			(4,636)
Profit before taxation	66,067			65,747
Income tax expense	(8,335)			(8,335)
Total profit and comprehensive income for the year attributable to owners for the parents	57,732			57,412
Earnings per share (RMB cents)				
– Basic	45.26			45.00
– Dilutive	36.00			35.80

Note:

(a) To illustrate the recognition of the consultancy services as set out in Note 3(c). The consultancy services expense recognised in the statement of comprehensive income are measured at the fair value of the services rendered for assisting in the preparation of financial information.

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the financial period from 1 January 2009 to 31 March 2009

The Unaudited Pro Forma Combined Statement of Comprehensive Income of the Group for the financial period from 1 January 2009 to 31 March 2009, and the pro forma adjustments made, are set out below:-

	Unaudited Combined Statement of Comprehensive Income RMB'000	Note	Pro forma adjustments RMB'000	Unaudited Pro forma Combined Statement of Comprehensive Income RMB'000
Revenue	76,901			76,901
Cost of sales	(46,595)			(46,595)
Gross profit	30,306			30,306
Other income	215			215
Selling and distribution expenses	(1,381)			(1,381)
Administrative expenses	(2,143)	*(a)*	(320)	(2,463)
Finance costs	(540)			(540)
Profit before taxation	26,457			26,137
Income tax expense	(3,469)			(3,469)
Total profit and comprehensive income for the year attributable to owners of the parent	22,988			22,668
Earnings per share (RMB cents)				
– Basic	18.02			17.77
– Dilutive	12.57			12.39

Note:

(a) To illustrate the recognition of the consultancy services as set out in Note 3(c). The consultancy services expense recognised in the statement of comprehensive income are measured at the fair value of the services rendered for assisting in the preparation of financial information.

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSTION
As at 31 December 2008

The Unaudited Pro Forma Combined Statement of Financial Position of the Group as at 31 December 2008, and the pro forma adjustments made, is set out below:-

	Audited Combined Statement of Financial Position RMB'000	Note	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Statement of Financial Position RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	77,746			77,746
Land use rights	6,150			6,150
	83,896			83,896
Current assets				
Inventories	18,656			18,656
Trade receivables and other receivables	44,155			44,155
Other current assets	218	*(e)*	680	898
Cash and bank balances	43,335	*(a)*	6,708	50,043
	106,364			113,752
Current liabilities				
Trade payables and other payables	19,232			19,232
Borrowings	51,755	*(a)*	6,708	29,000
		(b)	(22,755)	
		(c)	(6,708)	
Income tax payable	2,563			2,563
	73,550			50,795
Net assets	116,710			146,853
EQUITY				
Share capital	54,000	*(b)*	22,755	84,698
		(c)	6,708	
		(d)	1,235	
Statutory reserve	3,742			3,742
Capital reserve	–	*(e)*	1,000	1,000
Equity component – convertible loan	1,235	*(d)*	(1,235)	–
Retained earnings	57,733	*(e)*	(320)	57,413
Total equity	116,710			146,853

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2008

Note:

(a) To illustrate the recognition of convertible loan amounting to approximately RMB6,708,000 (equivalent of S$1,500,000) as set out in Note 3(b).

(b) To illustrate the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(a).

(c) To illustrate the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(b).

(d) To illustrate the transfer of the equity component of convertible loan to share capital when the conversion option is exercised as set out in Note 3(a).

(e) To illustrate the recognition of the consultancy services as set out in Note 3(c). The consultancy services expense recognised in the statement of comprehensive income are measured at the fair value of the services rendered for assisting in the preparation of financial information.

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION
As at 31 March 2009

The Unaudited Pro Forma Combined Statement of Financial Position of the Group as at 31 March 2009, and the pro forma adjustments made, is set out below:-

	Unaudited Combined Statement of Financial Position RMB'000	Note	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Statement of Financial Position RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	76,304			76,304
Land use rights	6,116			6,116
	82,420			82,420
Current assets				
Inventories	12,358			12,358
Trade receivables and other receivables	42,756			42,756
Other current assets	499	*(e)*	680	1,179
Cash and bank balances	77,856	*(a)*	4,472	82,328
	133,469			138,621
Current liabilities				
Trade payables and other payables	23,745			23,745
Borrowings	48,977	*(a)*	4,472	24,000
		(b)	(22,741)	
		(c)	(6,708)	
Income tax payable	3,469			3,469
	76,191			51,214
Net assets	139,698			169,827
EQUITY				
Share capital	54,000	*(b)*	22,741	84,684
		(c)	6,708	
		(d)	1,235	
Statutory reserve	9,577			9,577
Capital reserves	–	*(e)*	1,000	1,000
Equity component – convertible loan	1,235	*(d)*	(1,235)	–
Retained earnings	74,886	*(e)*	(320)	74,566
Total equity	139,698			169,827

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 March 2009

Note:

(a) To illustrate the recognition of convertible loan amounting to approximately RMB4,472,000 (equivalent of S$1,000,000) being the second and the third tranche of the convertible loan as set out in Note 3(b).

(b) To illustrate the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(a).

(c) To illustrate the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(b).

(d) To illustrate the transfer of the equity component of convertible loan to share capital when the conversion option is exercised as set out in Note 3(a).

(e) To illustrate the recognition of the consultancy services as set out in Note 3(c). The consultancy services expense recognised in the statement of comprehensive income are measured at the fair value of the services rendered for assisting in the preparation of financial information.

UNAUDITED PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

The Unaudited Pro Forma Combined Statement of Changes in Equity of the Group for the financial year ended 31 December 2008 and the pro forma adjustments made, is set out below:-

	Audited Combined Statement of Changes in Equity RMB'000	Note	**Pro forma Adjustments RMB'000**	**Unaudited Pro forma Combined Statement of Changes in Equity RMB'000**
Total equity at beginning of the year	82,656			82,656
Profit for the year	57,732	*(d)*	(320)	57,412
Equity component of convertible loan	1,235	*(c)*	(1,235)	–
Dividend	(24,913)			(24,913)
Issue of new shares	–	*(a)*	22,755	22,755
Issue of new shares	–	*(b)*	6,708	6,708
Issue of new shares	–	*(c)*	1,235	1,235
Capital reserve	–	*(d)*	1,000	1,000
Total equity at the end of the year	116,710			146,853

Note:

(a) To illustrate the issue of new shares from the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(a).

(b) To illustrate the issue of new shares from the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(b).

(c) To illustrate the issue of new shares when the conversion option of the convertible loan is exercised as set out in Note 3(a).

(d) To illustrate the recognition of the consultancy services as set out in Note 3(c) with a corresponding increase in equity.

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

The Unaudited Pro Forma Combined Statement of Changes in Equity of the Group for the financial period from 1 January 2009 to 31 March 2009 and the pro forma adjustments made, is set out below:-

	Unaudited Combined Statement of Changes in Equity RMB'000	Note	**Pro forma Adjustments RMB'000**	**Unaudited Pro forma Combined Statement of Changes in Equity RMB'000**
Total equity at beginning of the period	116,710			116,710
Profit for the period	22,988	*(e)*	(320)	22,668
Transfer to share capital	–	*(d)*	(1,235)	(1,235)
Issue of new shares	–	*(a)*	22,741	22,741
Issue of new shares	–	*(b)*	6,708	6,708
Issue of new shares	–	*(c)*	1,235	1,235
Capital reserve	–	*(e)*	1,000	1,000
Total equity at end of period	139,698			169,827

Note:

(a) To illustrate the issue of new shares from the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(a).

(b) To illustrate the issue of new shares from the conversion of the convertible loan to new shares when the conversion option is exercised as set out in Note 3(b).

(c) To illustrate the issue of new shares when the conversion option of the convertible loan is exercised as set out in Note 3(a).

(d) To illustrate the transfer from the equity component of the convertible loan to share capital when the conversion option is exercised as set out in Note 3(a).

(e) To illustrate the recognition of the consultancy services as set out in Note 3(c) with a corresponding increase in equity.

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOW
For the financial year ended 31 December 2008

The Unaudited Pro Forma Combined Statement of Cash Flow of the Group for the year ended 31 December 2008 and the pro forma adjustments made, is set out below: -

	Audited Combined Statement of Cash Flow RMB'000	Note	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Statement of Cash Flow RMB'000
Cash flows from operating activities				
Profit before taxation	66,067	*(b)*	(320)	65,747
Adjustments for :				
Interest income	(465)			(465)
Interest expense	4,636			4,636
Depreciation of property, plant and equipment	4,923			4,923
Loss on disposal of property, plant and equipment	117			117
Finder's fees for convertible loan	975			975
Consultancy services	–	*(b)*	320	320
Amortisation of land use rights	134			134
Operating profit before working capital changes	76,387			76,387
Decrease in inventories	5,100			5,100
Increase in trade receivables and other receivables	(1,025)			(1,025)
Decrease in other current assets	(156)			(156)
(Decrease) in trade and other payables	(15,246)			(15,246)
Cash generated from operations	65,060			65,060
Interest received	465			465
Interest paid	(4,636)			(4,636)
Income tax paid	(6,993)			(6,993)
Net cash generated from operating activities	53,896			53,896

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOW (CONTINUED)
For the financial year ended 31 December 2008

	Audited Combined Statement of Cash Flow RMB'000	Note	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Statement of Cash Flow RMB'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(13,584)			(13,584)
Proceeds from disposal of property, plant and equipment	830			830
Cash used in investing activities	(12,754)			(12,754)
Cash flows from financing activities				
Proceeds from bank borrowings	29,000			29,000
Repayment of bank borrowings	(39,000)			(39,000)
Proceeds from convertible bonds	23,015	*(a)*	6,708	29,723
Dividend paid	(24,913)			(24,913)
Net cash used in financing activities	(11,898)			(5,190)
Net increase in cash and cash equivalents	29,244			35,952
Cash and cash equivalents at beginning of financial year	14,091			14,091
Cash and cash equivalents at end of financial year	43,335			50,043

Note:

(a) To illustrate the receipt of the convertible loan as set out in Note 3(b).

(b) To illustrate the recognition of the consultancy services as set out in Note 3(c). The consultancy services expense recognised in the statement of comprehensive income are measured at the fair value of the services rendered for assisting in the preparation of financial information.

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOW
For the financial period from 1 January 2009 to 31 March 2009

The Unaudited Pro Forma Combined Statement of Cash Flow of the Group for the financial period from 1 January 2009 to 31 March 2009 and the pro forma adjustments made, is set out below:-

	Unaudited Combined Statement of Cash Flow RMB'000	Note	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Statement of Cash Flow RMB'000
Cash flows from operating activities				
Profit before taxation	26,457	*(b)*	(320)	26,137
Adjustments for :				
Interest income	(49)			(49)
Interest expense	540			540
Depreciation of property, plant and equipment	1,292			1,292
Consultancy services	–	*(b)*	320	320
Amortisation of land use rights	34			34
Loss on disposal of property, plant and equipment	29			29
Operating profit before working capital changes	28,303			28,303
Decrease in inventories	6,298			6,298
Increase in trade and other receivables	(425)			(425)
Increase in other current assets	(281)			(281)
Increase in trade and other payables	6,323			6,323
Cash generated from operations	40,218			40,218
Interest received	49			49
Interest paid	(540)			(540)
Income tax paid	(2,563)			(2,563)
Net cash generated from operating activities	37,164			37,164

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOW (CONTINUED)
For the financial period from 1 January 2009 to 31 March 2009

	Unaudited Combined Statement of Cash Flow RMB'000	Note	Pro forma Adjustments RMB'000	Unaudited Pro forma Combined Statement of Cash Flow RMB'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(69)			(69)
Proceeds from disposal of property, plant and equipment	190			190
Cash generated from investing activities	121			121
Cash flows from financing activities				
Proceeds from bank borrowings	7,000			7,000
Repayment of bank borrowings	(12,000)			(12,000)
Proceeds from convertible bonds	2,236	*(a)*	4,472	6,708
Net cash used in financing activities	(2,764)			1,708
Net increase in cash and bank balances	34,521			38,993
Cash and bank balances at beginning of financial period	43,335			43,335
Cash and bank balances at end of financial period	77,856			82,328

Note:

(a) To illustrate the receipt of the convertible loan as set out in Note 3(b).

(b) To illustrate the recognition of the consultancy services as set out in Note 3(c). The consultancy services expense recognised in the statement of comprehensive income are measured at the fair value of the services rendered for assisting in the preparation of financial information.

The annexed notes form an integral part of and
should be read in conjunction with these unaudited pro forma Combined Financial Statements

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

1. INTRODUCTION

The unaudited Pro Forma Combined Financial Statements for the financial year ended 31 December 2008 and financial period from 1 January 2009 to 31 March 2009 have been prepared for inclusion in the Offering Circular in connection with the offering of shares of Ziwo Holdings Ltd. (the "Company").

Pursuant to Section 23 of Part IX of the Fifth Schedule of the Securities Futures Regulations, the unaudited Pro Forma Combined Financial Statements for the financial year ended 31 December 2008 and financial period from 1 January 2009 to 31 March 2009 were based on the audited Combined Financial Statements of the Group for the financial year ended 31 December 2008 and the unaudited Interim Combined Financial Statements of the Group for the financial period from 1 January 2009 to 31 March 2009 respectively.

The unaudited Pro Forma Combined Financial Statements of the Group for the financial year ended 31 December 2008 and financial period from 1 January 2009 to 31 March 2009 are expressed in Renminbi ("RMB"), being the reporting currency of the companies within the Group, and have been prepared in accordance with the historical cost convention. The unaudited Pro Forma Combined Financial Statements of the Group for the financial year ended 31 December 2008 and financial period from 1 January 2009 to 31 March 2009 are prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The unaudited Pro Forma Combined Financial Statements, which comprise the unaudited Pro Forma Combined Statement of Comprehensive Income, unaudited Pro Forma Combined Statement of Financial Position, unaudited Pro Forma Combined Statement of Changes in Equity and unaudited Pro Forma Combined Statement of Cash Flow, set up herein have been prepared for illustrative purposes only to show what the financial positions of the Group as at 31 December 2008 and 31 March 2009, the financial results, changes in equity and cash flows for the financial year ended 31 December 2008 and financial period from 1 January 2009 to 31 March 2009, would have been based on certain assumptions and after making certain adjustments as described in Note 3.

2. BASIS OF PREPARATION

The unaudited Pro Forma Combined Financial Statements are prepared for illustrative purposes only to show the effect on: -

(a) the financial results of the Group for the financial year ended 31 December 2008 and financial period from 1 January 2009 to 31 March 2009, if the Significant Events as stated in Note 3 had occurred since 1 January 2008 and 1 January 2009 respectively;

(b) the financial positions of the Group as at 31 December 2008 and 31 March 2009 would have been if the Significant Events as stated in Note 3 had occurred on 31 December 2008 and 31 March 2009 respectively; and

(c) the equity changes and cash flows of the Group for the financial year ended 31 December 2008 and financial period from 1 January 2009 to 31 March 2009 if the Significant Events as stated in Note 3 had occurred since 1 January 2008 and 1 January 2009 respectively.

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

The unaudited Pro Forma Combined Financial Statements were based on the audited Combined Financial Statements for the financial year ended 31 December 2008 and the unaudited interim Combined Financial Statements of the Group for the financial period from 1 January 2009 to 31 March 2009, after making pro forma adjustments that are necessary. The audited Combined Financial Statements and the unaudited Interim Combined Financial Statements are not subject to any qualification.

The unaudited Pro Forma Financial Statements have been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the Group's actual financial position, results, changes in equity and cash flows. For the purpose of preparing this set of unaudited Pro Forma Combined Financial Statements, the directors have not considered the effects of other events other than those discussed in Note 3 below.

3. SIGNIFICANT EVENTS

Except for the following changes in capital structure by the Group, the directors of the Company, as at date of this report, are not aware of any other significant acquisition/disposal of assets, entity or business by the Group after 31 December 2008 and significant changes to the capital structure of the Group after 31 December 2008 (hereinafter collectively referred to as the "Significant Events") during the period between the beginning of the most recent completed financial year and the date of registration of the Prospectus to the Monetary Authority of Singapore:-

(a) Group I Conversion

Pursuant to a convertible loan agreement dated 16 April 2008 between the Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group I Investors of the other part, the Group I Investors granted a loan of US$3.5 million to the Company. Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new shares at the conversion price equivalent to 8 times of the Group's audited FY2008 net profit after tax or at a 50% discount to the indicative price per share for the purpose of the listing of the Company as determined by the Issue Manager and agreed by the Company after the receipt of the approval from the SGX-ST to the Listing, whichever is lower (based on exchange rate of US$1 : S$1.35740), within five (5) business day from the issuance of a written notice from the Company. Such notice shall be issued as soon as practicable upon receipt of approval from the SGX-ST to the Listing ("Group I Conversion").

On 29 September 2009, pursuant to the Group I Conversion, 40,433,000 shares were allotted and issued to Japan Asia Investment Co., Ltd, Yeo Cheow Tong, Vision Jade Holdings Limited and Superb Goal Limited in the proportion of 57.1%, 14.3%, 14.3% and 14.3% comprising 23,087,243, 5,781,919, 5,781,919 and 5,781,919 shares respectively.

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT EVENTS (Continued)

(b) Group II Conversion

Pursuant to a convertible loan agreement dated 18 February 2009, between the Company, Sky Upright and Mr Ting Chun Yuen of the one part and the Group II Investors of the other part, the Group II Investors granted a loan of S$1.5 million to the Company to be utilised to pay for the services provided and fees charged by professional parties appointed in relation to the Listing in the following tranches.

(i) the first tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of execution of the convertible loan agreement;

(ii) the second tranche comprising S$500,000 is to be disbursed by the Group II Investors within seven (7) business days from the date of the submission of the listing application to SGX-ST; and

(iii) the third tranche comprising S$500,000 is to be disbursed by the Group II Investors on seven (7) business days prior to the lodgement of this Prospectus with the Authority.

Under the terms of the said convertible loan agreement, the loan shall be converted into such number of fully paid new shares, being equivalent to 7.5% of the issued share capital immediately following the Listing of the Company, within five business day from the issuance of a written notice from the Company. Such notice shall be issued within one month of the lodgement of this Prospectus with the Authority ("Group II Conversion").

Also under the terms of the same agreement, if the Company is not listed for whatever reason other than that of the Company's own decision or if the Company is not able to obtain the Eligibility-to-list approval from the SGX-ST by 31 December 2009, the rights of the Group II Investors under the agreement shall be extinguished subject to the repayment of any unused amount.

The 7.5% issued share capital due to the Group II Investors is a result of commercial negotiations between the parties on a willing buyer and willing seller basis, taking into account the risk undertaken by the Group II Investors and the prevailing market conditions at the point of investment.

On 29 September 2009, pursuant to the Group II Conversion, 18,688,000 shares, being equivalent to 7.5% of the issued share capital immediately following the Offering were allotted and issued to Mrs Chau-Chan Sui Yung, Wang Ping, Tan Kuang Hui and Ma Ong Kee in the proportion of 23.33%, 13.3%, 13.3% and 50.0% comprising 4,360,533, 2,491,733, 2,491,733 and 9,344,001 shares respectively.

NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT EVENTS (Continued)

(c) Allotment of Shares to EV

Pursuant to the Consultation Agreement, the Company has agreed to allot and issue to EV such number of shares representing 1.0% of the issued share capital immediately following the Listing as payment of the consultancy fees for services rendered to the Group by EV in connection with the Offering.

On 29 September 2009, 2,491,000 shares, being equivalent to 1.0% of the issued share capital immediately following the Listing were allotted and issued to EV in satisfaction of the consultancy fees.

APPENDIX D – INFORMATION ON THE SHARE PURCHASE MANDATE

1. Rationale for the Share Purchase Mandate

It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares should obtain the approval of its shareholders to do so at a general meeting of its shareholders. On 29 September 2009, our Shareholders have approved the Share Purchase Mandate as set out in the section entitled "**Share Capital**" of this Prospectus.

The rationale for our Company to undertake the purchase or acquisition of our Shares is as follows:

(a) In managing the business of our Group, management strives to increase Shareholders' value by improving, *inter alia*, EPS, NTA and the return on equity of our Group. Share purchase at the appropriate price level is one of the ways through which the EPS, NTA and return on equity of our Group may be enhanced;

(b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for our Company to return surplus cash which is in excess of the financial and possible investment needs of our Group to our Shareholders. In addition, a share purchase mandate will allow our Company to have greater flexibility over, *inter alia*, our Company's share capital structure and our dividend policy;

(c) The Share Purchase Mandate will give our Company the opportunity to purchase or acquire Shares when such Shares are undervalued, to help buffer short-term share price volatility and to off-set the effects of short-term speculation and, in turn, bolster shareholder confidence and employee morale; and

(d) The Share Purchase Mandate will provide our Company the flexibility to undertake share repurchase at any time, subject to market conditions, during the period when the share purchase mandate is in force.

In addition, subject to the Companies Act, a share purchase mandate may be used to purchase existing Shares which may then be held in treasury, and such treasury shares may consequently be used for the purposes permitted under the Companies Act including the transfer for the purposes of or pursuant to a share option or share award scheme in order to satisfy the grants or awards given thereunder (if any).

If and when circumstances permit, our Directors will decide whether (a) to effect the share purchases via market purchases or off-market purchases; and (b) the shares purchased should be held as treasury shares or cancelled, after taking into account the amount of surplus cash (if any) available, the prevailing market conditions and the most cost-effective and efficient approach.

Our Directors will ensure that the Shares purchases will not have any effect on the listing of our Company's securities including the SGX-ST. Rule 723 of the Listing Manual of the SGX-ST requires at least ten per cent. (10%) of any class of a company's listed securities to be held by the public at all times. The "public", as defined under the Listing Manual, are persons other than (a) our Directors or CEO or Substantial Shareholders, or Controlling Shareholders of our Company and our subsidiary, and (b) the Associates of such persons named in (a). Our Directors shall safeguard the interests of public shareholders before undertaking any Shares purchases. Before exercising the Share Purchase Mandate, our Directors shall at all times take due cognisance of (a) the shareholding spread of our Company in respect of the number of Shares held by Substantial Shareholders and by non-Substantial Shareholders and (b) the volume of trading on the SGX-ST in respect of the Shares immediately before the exercise of any Shares purchase.

Upon the Listing, on the assumption that this offering Share are fully subscribed and/or purchased, 121,612,000 Shares representing 48.8% of the post-Offering share capital of our Company will be held by public shareholders. Our Company is of the view that there will be sufficient number of Shares in issue held by public Shareholders which would permit our Company to undertake Shares purchases of up to 18,917,860 Shares (being ten per cent. (10.0%) of its total number of issued ordinary shares in the capital of our Company (excluding treasury shares) as at the date the approval of the Share Purchase Mandate) without affecting the listing status of the Shares on the SGX-ST. In undertaking any purchases of its Shares, our Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the Shares purchases will not:

(a) adversely affect the listing status of the Shares on the SGX-ST;

(b) cause market illiquidity; or

(c) adversely affect the orderly trading of the Shares.

The purchases pursuant to the Share Purchase Mandate may not be carried out to the full ten per cent. (10.0%) as mandated.

2. Maximum Purchase Price and Number of Shares

(a) *Manner of Purchase*

Purchases of Shares may be made by way of, *inter alia*:

(i) an on-market Share Purchase effected on the SGX-ST through the Central Limit Order Book (CLOB) trading system ("Market Purchase"); and/or

(ii) an off-market Share Purchase (effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by our Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual ("Off-Market Purchase").

Our Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of our Company in connection with or in relation to any equal access scheme.

Under the Companies Act, an equal access scheme must satisfy all of the following conditions:

(aa) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;

(bb) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and

(cc) the terms of all the offers are the same, except that there shall be disregarded:

(1) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;

(2) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and

(3) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

Pursuant to the Listing Manual, in making an off-market purchase, our Company must issue an offer document to all Shareholders which must contain at least the following information:

(aa) the terms and conditions of the offer;

(bb) the period and procedures for acceptances;

(cc) the reasons for the proposed Share purchase;

(dd) the consequences, if any, of Share purchases by our Company that will arise under the Take-over Code or other applicable take-over rules;

(ee) whether the Share purchase, if made, would have any effect on the listing of the Shares on the SGX-ST; and

(ff) details of any Share purchase made by our Company in the previous 12 months (whether market purchases or off-market purchases), giving the total lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

(b) *Maximum Price*

The price paid for any Shares purchased by our Company (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for Shares purchased or acquired pursuant to the Share Purchase Mandate will be determined by our Directors.

However, the purchase price to be paid for the Shares purchased or acquired pursuant to Share Purchase Mandate shall not exceed:

(i) in the case of a market purchase, 105.0% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an off-market purchase pursuant to an equal access scheme, 120.0% of the Highest Last Dealt Price (as defined hereinafter),

(the "Maximum Price") in either case, excluding related expenses of the purchase.

For the above purposes:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five market days, on which transactions in the Shares were recorded, preceding the day of the market purchase and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the off-market purchase; and

"Day of the making of the offer" means the day on which our Company announces its intention to make an offer for the purchase of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase.

(c) *Maximum Number of Shares*

Only Shares which are issued and fully paid-up may be purchased by the Company.

The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10.0% of the total number of issued ordinary shares in the capital of our Company (excluding treasury shares) (ascertained as at the date of the last annual general meeting of our Company or at the date of the extraordinary general meeting at which the Share Purchase Mandate was approved, whichever is higher, unless our Company has effected a reduction of the share capital of our Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of our Company shall be taken to be the amount of the issued ordinary share capital of our Company as altered (excluding any treasury shares that may be held by our Company from time to time)).

For the purpose of this section "Relevant Period" means the time between the date of the last annual general meeting of our Company was held or if no such meeting was held the date it was required by law to be held before the Share Purchase Mandate was passed, and expiring on the date the next annual general meeting is or is required by law to be held, whichever is the earlier, after the date the Share Purchase Mandate was passed.

For illustrative purposes only, based on the total number of issued ordinary shares in the capital of our Company (excluding treasury shares) (as at the date of the extraordinary general meeting at which the Share Purchase Mandate was approved) of 189,178,600 Shares, not more than 18,917,860 Shares representing 10.0% of the total number of issued ordinary shares in the capital of our Company (excluding treasury shares) may be bought by our Company pursuant to the Share Purchase Mandate.

3. Status of Purchased Shares

(a) *Cancellation*

Any Share which is purchased or acquired by our Company shall, unless held as treasury shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase, and all rights and privileges attached to that Share will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by our Company and which are not held as treasury shares.

(b) *Treasury Shares*

Under the Companies Act, Shares purchased or acquired by our Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(i) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10.0% of the total number of issued Shares.

(ii) Voting and Other Rights

Our Company cannot exercise any right in respect of treasury shares. In particular, our Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, our Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of our Company's assets may be made, to our Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(iii) Disposal and Cancellation

Where Shares are held as treasury shares, our Company may at any time:

(aa) sell the treasury shares for cash;

(bb) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(cc) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(dd) cancel the treasury shares; or

(ee) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Ministry of Finance.

4. Source of Funds

The Companies Act permits our Company to also purchase or acquire its own Shares out of the Company's capital or profits so long as our Company is solvent.

Our Company is solvent if:

(a) our Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the 12 months immediately following the date of the payment made for any such purchase; and

(b) the value of our Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase or acquisition of Shares become less than the value of its liabilities (including contingent liabilities), having regard to the most recent financial statements of our Company and all other circumstances that the directors or managers of our Company know or ought to know affect or may affect such values.

In the event that Shares which are purchased by our Company are cancelled immediately on purchase (as opposed to being held as treasury shares to the extent permitted under the Companies Act), our Company shall:

(a) reduce the amount of its share capital where the Shares were purchased out of the capital of our Company;

(b) reduce the amount of its profits where the Shares were purchased out of the profits of our Company; or

(c) reduce the amount of its share capital and profits proportionately where the Shares were purchased out of both the capital and profits of our Company,

by the total amount of the purchase price paid by our Company for the Shares cancelled.

Our Company may use internal resources and/or external borrowings to finance purchases of its Shares pursuant to the Share Purchase Mandate.

Our Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the liquidity and capital adequacy position of our Group would be materially adversely affected.

5. Financial Impact of the Proposed Shares Purchases

(a) The purchased Shares may be:

(i) held by our Company; or

(ii) dealt with, at any time, in accordance with Section 76K of the Companies Act, as treasury shares.

Section 76K of the Companies Act allows our Company to:

(i) sell the Shares (or any of them) for cash;

(ii) transfer the Shares (or any of them) for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the Shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person; or

(iv) cancel the Shares (or any of them).

The aggregate number of Shares held as treasury shares shall not at any time exceed ten per cent. (10%) of the total number of Shares at that time. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within six (6) months.

Any Shares purchase will:

(i) reduce the amount of our Company's share capital where the Shares were purchased or acquired out of the capital of our Company;

(ii) reduce the amount of our Company's profits where the Shares were purchased or acquired out of the profits of our Company; or

(iii) reduce the amount of our Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of our Company,

by the total amount of the purchase price paid by our Company for the Shares cancelled.

(b) The amount of funding required for our Company to purchase its Shares and the financial effects on our Company and our Group arising from the proposed purchases of our Company's Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased and the consideration paid at the relevant time.

(c) Based on the issued and paid-up share capital of our Company immediately after the extraordinary general meeting approving the Share Purchase Mandate, the proposed purchases by our Company of up to a maximum of ten per cent. (10%) of its issued share capital under the Share Purchase Mandate will result in the purchase of 18,917,860 Shares.

(d) An illustration of the impact of Shares purchases by our Company pursuant to the Share Purchase Mandate on our Group's and our Company's financial position is set out below based on the following assumptions:

(i) audited accounts of our Group and our Company as at 31 December 2008;

(ii) in full exercise of the Share Purchase Mandate, 18,917,860 Shares were purchased;

(iii) the maximum price for the market purchases is 24.7 cents, which is five per cent. (5.0%) above this Offering Price; and

(iv) the maximum amount of funds required for the Shares purchases in the aggregate is S$4,672,711 (or RMB22,162,668).

Market Purchases	Group before Shares purchase (RMB'000)	Group after Shares purchase (RMB'000)
As at 31 December 2008		
Shareholders' funds	116,710	94,547
Net tangible assets	110,560	88,397
Current assets	106,364	84,201
Current liabilities	73,550	73,550
Total borrowings	51,755	51,755
Cash and cash equivalents	43,335	21,172
Net profit	57,732	57,732
Number of shares	249,178,600	230,260,740
Financial Ratios		
Net tangible assets per Share (RMB cents)	44.37	41.06
Earnings per Share (RMB cents)	23.17	25.07
Gearing (%)	0.44	0.55
Current ratio	1.45	1.14

(e) Shareholders should note that the financial effects set out above are based on the audited financial accounts of our Group and our Company for the financial year ended 31 December 2008 and are for illustration only. The results of our Group and our Company for the financial year ended 31 December 2008 may not be representative of future performance.

(f) Our Company intends to use its internal sources of funds to finance its purchases of the Shares. Our Company does not intend to obtain or incur any borrowings to finance its purchases of the Shares. Our Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the working capital requirements of our Group would be materially affected.

(g) Our Company will take into account both financial and non-financial factors, among other things, the market conditions at such time, our Company's financial condition, the performance of the Shares and whether such Shares purchases would represent the most efficient and cost-effective approach to enhance the Share value. Shares purchases will only be made if the Board believes that such purchases are likely to benefit our Company and increase economic value for shareholders.

6. Consequences of Share Purchases under the Singapore Code on Take-overs and Mergers

(a) The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following the purchase of Shares by our Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, depending on the number of Shares purchased by our Company and the total number of Shares in the capital of our Company at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate control of our Company and could become obliged to make an offer under Rule 14 of the Take-over Code.

(b) Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert:

(i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other;

(iii) an individual with his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by these persons, all with each other; and

(iv) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

(c) The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a general offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by our Company are set out in Rule 14 and Appendix 2 of the Take-over Code.

(d) In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a general offer under Rule 14 of the Take-over Code if, as a result of our Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of our Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

(e) Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with our Directors will not be required to make a general offer under Rule 14 of the Take-over Code if, as a result of our Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of our Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months.

(f) Immediately after this Offering, our Directors' and Substantial Shareholders' shareholding interests in our Company are as follows:

	Number of Shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Directors				
Ting Chun Yuen [(1)]	–	–	127,566,600	51.2
Zhang Qingquan	–	–	–	–
Fu Dongli	–	–	–	–
Soh Beng Keng	–	–	–	–
Lim Heng Chong Benny	–	–	–	–
Chai Chon Fatt	–	–	–	–
Substantial Shareholders				
Sky Upright	127,566,600	51.2	–	–

Note:

(1) Sky Upright is an investment-holding company incorporated in the BVI. It is wholly owned by our Executive Chairman and CEO, Mr Ting Chun Yuen.

In the event our Company undertakes Shares purchases of up to ten per cent. (10%) of the issued share capital of our Company as permitted by the Share Purchase Mandate, the shareholdings and voting rights of the Sky Upright and Mr Ting Chun Yuen in our Company would increase to approximately 55.4%. As Sky Upright and Mr Tin Chun Yuen's interest in our Company is above 50%, no general offer is required to be made as a result of an increase in their interest as a result of any purchase of the Shares by our Company.

Based on the above information after this offering, none of our Directors will become obligated to make a general offer in the event that our Company purchases 18,917,860 Shares under the Share Purchase Mandate. Our Directors are not aware of any Substantial Shareholder who may after this Offering, become obligated to make a mandatory offer in the event that our Company purchases 18,917,860 Shares.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by our Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in our Company during the period when the Share Purchase Mandate is in force.

7. Reporting Requirements

(a) *Reporting Requirements under the Companies Act*

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by our Company, our Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority of Singapore ("ACRA").

Within 30 days of a purchase of Shares on the SGX-ST or otherwise, our Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including *inter alia*, date of the purchase, the total number of Shares purchased by our

Company, the total number of Shares cancelled, the number of Shares held as treasury shares, our Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by our Company for the purchase, and whether the Shares were purchased out of the profits or the capital of our Company.

(b) *Reporting Requirements under the Listing Manual*

In making Share purchases, our Company shall comply with the requirements of the Listing Manual, in particular, Rule 886 with respect to notification to the SGX-ST of any Shares purchases. Rule 886 is reproduced below:

(i) An issuer must notify the Exchange of any share buy-back as follows:

(aa) in the case of a market acquisition, by 9.00 a.m. on the market day following the day on which it purchased shares,

(bb) in the case of an off-market acquisition under an equal access scheme, by 9.00 a.m. on the second market day after the close of acceptances of the offer.

(ii) Notification must be in the form of Appendix 8.3.1 of the SGX-ST Listing Manual (or Appendix 8.3.2 of the SGX-ST Listing Manual for an issuer with a dual listing on another stock exchange).

(iii) Our Company shall make arrangements with its stockbrokers to ensure that they provide our Company in a timely fashion with the necessary information which will enable our Company to make the notifications to the SGX-ST.

8. Suspension of Purchase

The SGX-ST Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times. However, as a listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its shares, our Company will not undertake to purchase or acquire Shares pursuant to the Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

Our Company may not effect or undertake any Shares purchases or acquisitions on the SGX-ST during the period commencing two (2) weeks before the announcement of our Company's financial statements for each of the first three quarters of its financial year, or one month before the financial year, as the case may be, and ending on the date of announcement of the relevant results.

9. Taxation

Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional tax advisers.

10. Shares purchased during the previous 12 months

Our Company has not made any Share purchase in the twelve (12) months preceding the Latest Practicable Date.

ESTABLISHMENT, OPERATION AND MANAGEMENT OF A WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment, operation and management of corporate entities in PRC is governed by the Company Law of the PRC (the "Company Law",《中华人民共和国公司法》), which was promulgated by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. The Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. The Company Law shall also apply to foreign-invested limited liability companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of the PRC (the "Wholly Foreign-owned Enterprise Law",《中华人民共和国外资企业法》), which was promulgated on 12 April 1986 and amended on 31 October 2000, and Implementation Rules on the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 December 1990 and amended on 12 April 2001.

Investment in the PRC conducted by foreign investors and foreign-invested enterprises shall comply with the Guidance Catalogue of Industries for Foreign Investment (the "Catalogue",《外商投资产业指导目录》), which was amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission on 31 October 2007. The Catalogue, as amended, became effective on 1 December 2007 and contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry no listed in the Catalogue is a permitted industry.

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (the "Product Quality Law",《中华人民共和国产品质量法》), which was promulgated on 22 February 1993 and amended on 8 July 2000.

The Product Quality Law is applicable to the production and sale of any product within the PRC, and producers and sellers shall be liable for any failure of their products to meet quality standards in accordance with the Product Quality Law.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer may be ordered to suspend its operations and its business licence may be revoked. Criminal liability may be incurred in serious cases.

According to the Product Quality Law, consumers or other victims who suffer injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

ENVIRONMENTAL PROTECTION

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.

Any company or enterprise which causes environmental pollution and discharges polluting materials that 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; 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 cause 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 either be penalised or have their business licences revoked. 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 for any losses or damages suffered as a result of such environmental pollution.

Under the Prevention of Water Pollution Law, companies which discharge pollutants directly or indirectly into bodies of water must register with the environmental protection department of the local government at county level or above in the area where they are situated. Such companies must provide information on their facilities which discharge such pollutants, their treatment plants, the type, amount and concentration of the pollutants discharged under normal business operations, in accordance with regulations set by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment plants also require the approval of the environmental protection department of the local government at county level or above.

LABOUR

On 29 June 2007, the NPC promulgated the Employment Contract Law of PRC (the "ECL", 《中华人民共和国劳动合同法》), which became effective as of 1 January 2008. On 18 September 2008, the State Council of PRC promulgated the Implementation Rules on Employment Contract Law of PRC. The ECL should be read mainly in conjunction with the PRC Labor Law (effective starting from 1 January 1995), the PRC Trade Union Law (promulgated on 3 April 1992 and amended in 27 October 2001).

As a whole, Chinese employees will be given a stronger position after ECL becomes effective in terms of longer-term employment relationship, increased presence and significance of trade union and increased power of individual employee vis-à-vis employer.

There are strong incentives to sign written employment contracts. If an employment relationship without a written contract has been in existence for more than one year, a non-fixed term contract is deemed to exist. Further, if an employment contract is not signed within one month of an employee's start of employment, the employee is entitled to double pay. Fixed term contracts are expressly permitted. However, after completing two such contracts with the same employer, an employee wishing to continue working for an employer is entitled to require a non-fixed term contract. In addition, employees who have been employed for more than ten years by the same employer are entitled to require a non-fixed term contract.

Domestic Chinese secondment, or temporary employee assignment arrangements are limited to temporary, auxiliary or substitute positions and there are restrictions on using multiple short-term secondments in place of a continuous secondment to hire staff. New obligations placed on secondment agencies could lead to higher secondment costs for foreign-invested enterprises.

ECL provides for a comprehensive collective bargaining system that gives rights to trade unions or employee representatives to act on behalf of employees. ECL also requires employers to consult with trade unions or employee representatives on a wide variety of matters, including salaries, working hours, rest and leave, safety and health, insurance and benefits, training and labor discipline and the rules of the company.

The circumstances in which lay-offs are permitted are clarified. A mass lay-off occurs when twenty or more employees or at least 10% of the workforce are laid off. Trade unions or employee representatives must be notified at least thirty days in advance of any lay-offs, and priority for retention in the event of a partial mass lay-off is given to employees on non-fixed term contracts and long fixed term contracts, as well as employees who are responsible for supporting elderly people or children.

The maximum non-compete period is reduced from three years to two years and consideration for a non-compete period must be paid in addition to salary. Non-compete agreements may only be signed with senior management and technical personnel and employees who have specific confidentiality obligations.

TAXATION

Enterprise Income Tax

Prior to 1 January 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (the "FIE Tax Law", 《中华人民共和国外商投资企业和外国企业所得税法》) promulgated on 9 April 1991 and effective on 1 July 1991 and the related implementation rules. Pursuant to the FIE Tax Law, a foreign-invested enterprise was subject to a national income tax at the rate of 30% and a local tax at the rate of 3% unless a lower rate was provided by law or administrative regulations. The income tax on foreign-invested enterprises established in Special Economic Zones, foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on foreign-invested enterprises of a production nature in Economic and Technological Development Zones, was levied at the reduced rate of 15%. The income tax on foreign-invested enterprises of a production nature 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, was levied at the reduced rate of 24%. Any foreign-invested enterprise of a production nature scheduled to operate for a period of not less than ten years was exempted from income tax for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years) and allowed a fifty percent reduction in the following three consecutive years.

According to the newly promulgated Enterprise Income Tax Law of the PRC (the "New Tax Law", 《中华人民共和国企业所得税法》), which was promulgated on 16 March 2007, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from 1 January 2008. However, there will be a transition period for enterprises that previously receive preferential tax treatments under the FIE Tax Law. Foreign-invested enterprises that are subject to an enterprise income rate lower than 25% may continue to enjoy the lower rate and gradually transit to the new tax rate after the effective date of the Income Tax Law. Foreign-invested enterprises that are subject to a tax rate of

24% with 3% of the local tax rate will be subject to a unified tax rate of 25% in 2008. Foreign-invested enterprises which enjoy a fixed period of exemptions or reductions under the existing applicable rules and regulations may continue to enjoy such treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment will commence from the effective date of the New Tax Law.

The New Tax Law includes a principal enterprise income tax incentive in the form of a 15% reduced enterprise income tax rate applicable to high – new technology status enterprise.

Value Added Tax

The Provisional Regulations on Value-added Tax of the PRC (《中华人民共和国增值税暂行条例》) effective from 1 January 1994 and amended on 10 November, 2008 as well as its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("VAT"). VAT payable is calculated as "output VAT" minus "input VAT". The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the product type.

FOREIGN EXCHANGE CONTROL AND DIVIDEND DISTRIBUTION

Foreign Exchange Control

The principal regulations governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (the "Foreign Exchange Administration Rules", 《中华人民共和国外汇管理条例》), promulgated by the State Council on 29 January 1996 and became effective on 1 April 1996, amended on 14 January 1997 and 1 August 2008. Under these rules, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign currency without the approval of SAFE for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities or to pay dividends. In addition, foreign exchange transaction involving direct investment, loans and investment in securities outside China are subject to limitations and require approvals from SAFE.

Dividend Distribution

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include Wholly Foreign-owned Enterprise Law and Implementation Regulation on the Wholly Foreign-owned Enterprise Law.

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds until the accumulated reserve amounts to 50% of its registered capital. Such enterprises are also required to set aside funds for the employee bonus and welfare fund from their after-tax profits each year at percentages determined at their sole discretion. These reserves are not distributable as cash dividends.

APPENDIX F – SUMMARY OF CONSTITUTION OF THE 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 of Association 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 200800853Z. Our Memorandum of Association sets out the objects for which our Company was formed, including taking, or otherwise acquiring, and holding shares, debentures, or other securities of any other company.

SUMMARY OF OUR ARTICLES OF ASSOCIATION

1. Directors

(a) Ability of interested directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal in which he has any personal material interest, and he shall not be counted in the quorum present at the meeting.

(b) Remuneration

Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, be determined by our Company by resolution passed at a general meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst Directors as they shall determine or failing agreement equally.

The fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

The remuneration of a non-Executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an Executive Director may not include a commission on or a percentage of turnover.

If any Director, being willing and having been called upon to do so, shall hold an executive office in our Company, shall render or perform extra or special services of any kind, including services on any committee established by our Directors, or shall travel or reside abroad for any business or purposes of our Company, he shall be entitled to receive such sum as our Directors may think fit for expenses, and also such remuneration as our Directors may think fit, either as a fixed sum (but not by way of commission on or percentage of turnover) and such remuneration may, as our Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive, and the same shall be charged as part of the ordinary working expenses of our Company.

Subject to the provisions of the statutes, our Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

A Managing Director shall, subject to terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits, or partly in one way and partly in another) as our Directors may determine.

(c) Borrowing

Directors may exercise all the powers of our Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as a security for any debt, liability, or obligation of our Company or of any third party.

(d) Retirement Age Limit

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the 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 our Company or authorised to continue in office as a Director of our Company by way of an ordinary resolution passed at an annual general meeting of our Company.

(e) Shareholding Qualification

Directors need not be a member and shall not be required to hold any share qualification in 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 are recognised as our Shareholders. In cases where 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

Our Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Directors may from time to time pay to the members such interim dividends as appear to our Directors to be justified by the profits of our Company.

No dividend shall be paid otherwise than out of profits or shall bear interest against our Company. 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 Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by our Directors for the benefit of our Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to our Company but our Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

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 Depository 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

Our Company may by ordinary resolution change the capital structure of our Company (for example, an increase, consolidation, cancellation, sub-division or conversion of our share capital). Our Company may by special resolution, reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. For the passing of an ordinary resolution, at least fourteen (14) days' notice in writing of a general meeting shall be given to Shareholders. For the passing of a special resolution, at least twenty-one (21) days' notice in writing of a general meeting shall be given to Shareholders.

4. Variation of rights of existing shares or classes of shares

Subject to the Companies Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class may 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 the shares of the class. To every such separate general meeting the provisions of our Articles of Association relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

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.

APPENDIX G – TAXATION

SINGAPORE TAXATION

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the date of this Prospectus, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes, on either a prospective or retroactive basis, in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of the Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase the Shares. This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. In addition, it does not address any non-income tax or any foreign tax consequences of the transaction. Prospective investors should consult their tax advisers regarding Singapore tax and other tax consequences of owning and disposing the Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in this Offering accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Shares. Any dividend payable by our Company on the Shares will be declared and paid to Shareholders in Singapore currency.

SINGAPORE INCOME TAX

General

Individual taxpayers

All individuals (resident or non-resident), subject to certain exceptions, are subject to income tax on income accruing in or derived from Singapore. All foreign-sourced income received in Singapore by resident individuals on or after 1 January 2004 will be exempt from income tax. This exemption will however not be applicable if the foreign-sourced income is received through a partnership in Singapore. Non-resident individuals are not subject to income tax on foreign-sourced income.

An individual is regarded as tax resident in Singapore if he is physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more in a calendar year, or if the individual resides in Singapore.

For Singapore tax resident individuals, their taxable income (after deduction of personal reliefs) will be subject to tax on a progressive tax rate varying from 0% to a maximum rate of 20% with effect from the Year of Assessment 2007. It is proposed that the maximum rate will remain for Year of Assessment 2010.

Corporate taxpayers

Corporate taxpayers (resident or non-resident), subject to certain exceptions, are subject to Singapore income tax on Singapore-sourced income and foreign-sourced income remitted or deemed remitted to Singapore. Foreign-sourced branch profits, dividends and service income received or deemed received in Singapore by a tax resident company on or after 1 June 2003 may enjoy tax exemption, subject to certain conditions. Such foreign-sourced income will be exempt from income tax, so long as it is earned from a jurisdiction with headline tax rate of at least 15% and is subject to tax of a similar character to income tax in that jurisdiction either by direct assessment or by withholding tax as the case may be.

A special concession has been granted whereby during the one-year period from 22 January 2009 to 21 January 2010, all foreign-secured income earned or accrued outside Singapore prior to 22 January 2009 can be received in Singapore free from Singapore taxation.

A corporate taxpayer is regarded as tax resident in Singapore if the company's business is controlled and managed in Singapore. The meaning of "control and management" is not defined in the Income Tax Act Cap 134 of Singapore. In practice, the residence of a company is generally taken to be where the directors of the company manage and control its business and hold their board meetings.

The corporate tax rate in Singapore is 18% with effect from the Year of Assessment 2008 and it is proposed that the corporate tax rate be reduced to 17% with effect from Year of Assessment 2010. In addition, 75% of the first S$10,000 of a company's chargeable income that is subject to normal tax rate, and 50% of the next S$290,000 (with effect from Year of Assessment 2008) will be exempt from income tax. This partial exemption will not apply to Singapore dividends received by companies.

Dividend Distributions

Up to 31 December 2002, Singapore adopted an imputation system of taxation. Under this system, the tax assessed on a tax resident company in respect of its normal chargeable income would be passed on as tax credits to its shareholders upon distribution of dividends. Such dividends would be taxable in the hands of shareholders and the shareholders could claim tax credits attached to the dividends as a set-off against their final tax payable in Singapore.

With effect from 1 January 2003, Singapore moved to the one-tier corporate tax system, subject to a 5-year transition period. Under this system, the income tax paid by a tax resident company on its profits is final and all dividends paid are exempt from tax in the hands of shareholders (referred hereinafter as "exempt (one-tier) dividends").

Singapore tax resident companies which have unutilised franking credits as at 31 December 2002 are, however, given a 5-year transition period from 1 January 2003 to 31 December 2007 to use these credits to frank dividends under the old imputation system. These companies will move to the one-tier corporate tax system when their franking credits are fully utilised or if they choose to move to the one-tier corporate tax system before 31 December 2007. Where a company chooses the latter option, it will not be able to move back to the imputation system. After 31 December 2007, all companies will move to one-tier tax system regardless of their tax credit balance and only exempt (one-tier) dividends can be declared.

Our Company, being a newly incorporated company, has no past accumulated franking credits and will therefore automatically be on the one-tier corporate tax system. Under this system, dividends declared by our Company will be exempt (one-tier) dividends. Exempt (one-tier) dividends on our Shares are tax-exempt in the hands of our Shareholders.

As in the current tax law in force, no withholding tax will be imposed on dividends paid to non-resident shareholders.

Bonus Issues

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 shareholder receiving shares by way of a bonus issue should not have a liability to Singapore income tax.

Scrip Dividends

When a dividend declared by our Company is to be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid, the dividend so declared will be treated as an exempt (one-tier) dividend, the receipt of which will not be subject to tax in the hands of our Shareholders.

Capital Gains

Gains of a capital nature are not taxable, whereas gains of an income nature will be subject to Singapore income tax if the gains are either sourced in Singapore or received / deemed received in Singapore.

Any gain derived on disposal of our Shares should be exempt from Singapore income tax provided that such a gain is accepted by the Inland Revenue Authority of Singapore as a capital gain. If, however, the gain is construed to be of an income nature rather than capital in nature, it will be taxable in full if sourced in Singapore or received/deemed received in Singapore.

The assessment of whether the gain is a non-taxable capital gain or a taxable revenue gain is entirely dependent upon various factors such as intention, frequency of similar transactions, length of ownership and circumstances responsible for the sale. For example, the gains arising to a financial institution or investment dealing enterprise, regularly transacting in its portfolio of security investments (including equity investments in various companies, listed or unlisted), may be construed as trading gains and be subject to Singapore income tax.

SINGAPORE STAMP DUTY

There is no stamp duty payable on the subscription of our Shares.

Stamp duty is payable on any conveyance, assignment or transfer on sale of any stock or shares or interest thereof. The purchaser is liable for stamp duty, unless otherwise agreed. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

The above stamp duty is, however, not applicable to electronic transfers of the shares through CDP.

SINGAPORE GOODS AND SERVICES TAX ("GST")

General

The sale of shares is considered a supply of services for Singapore GST purposes. Generally, a supply of services made by a GST-registered person is subject to GST at the current standard rate of 7% unless the supply of services can qualify for zero-rating (i.e. charge GST at 0%) under Section 21(3) of the Goods and Services Tax, Cap 117A of Singapore ("GST Act") or exemption under the Fourth Schedule to the GST Act.

On Acquisition

No GST is payable on the purchase of our Shares except for (possible) GST payable on other incidental charges, e.g. brokerage charges as mentioned below.

On Sales

The sale of shares by a GST-registered investor in the course of or furtherance of a business carried on by him through the SGX-ST or to another person belonging in Singapore qualifies for exemption under the Fourth Schedule to the GST Act. However, any (possible) input GST which is incurred by the investor in making wholly exempt supplies is not recoverable from the Comptroller of GST. This is only applicable if the GST-registered investor is not a financial institution since most financial institutions are subject to fixed input tax recovery rate prescribed by the Comptroller of GST.

If the sale of shares by a GST-registered investor is made to another person belonging outside Singapore, and that person is outside Singapore when the sale is executed, the sale would qualify for zero-rating under Section 21(3) of the GST Act. Any (possible) input GST which is incurred by the investor in making zero-rated supplies is fully recoverable from the Comptroller of GST. This is only applicable if the GST-registered investor is not a financial institution since most financial institutions are subject to fixed input tax recovery rate prescribed by the Comptroller of GST.

Other Incidental Charges

Brokerage, handling and clearing fees in connection with the purchase, sale or acquisition of shares charged by a GST-registered person (e.g. broker) to an investor belonging to Singapore is subject to GST at the current standard rate of 7%. Similar services rendered to an investor belonging outside Singapore should qualify for zero-rating provided that the investor is outside Singapore when the services are performed and the services provided do not benefit any Singapore persons.

APPENDIX H – TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply and subscribe for and/or purchase the Offering Shares at the Offering Price for each Offering Share subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 OFFERING SHARES AND HIGHER INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF OFFERING SHARES WILL BE REJECTED.**

2. Your application for Offering Shares may be made by way of printed Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks ("ATM Electronic Applications") or through the Internet Banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications" which, together with ATM Electronic Applications, shall be referred as "Electronic Applications").

   Your application for the Placement Shares may only be made by way of Placement Shares Application Forms.

   YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE OFFERING SHARES.

3. You (being other than an approved nominee company) are allowed to submit ONLY one application in your own name for:-

   (a) the Offer Shares by any one of the following:

   (i) Offer Shares Application Form;

   (ii) ATM Electronic Application;

   (iii) Internet Electronic Application,

   (b) the Placement Shares by Placement Shares Application Form.

   If more than one application is submitted for either the Offer Shares or the Placement Shares, such separate applications shall be deemed to be multiple applications and shall be rejected.

   If you have made an application for Placement Shares, you should not make any application for Offer Shares and *vice versa*. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   Joint or multiple applications shall be rejected. If you submit or procure submissions of multiple share applications 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 will be liable to be rejected at the discretion of our Company and the Vendors.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, self-proprietorships, partnerships, non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their printed 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 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, 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 you apply by way of an Application form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account 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 provided in your Application Form or 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 possess 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, contained 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 will be sent to your address last registered with CDP.**

9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form or the instruction for Electronic Applications and in this Prospectus or with the terms and conditions of this Prospectus, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance. Our Company and the Vendors 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 Vendors reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and our Company and the Vendors will not entertain any enquiry and/or correspondence on our decision. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment, our Company and the Vendors will give due consideration to the desirability of allotting and/or allocating the Offering 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 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 Offering Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Offering 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 the Offer Shares as at the close of the Application List, we will make available that number of Offer Shares under-subscribed to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

    In the event of an under-subscription for the Placement Shares as at the close of the Application List, we will make available that number of Placement Shares under-subscribed to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

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

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Offering Shares allotted and/or allocated to you pursuant to your application, to our Company, the Issue Manager, the Underwriter, Placement Agent and any other parties so authorised by CDP, the Company, the Issue Manager, Underwriter and Placement Agent.

14. Any reference to the "you" in this section shall include an individual, a corporation, an approved nominee 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 through the Placement Agent by way of a Placement Shares Application Form.

15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the "Enter" or "OK" or "Confirm" or "Yes" 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" on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:-

    (a) irrevocably offer to subscribe for and/or purchase the number of Offering Shares specified in your application (or such smaller number for which the application is accepted) at the Offering Price and agree that you will accept such Offering Shares as may be allotted and/or allocated to you, in each case on the terms of this Prospectus and 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) 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 IB websites or ATMs of the relevant Participating Banks, the terms and conditions set out in this Prospectus shall prevail;

    (c) agree that the aggregate Offering Price for the Offering Shares applied for is due and payable to our Company and the Vendors upon application;

    (d) 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 Vendors in determining whether to accept your application and/or whether to allot and/or allocate any Offering Shares to you; 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 our Company, the Vendors, the Issue Manager, the Underwriter and/or the Placement Agent 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 Vendors being satisfied that:-

    (a) permission has been granted by the SGX-ST to deal in, and for quotation of, all our existing Shares (including the Vendor Shares) and the New Shares, on the Official List of the SGX-ST;

    (b) the Management and Underwriting Agreement and the Placement Agreement referred to under the section entitled "**Management, Underwriting and Placement Arrangements**" of this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company and the Vendors may determine; and

    (c) the Authority has not served a stop order which directs that no further shares to which this Prospectus relates be allotted and/or allocated.

17. Our Company will not hold any applications in reserve.

18. Our Company will not allot or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

19. Additional terms and conditions for applications using printed Application Forms are set out on pages H-5 to H-8 of Appendix H of this Prospectus.

20. Additional terms and conditions for Electronic Applications are set out on pages H-8 to H-17 of Appendix H of this Prospectus.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING PRINTED APPLICATION FORMS

You shall make an application by way of Application Forms made 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 the section on **"TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**" on pages H-1 to H-17 of Appendix H of this Prospectus, 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** Offer Shares Application Forms and WHITE official envelopes "A" and "B" accompanying and forming part of this Prospectus.

   Your application for the Placement Shares must be made using the **BLUE** Placement Shares Application Forms 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 Vendors 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 form 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 names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are a non-individual completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. 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 constitutive documents must be lodged with our Company's Share Registrar and Share Transfer office. Our Company and the Vendors 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 page 1 of the Application Form.

(b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form 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 Form, your application is liable to be rejected.

6. You (whether you are an individual and corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted), will be required to declare whether you are a citizen or 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 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Offering 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 per cent. of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a cash remittance in Singapore currency for the full amount payable, in respect of the number of Offer 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 **"ZIWO Share Issue Account"** crossed "A/C PAYEE ONLY'", with your name and address written clearly on the reverse side.

We will not accept applications accompanied by ANY OTHER FORM OF PAYMENT. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company, the Vendors or the Issue Manager for applications and application moneys received.

8. 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 Market Days after the close of the Application List.

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 in accordance with the provisions of this Prospectus, you agree that:-

(a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 6 October 2009 or such other time or date as our Company and the Vendors may, in consultation with the Issue Manager, decide** and by completing and delivering the Application Form, you agree that:-

(i) your application is irrevocable; and

(ii) your remittance will be honoured on first presentation and that any 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 this Offering 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 Offering 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 Vendors;

(d) you will not be entitled to exercise any remedy of rescission for 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 none of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent or any other person involved in this Offering shall have any liability for any information not so contained.

Applications for Offer Shares

1. Your applications for Offer Shares MUST be made using the WHITE Offer Shares Application Forms 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 your remittance 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;

(iii) tick the relevant box to indicate the form of payment; and

(iv) affix adequate Singapore postage;

(c) **SEAL THE WHITE OFFICIAL ENVELOPE "A";**

(d) write, in the appropriate box provided on the larger **WHITE** official envelope "B" addressed to Boardroom Corporate & Advisory Services Pte. Ltd., 3 Church Street #08-01, Samsung Hub, Singapore 049483**,** the number of Offer Shares you have applied for; and

(e) insert **WHITE** official envelope "A" into **WHITE** official envelope "B", seal **WHITE** envelope "B", affix adequate Singapore postage on WHITE official envelope "B" (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to Boardroom Corporate & Advisory Services Pte., Ltd. 3 Church Street #08-01, Samsung Hub, Singapore 049483**,** so as to arrive by **12.00 noon on 6 October 2009 or such other time or date as our Company and the Vendors 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 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 Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed and signed **BLUE** Placement Shares Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, for the full amount payable in respect of the number of Placement Shares applied for, 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 on the envelope (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 Stirling Coleman Capital Limited, 4 Shenton Way #07-03, SGX Centre 2, Singapore 068807, to arrive by **12.00 noon on 6 October 2009 or such other time or date as our Company and the Vendors 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 which are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances 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 at ATMs are set out on the ATM screens (in the case of ATM Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks.

Currently, DBS Bank and the UOB Group are the only Participating Banks through which an Internet Electronic Application can be made on the respective IB websites of DBS Bank and the UOB Group.

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 Electronic Applications for Offer Shares through ATMs of DBS Bank", "Steps for Internet Electronic Applications through the IB website of DBS Bank" appearing on pages H-14 to H-17 of this Prospectus.

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" 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.

To make an ATM Application:

(a) 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 the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other 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 ATM Electronic Application. The Transaction Record is for your retention and should not be submitted with any Application Form.

(b) 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 operate a joint bank account with any of the 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 Electronic Application liable to be rejected.

To make 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 given by the relevant Participating Bank. Upon completion of your Internet Electronic Application, there will be an on-screen confirmation ("Confirmation Screen") of the application which you can print out for your record. This printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

Further, you must ensure, when making an Internet Electronic Application that :

(a) **you are currently in Singapore at the time of making of such application**;

(b) your mailing address for IB with the relevant Participating Bank is in Singapore;

(c) you are not a US person(1) (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended from time to time),

and you will be asked to declare the above accordingly. Otherwise, your application is liable to be rejected.

Note:

(1) For details, please refer to definition of "US person" on the IB websites.

APPENDIX H – TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

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 under the section on "**TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**" on pages H-1 to H-17 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 the Electronic Application: -

   (a) that you have received a copy of this Prospectus and has read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agrees 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 amount (the "Relevant Particulars") from your account with that Participating Bank to the Share Registrar, CDP, SCCS, SGX-ST, CPF, our Company, the Vendors and the Issue Manager (the "Relevant Parties"); and

   (c) that this is your only application 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 in the ATM unless you press the "Enter" or "OK" or "Confirm" or "Yes" key. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation, by pressing the "Enter" or "OK" or "Confirm" or "Yes" key, 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 Participating Bank of your 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.**

3. For an ATM Application or Internet Electronic Application, you must have sufficient funds in your bank account with your Participating Bank at the time you make your ATM Application or Internet Electronic Application, failing which your ATM Application or Internet Electronic Application will not be completed. **Any ATM Application or Internet Electronic Application which does not conform strictly to the instructions set out on the screens of the ATM or IB website through which your ATM Application or Internet Electronic Application is being made shall be rejected.**

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 Confirmation Screen. You also irrevocably agree and undertake to subscribe for and/or purchase and to accept 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 Vendors 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 on the ATM, clicking "Confirm" or "OK" 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. **Our Company will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (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 twenty-four hours of the balloting. **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 (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, at your own risk, within 14 Market 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 received in the designated share issue account.

   Responsibility for timely refund of application monies arising from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from 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 the SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is made through the ATMs of one of the Participating Banks and is unsuccessful, no notification will be sent by the relevant Participating Bank.

   If your Internet Electronic Application made through the IB website of DBS Bank or UOB Group is unsuccessful, no notification will be sent by such Participating Bank.

If you make ATM Electronic Applications through the ATMs of the following banks, you may check the results of your ATM Electronic Applications as follows:

Bank	**Telephone**	**Available at**	**Operating hours**	**Service expected from**
DBS Bank	1800 339 6666 (for POSB account holders) 1800 111 1111 (for DBS Bank account holders)	Internet Banking http://www.dbs.com(1)	24 hours a day	Evening of the balloting day
OCBC	1800 363 3333	ATM/Phone Banking/ Internet Banking http://www.ocbc.com(2)	24 hours a day	Evening of the balloting day
UOB Group	1800 222 2121	ATM (Other Transactions – "IPO Enquiry")(3) http://www.uobgroup.com(1)(3)	ATM/ Phone Banking 24 hours a day Internet Banking 24 hours a day	Evening of the balloting day

Notes:

(1) If you have made your Internet Electronic Applications through the IB website of DBS Bank or UOB Group, you may check the result of your application through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS Bank or UOB Group.

(2) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check the result of your application through the same channels listed in the table above.

(3) If you have made your Electronic Application through the ATMs or IB website of the UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB PhoneBanking Services.

7. Electronic Applications shall close at **12.00 noon on 6 October 2009** or such other time or date as our Company and the Vendors may, in consultation with the Issue Manager, decide. Subject to paragraph 9 below, your Internet Electronic Application is deemed to be received when it enters the designated information system of the relevant Participating Bank.

8. You are deemed to have irrevocably requested and authorised us to:-

(a) register the Offer Shares or Placement Shares, as the case may be, allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;

(b) send the relevant Share certificate(s) to CDP;

(c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your ATM Electronic Applications or Internet Electronic Applications be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within twenty-four hours of the balloting; and

(d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your ATM Electronic Applications or Internet Electronic Applications be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 Market 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 Vendors, the Issue Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application is lost, corrupted 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 Vendors, the Issue Manager and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.

10. Our Company does not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company and the Vendors will reject any application by any person acting as nominee.

11. All your 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, 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 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 Vendors making available the Electronic Application facility, through the Participating Banks acting as agents of our Company and the Vendors, at the ATMs and the IB websites:-

(i) your Electronic Application is irrevocable; and

(ii) your Electronic Application, the acceptance by our Company, the Vendors and the contract resulting therefrom under this Offering 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) none of our Company, the Vendors, the Issue Manager or 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 Vendors and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendors;

(d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and

(e) reliance is placed solely on information contained in this Prospectus and that none of our Company, the Vendors, the Issue Manager, Underwriter and Placement Agent nor any other person involved in the Offering shall have any liability for any information not so contained.

STEPS FOR ATM ELECTRONIC APPLICATIONS FOR OFFER SHARES THROUGH ATMS OF DBS BANK

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Bank. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank ATM are shown below. Certain words appearing on the screen are in abbreviated form ("A/c", "amt", "appln", "&", "I/C", "SGX", "No." and "Max" refer to "Account", "amount", "application", "and", "NRIC", "SGX-ST", "Number" and "Maximum", respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank) may differ slightly from those represented below.

Step 1 : Insert your personal DBS Bank or POSB ATM Card.

2 : Enter your Personal Identification Number.

3 : Select "MORE SERVICES".

4 : Select "ESA-IPO SHARE/INVESTMENTS".

5 : Select "ELECTRONIC SECURITY APPLN (IPOS/BONDS/ST-NOTES)".

6 : Read and understand the following statements which will appear on the screen:

- THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THIS 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 DBSBANK/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.

- ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THIS 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 THIS PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THIS 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.

- Press the "Enter" key to confirm that you have read and understood.

7 : Select "**ZIWO**" to show details.

8 : Press the "ENTER" key to acknowledge:-

- YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.

- YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO. AND SECURITIES APPLICATION AMOUNT FROM YOUR BANK ACCOUNT(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF AND THE ISSUER(S).

- FOR FIXED AND MAX PRICE SECURITY 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 APPLICATIONS, THIS IS YOUR ONLY APPLICATION AT THE SELECTED TENDER PRICE AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

- YOU ARE NOT A US PERSON AS REFERRED TO IN THIS PROSPECTUS/DOCUMENT OR PROFILE STATEMENT AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.

9 : Select your nationality.

10 : Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSB account (current/savings) from which to debit your application moneys.

11 : Enter the number of securities you wish to apply for using cash.

12 : Enter your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in the Bank's records).

13 : Check the details of your securities application, your I/C/Passport number and CDP Securities Account number and number of securities on the screen and press the "ENTER" key to confirm your application.

14 : Remove the Transaction Record for your reference and retention only.

STEPS FOR AN INTERNET ELECTRONIC APPLICATION THROUGH THE IB WEBSITE OF DBS BANK

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website are 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).

Step 1 : Click on to DBS Bank website (www.dbs.com).

2 : Login to Internet Banking.

3 : Enter your User ID and PIN.

4 : Select "Electronic Security Application".

5 : Click "Yes" to proceed and to warrant that 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 US person (as such terms is defined in Regulation S under the United States Securities Act of 1993 as amended).

6 : Select your country of residence.

7 : Click on "**ZIWO**" and click the "Submit" button.

8 : Click "Confirm" to confirm:-

(a) You have read, understood and agreed to all terms of this application and this Prospectus/Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.

(b) You consent to disclose your name, NRIC or Passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and securities application amount from your DBS Bank/POSBank Account(s) to registrars of securities, SGX-ST, SCCS, CDP, CPF Board, issuer/vendor(s) and the Issue Manager.

(c) You are not a US Person (as such term is defined in Regulation S under the United States Securities Act of 1993, 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 law 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 "US 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. There 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 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.

9 : Fill in details for share application and click "Submit".

10 : Check the details of your share application, your NRIC or passport number and click "OK" to confirm your application.

11 : Print Confirmation Screen (optional) for your reference & retention only.

ZIWO HOLDINGS LTD.

(Incorporated in Singapore on 10 January 2008)
(Company Registration Number: 200800853Z)

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