IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	:	**500,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**50,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**450,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	:	**Not more than HK$2.2 per Offer Share and expected to be not less than HK$1.8 per Offer Share (payable in full on application and subject to refund)**
Nominal value	:	**HK$0.10 per Share**
Stock code	:	**3398**

Global Coordinator, Sponsor, Bookrunner and Lead Manager

BNP PARIBAS PEREGRINE

The Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong and available for public inspection" in Appendix VII to this prospectus, has been registered by the Companies Registry in Hong Kong as required by Section 342C of the Companies Ordinance. The SFC and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Company and the Global Coordinator (on behalf of the Underwriters) on or before Friday, 9 December 2005. The Offer Price will be not more than HK$2.2 and is expected to be not less than HK$1.8. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$2.2 for each Hong Kong Offer Share together with 1% brokerage, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee subject to refund if the Offer Price as finally determined is less than HK$2.2. The Global Coordinator (on behalf of the Underwriters) may, with the agreement of the Company, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn. If, for any reason, the Offer Price is not agreed between the Company and the Global Coordinator (on behalf of the Underwriters) on or before Friday, 9 December 2005, the Global Offering will not become unconditional and will lapse.**

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus including the risk factors set out in the section headed "Risk factors" in this prospectus.

Pursuant to the termination provisions contained in the Underwriting Agreements, the Global Coordinator, on behalf of the Underwriters, has the right in certain circumstances, in the sole discretion of the Global Coordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares first commence on The Stock Exchange (such first dealing date is currently expected to be Thursday, 15 December 2005). Further details of the termination provisions are set out in the section headed "Underwriting — Grounds for termination" in this prospectus.

30 November 2005

EXPECTED TIMETABLE

If there is any change in the following expected timetable, the Company will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times.

	Date[1]
	2005
Application Lists open[2]	11:45 a.m. on Thursday, 8 December
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[3]	12:00 noon on Thursday, 8 December
Application Lists close[2]	12:00 noon on Thursday, 8 December
Expected Price Determination Date[4]	on or before Friday, 9 December
Announcement of the Offer Price and the indication of the levels of interest in the International Placing and the results of the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on	Wednesday, 14 December
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before	Wednesday, 14 December
Despatch of refund cheques in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on[5]	Wednesday, 14 December
Dealings in Shares on the Main Board to commence on	Thursday, 15 December

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 December 2005, the Application Lists will not open and close on that day. Further information is set out in the paragraph headed "Effect of bad weather conditions on the opening of the Application Lists" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

(3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the paragraph headed "How to apply by giving electronic application instructions to HKSCC" under the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

(4) The Price Determination Date is expected to be on or before Friday, 9 December 2005. If, for any reason, the Offer Price is not agreed on or before Friday, 9 December 2005, the Global Offering will not proceed.

(5) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

(6) Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited of **3rd Floor, Futura Plaza, 111–113 How Ming Street, Kwun Tong, Kowloon**, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 December 2005. Identification and (where applicable) authorisation documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms is the same as that for **WHITE** Application Form applicants.

Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed "Refund of your money — additional information" under the section headed "Terms and conditions of the Hong Kong Public Offering" in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Global Offering has become unconditional; and (ii) the right of termination as described in the section headed "Underwriting — Grounds for termination" in this prospectus has not been exercised thereto and has lapsed.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Global Coordinator, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

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

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed "Risk factors". You should read that section carefully before you decide to invest in the Shares.

Capitalised terms are defined in the section headed "Definitions".

THE INDUSTRY HIGHLIGHTS

According to the United Nations Statistics Division, the apparel industry is one of the largest export industries in the world with global trading volume of approximately US$487.4 billion (comprising US$220.6 billion of exports, US$249.0 billion in imports and US$17.8 billion in re-exports) in 2004. The industry structure was shaped by a quota system from 1974 with the signing of the MFA. In 1995, the MFA was superseded by the ATC, a transitional agreement designed to gradually phase out quotas by 2005. All of the members of the WTO are also signatories of the ATC, including prominently the United States, EU member states and Japan. Under the ATC, quotas were allocated by importing countries to regulate the quantity of apparel imported from exporting countries as a means to protect the interests of their domestic apparel manufacturing industries from those of the exporting countries which often can produce apparel at a lower cost. As a result, the geographical distribution of the industry is fragmented, with apparel manufacturers scattered over many different countries. Production facilities are located mostly in developing or less developed countries with available quota and low labour costs.

However, changes in the global trading arena in recent years and the abolition of quotas under the ATC as of 1 January 2005, have prompted larger structural changes in the industry, which are expected to lead to a period of industry consolidation.

Even during the period when worldwide apparel trade was governed by the quota system, apparel production increasingly shifted to Asian countries during the 1980s and 1990s. Asian countries' share of world apparel exports in terms of export value has increased from 26.8% in 1980 to 37.8% in 2004 and since 2000 has surpassed that of the EU. Among Asian countries, China has become a main production base for textiles and apparel products. According to WTO statistics, China was the world's largest exporting country for textiles and apparel products in 2004.

Although quota restrictions under the ATC have been abolished since 1 January 2005, as a protective measure for importing countries to avoid a sudden influx of Chinese apparel, China remains restricted by two provisions as provided for under the Report of the Working Party on the Accession of China to the WTO, which allow other WTO members to restrict market access for textile and apparel products produced in China. These include a textile-specific safeguard, which, if imposed, would allow them to impose a limit of 7.5% per year on the growth of the textile and clothing imports from the PRC. For further details on the safeguard measures implemented by the US and the EU, please refer to the section headed "Industry overview" of this prospectus.

SUMMARY

China is the principal global silk apparel exporter. China produced over 70% of the world's raw silk from 1999 to 2002. In 2004, China exported 89.98 million pieces of silk knitted garments worth US$777 million, representing a 35.4% year-on-year growth in terms of value, as well as 112.79 million pieces of silk shuttle-woven (梭織) garments with a total export amount of US$1,012 million, representing a 21.2% year-on-year growth in terms of value. Key export markets for China's silk apparel are the U.S., Hong Kong, Japan, Germany, the UK and Italy, with an export amount of US$1.10 billion, US$177 million, US$165 million, US$64 million, US$55 million and US$55 million respectively in 2004.

BUSINESS OVERVIEW

The Group is a vertically integrated and large scale garment manufacturer, exporter and retailer based in China whose businesses principally comprise the following two distinctive, yet related, parts: (i) the provision of vertically integrated garment manufacturing solutions for middle to high-end fashion apparel, primarily for women, using predominantly silk or silk-blended fabric, on an OEM basis for international fashion brands, chain retailers and department stores primarily in the United States and increasingly in Europe; and (ii) manufacturing and retailing of branded fashion apparel, primarily for women, in China. The Group sold over 13 million pieces of apparel for the year ended 31 December 2004 with a total turnover of HK$1,401 million for the same year. According to the China Silk Association, the Group is one of the largest exporters and manufacturers of silk apparel in China.

The Group is headquartered in Hong Kong with production facilities in Zhejiang, Jiangsu and Shenzhen and offices in Hong Kong, Hangzhou, Shenzhen, Shanghai, Paris and New York to support its sourcing, manufacturing and distribution activities, to maintain close liaison with major customers and to keep abreast of the latest market information and international fashion trends. The Group's primary manufacturing facilities are situated at the China Ting Industrial Complex in Hangzhou, which is the centre of China's silk industry. The Group also operates other manufacturing facilities in Shenzhen, Hangzhou City, Haiyan of Zhejiang and Sihong of Jiangsu, the PRC.

The Group's principal business, from which it derived 88.8% of its turnover for the year ended 31 December 2004, is the manufacture on an OEM basis of predominantly silk and silk-blended fashion apparel (primarily for women) for export to fashion brands, chain retailers and department stores including Express, Macy's, Jones Apparel Group, Liz Claiborne, May Department Stores, Saks Inc. and Zara. The Group offers vertically integrated garment manufacturing solutions comprising fabric design and sourcing, raw silk processing and weaving and garment manufacturing.

In addition to its OEM business, the Group has also established a branded fashion apparel retail business in China which accounted for 11.2% of its turnover for the year ended 31 December 2004. The Group's retail business is principally of women's apparel which is conducted under its own brands namely *FINITY, ÉLANIE* and *Dbni* (formerly under the brands, *diny* and *dbn!*) and a licensed brand, *MAX STUDIO*. The Group began to retail men's apparel as the franchisee for a Spanish brand, *SPRINGFIELD* in September 2004, but discontinued doing so following the launch of its own brand *RIVERSTONE* in mid October 2005. As of 31 October 2005, the Group had a retail network of 292 retail outlets across various major PRC cities comprising 143 Concessions and four Free-standing Stores directly operated by the Group and 145 retail outlets operated by franchisees through franchise arrangements.

SUMMARY

The following table shows the breakdown of the Group's turnover by activities for each of the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005.

	Year ended 31 December						For the five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
OEM	621,428	87.3	863,242	88.1	1,244,512	88.8	558,817	89.9	763,923	91.7
Retail	90,475	12.7	116,773	11.9	156,953	11.2	63,098	10.1	69,558	8.3
Total Turnover	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

HISTORY AND DEVELOPMENT

The business of the Group was founded in 1992 by Mr. TING Man Yi, the chairman of the Group, with the establishment of Concept Creator in Hong Kong, specialising in trading of silk fabric. In May 1994, Concept Creator Fashion was incorporated, focusing on trading of knitted garments manufactured by outsourced contractors.

Hong Kong Fuhowe was incorporated in October 1996 as part of the Group's plan to develop its own garment manufacturing business. Mr. DING Jianer, an executive Director and a younger brother of Mr. TING Man Yi, joined the Group in 1996 and was responsible for the business operation of Hong Kong Fuhowe in China.

In August 1998, Hong Kong Fuhowe, together with Kiteman, established Finity (Shenzhen) for the manufacturing and retailing of apparel under the *FINITY* brand in China. Finity (Shenzhen) was owned by Hong Kong Fuhowe as to 55% with the remaining 45% owned by Kiteman.

The Group's garment manufacturing operations quickly expanded with the establishment of Hangzhou Fucheng and Zhejiang Concept Creator in Hangzhou to engage in garment manufacturing, in December 1998 and January 2000, respectively.

In May 2002, the Group launched a retail brand, *diny* (now under the brand, *Dbni*), in the PRC.

In 2002, Mr. TING Hung Yi, the chief executive officer of the Group and a younger brother of Mr. TING Man Yi and Mr. DING Jianer, joined the Group and was responsible for the development of the Group's OEM export business and retail fashion business in China. During the same year, the construction of the China Ting Industrial Complex commenced, while the OEM export business of the Group continued to expand, with the establishment of China Ting Garment, China Ting (USA), and China Ting Europe.

In March 2003, the Group established China Ting Textile & Knitwear to expand into knitwear export business.

The China Ting Industrial Complex first commenced production in May 2003 and came into full operation in January 2004. As at 30 September 2005, the China Ting Industrial Complex occupied a site area of approximately 202,000 sq.m. and housed various factory buildings and an administration building. The construction of the China Ting Industrial

Complex was a milestone in the Group's development. The commencement of production of the new factories within the China Ting Industrial Complex allowed the Group to quickly expand its scale of garment production, enhance its production efficiency and diversify its production capability vertically into silk weaving, knitwear and home textile fabric production.

In March 2003, the Group made a strategic investment by acquiring a 40% shareholding interest in Interfield which through its two operating subsidiaries namely Hangzhou Huaxing and Heshan Tri-Star, engages in printing and dyeing of silk fabric.

In June 2003, China Ting Group was granted a licence to manufacture and market women's apparel under the licensed brand *MAX STUDIO* in the PRC. In August 2003, the Group launched another retail brand, *ÉLANIE*, in the PRC.

In June 2004, the Group acquired the brand *FINITY* for use in the PRC and Hong Kong for an aggregate consideration of US$4.0 million. In September 2004, *SPRINGFIELD* was added to the Group's portfolio of retail brands.

In June 2004, the Group contracted to acquire the remaining 45% equity interest in Finity (Shenzhen) from Kiteman for a consideration of US$1.5 million.

In October 2005, the retail of *SPRINGFIELD* apparel was discontinued. The Group began to retail men's apparel under its own brand *RIVERSTONE* in mid October 2005 through its retail network in China.

As at the Latest Practicable Date, apart from the factory used by Hangzhou Huaxing, all factories within the China Ting Industrial Complex were operated by members of the Group, forming the Group's principal manufacturing base to support its OEM and fashion retail operations.

PRINCIPAL STRENGTHS

- **Leading player in the global silk apparel trade.** According to the China Silk Association, the Group is one of the largest exporters and manufacturers of silk apparel in China. The Directors believe that the Group's scale of operations and strong track record, longstanding relationships with and reputation among customers and suppliers, and its wealth of experience in the silk industry accumulated over the years, place the Group in a strong position to maintain and further strengthen its leading position in China's silk garment industry.

- **Silk apparel manufactured by the Group subject to relatively limited trade restrictions compared to non-silk apparel, particularly in the United States, the Group's principal market.** Compared to garments produced using other types of fabrics such as cotton, silk garments manufactured by the Group in China have historically been and are currently subject to relatively limited trade restrictions, particularly on imports into the United States, the Group's principal market. The Directors believe that, in part, this is due to the fact that major apparel importing countries, in particular the United States, do not have significant silk garment manufacturing industries to protect from foreign competition. Consequently, the Directors believe that the Group's silk garment export business occupies a leading position in a segment of the apparel industry which is currently and is likely to remain in the future relatively free from import/export restrictions.

- **Strong established market position with established customer relationships and reputation rendering the Group (i) a potential beneficiary of expected consolidation of the apparel supply chain, and (ii) strategically positioned for expansion into the non-silk garment OEM business.** As a supplier of quality silk garments with a reputation amongst its customers for quality, consistency and reliability, the Group has established business relationships with a number of international fashion brands, chain retailers and department stores. The Directors believe that international garment retailers/brand owners will increasingly seek to reduce the number of manufacturers with whom they do business and consolidate their sources of supply after the abolition of the global quota system, and the Directors expect China to become the prime beneficiary of such consolidation. The Directors believe that the Group's established market position as a middle to high-end silk garment supplier in China coupled with the Group's established business relationships with key customers render the Group well positioned to benefit from the expected consolidation of the apparel supply chain in the post quota global apparel trade environment. The Directors also believe that the Group's customer base and relationships and manufacturing operations provide the Group with the opportunity to expand into the non-silk garment OEM business.

- **More diversified and balanced business portfolio than "pure" apparel manufacturers.** In addition to its traditional OEM export business, the Group has diversified over the past seven years into the branded fashion retail business in the PRC market. The Directors believe that the Group's success in the apparel retail business enables the Group to capitalise on fast growing domestic consumer spending in the PRC and also serves to diversify risks generally associated with purely export orientated businesses in the garment/textile industry.

- **Large scale integrated manufacturing facilities and industry knowhow capable of undertaking various stages of the silk garment supply chain.** The Directors believe that the Group's large scale integrated manufacturing operations with corresponding industry knowhow are key to its winning OEM business and enables the Group to benefit from economies of scale, to control costs and the quality of its products and to accelerate time to market for its customers, supporting not only its OEM business but also its retail business.

- **Experienced management team.** The Group has an experienced management team with substantial experience in the silk garment manufacturing and the fashion industry.

GROWTH STRATEGIES AND FUTURE PLANS

Growth strategies

The Directors believe that the Group's current business activities provide an excellent platform for future growth and expect to concentrate efforts to achieve future growth on the following areas:

- **Expand branded apparel retail sales.** The Group's objective is to expand its retail business to increase the proportion of the Group's turnover generated from its retail business by increasing the size of its retail network. The Directors also intend to develop further the Group's portfolio of retail brands. The Group expects to focus only on those brands for which it also manufactures apparel, as that has the potential to provide a higher margin.

- **Diversify the Group's business into home textile production and retail sales.** The Group aims to diversify its business further into home textile production and retail sales. The Directors intend to construct a new dyeing, printing and finishing production plant for home textile products. In October 2005, Finity International entered into an agreement with *BURLINGTON HOUSE* to manufacture, sell and distribute home textile products in the PRC.

- **Expand apparel production capacity.** The Directors intend to expand the Group's apparel production capacity by building the Group's own production facilities, principally in Zhejiang, the PRC. The Group is in the process of establishing a new apparel manufacturing facility in Macau. The Directors also intend to establish a design development and exhibition centre in Hangzhou to further strengthen the Group's design and development capabilities in fabric and apparel.

- **Expand into the European OEM business.** The Directors intend to expand into new markets in Europe. The Group will focus on growing business in Europe with brand retailers such as Zara as the Directors believe that there is expected to be a significant potential for growth with brand retailers. To implement this strategy, the Group has opened a representative office in Paris to co-ordinate the business strategy of the Group in Europe.

- **Expand existing production facilities organically and through acquisition to position the Group to take advantage of anticipated industry consolidation.** The Directors intend to expand the Group's existing production facilities in multiple sites and product lines in the next two to three years and to seek opportunities for growth through acquisition of suitable businesses.

Future plans

- The Directors intend to further expand the Group's retail network for branded apparel sales by: (i) increasing the number of retail outlets; (ii) establishing flagship specialty shops in major PRC cities for the sale of the Group's in-house brands; (iii) continuing its marketing strategies and improvement of network facilities; and (iv) establishing new alliances for operating other premium fashion brands.

- The Directors intend to diversify the Group's business further into home textile production and retail sales through: (i) the construction of a new home textile dyeing, printing and finishing production facility and the establishment of a retail network for *BURLINGTON HOUSE* products; and (ii) the construction of a new OEM home textile production facility.

- The Directors intend to establish a product design, development and exhibition centre in Hangzhou to fortify its design and development capabilities in fabric and apparel.

- The Directors intend to further increase its apparel production capacity through the construction of a new apparel production plant in Hangzhou offering an additional annual production capacity of approximately two million pieces of apparel, and the construction of a new apparel production base in Qiandaohu, Zhejiang offering an additional annual production capacity of approximately six million pieces of apparel.

- The Directors intend to identify and invest in quality projects through which the Group's business will expand and increase in competitiveness.

- The Directors intend to enhance the Group's internal management control system to increase its operating efficiency so as to strengthen its competitive advantage.

SUMMARY

TRADING RECORD

The following is a summary of the Group's combined results for the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005 extracted from the accountants' report set out in Appendix I to this prospectus. The results were prepared on the basis of the presentation as set out in the above mentioned accountants' report.

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$000	*HK$000*	*HK$000*	*HK$000* *(unaudited)*	*HK$000*
Turnover *(Note)*	711,903	980,015	1,401,465	621,915	833,481
Cost of sales	(527,024)	(702,082)	(967,807)	(419,719)	(506,545)
Gross profit	184,879	277,933	433,658	202,196	326,936
Other revenue	744	902	6,505	1,595	652
Other gains, net	24,283	19,918	26,637	5,972	5,474
Selling, marketing and distribution costs	(60,448)	(80,600)	(108,716)	(38,796)	(41,072)
Administrative expenses	(51,243)	(107,018)	(114,930)	(43,485)	(47,038)
Operating profit	98,215	111,135	243,154	127,482	244,952
Finance costs	(1,142)	(6,974)	(10,191)	(4,380)	(3,264)
Share of profit of associates	3,317	3,669	10,391	4,013	5,803
Profit before income tax	100,390	107,830	243,354	127,115	247,491
Income tax expense	(6,050)	(12,799)	(30,186)	(15,194)	(36,151)
Profit for the year/period	94,340	95,031	213,168	111,921	211,340
Attributable to:					
Company's equity holders	87,033	85,272	192,803	100,833	198,563
Minority interests	7,307	9,759	20,365	11,088	12,777
	94,340	95,031	213,168	111,921	211,340
Dividend	—	—	—	—	15,150

Note: Turnover comprises the fair value for the sale of goods and services net of rebates, discounts, returns, value-added tax and after eliminated sales within the Group.

For additional information on the combined results of the Group, please refer to the section headed "Financial information — Management's Discussion and Analysis of Financial Condition and Results of Operations" and Appendix I to this prospectus.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2005

Forecast combined profit attributable to equity holders of the Company *(Notes 1 and 2)*	not less than HK$369 million
Pro forma forecast earnings per Share *(Note 3)*	not less than HK$0.1845

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2005 have been prepared are summarised in Appendix III to this prospectus.

(2) The forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2005 prepared by the Directors is based on the audited combined results of the Group for the five months ended 31 May 2005, the Group's unaudited combined management accounts for the four months ended 30 September 2005 and a forecast of the combined results of the Group for the three months ending 31 December 2005 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2005. The forecast has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by the Group as set out in Note 3 of section II of the Accountants' Report, contained in Appendix I to this prospectus.

(3) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2005 and a total of 1,990,000,000 Shares in issue, assuming that the Global Offering has been completed on 1 January 2005 (without taking into account the Over-allotment Option), and 10,000,000 additional Shares, assuming that the Pre-IPO Share Option Deed was exercised in full on 1 January 2005. The unaudited pro forma forecast earnings per Share would be HK$0.1854 if the impact on the exercise of the Pre-IPO Share Option Deed was excluded. Accordingly, diluting effect on the forecast earnings per Share arising from the exercise of the Pre-IPO Share Option Deed in full is less than HK$0.001 per Share. The calculation of the diluted earnings per Share above has not taken into consideration the impact of the fair value of the Shares upon the exercise of the Share Option Scheme in full. The Directors consider it is impracticable to estimate the fair value of the Shares to be issued under the Share Option Scheme prior to the Listing.

OFFERING STATISTICS

	Based on the minimum indicative Offer Price of HK$1.8 per Share	**Based on the maximum indicative Offer Price of HK$2.2 per Share**
Market capitalisation of the Shares *(Note 1)*	HK$3,582 million	HK$4,378 million
Forecast price/earnings multiple *(Note 2)*	9.76 times	11.92 times
Pro forma net tangible assets value per Share *(Note 3)*	HK$0.67	HK$0.77

Notes:

(1) The calculation of the market capitalisation of the Shares is based on 1,990,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue but does not take into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme.

(2) The calculation of forecast price/earnings multiple on a pro forma basis is based on the unaudited pro forma forecast earnings per Share for the year ending 31 December 2005 at the minimum and the maximum indicative Offer Price, and based on the assumption set forth in note (1) above. The forecast price/earnings multiple would be 9.71 times and 11.87 times at the minimum and maximum indicative Offer Price, respectively, if the impact on the exercise of the Pre-IPO Share Option Deed was excluded.

(3) The pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraphs headed "Unaudited pro forma net tangible assets" in the section headed "Financial information" in this prospectus and on the basis of 1,990,000,000 Shares in issue at the minimum and the maximum indicative Offer Price of HK$1.8 and HK$2.2 per Share respectively immediately following completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$2.0 per Share (being the mid-point of the stated range of the Offer Price of between HK$1.8 and HK$2.2 per Share), the pro forma net tangible assets value of the Group will increase and the unaudited pro forma forecast earnings per Share will decrease correspondingly.

DIVIDENDS

The Directors are of the view that the amount of any dividends to be declared in the future will depend on, among other things, the Group's results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable laws and regulations and all other relevant factors.

The Directors intend to declare and recommend dividends which would amount in total to not less than 50% of the net profit from ordinary activities attributable to shareholders of the Company for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

For the period ended 31 May 2005, Zhejiang Huading Group paid a dividend of HK$15.2 million to the then shareholders of Zhejiang Huading Group. For the year ended 31 December 2004, certain companies now comprising the Group, namely, China Ting Garment, Concept Creator Fashion and Hong Kong Fuhowe, further paid an ordinary dividend of HK$80.0 million out of their profits for the year 2004, and a further special dividend of HK$161.0 million respectively, which were approved by their respective board of directors in November 2005. Such dividends were declared to distribute profits to the relevant shareholders which will be settled by internal sources of funding and partly offset by amounts due from the Controlling Shareholders. The following table provides a summary of the components of the dividends declared:

	HK$'000
Ordinary dividend	80,000
Special dividend	161,000
Less: Balance of amounts due from Controlling Shareholders resulting from various cash advancements and disposal of a real property as at 1 November 2005	240,631
Dividend settled in cash in November 2005	369

All of the above dividends have already been declared and therefore will not be paid to new investors participating in the Global Offering. The Group's dividends were declared having due regard to, amongst other factors, the Group's retained profits, business prospects and shareholders' needs and the Directors consider that the payment of such dividends would not adversely affect the financial position of the Group taken as a whole. The amounts of dividends declared historically are not indicative of the dividends that the Group may pay in the future.

REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS

The Directors believe that the net proceeds of the Global Offering will finance the Group's capital expenditures and business expansion, strengthen the Group's capital base and improve its financial position.

The net proceeds of the Global Offering after deducting related expenses, and assuming an Offer Price of HK$2.0 per Share (being the mid-point of the stated range of the Offer Price of between HK$1.8 and HK$2.2 per Share) and that the Over-allotment Option is not exercised in whole or in part, are estimated to amount to approximately HK$937.0 million. To effect the Group's future plans (details of which are more particularly set out in the section headed "Future plans and use of proceeds — Future plans and prospects" in this prospectus), the Group intends to apply the net proceeds as follows:

1. approximately HK$114.0 million (RMB118.6 million) for expansion of branded apparel sales through opening new shops, engaging in advertising and marketing campaigns, installing sales distribution network facilities, constructing and expanding warehousing and sales distribution capabilities;

2. approximately HK$141.7 million (RMB147.4 million) for construction of a new dyeing, printing and finishing plant for home textile products with an estimated annual production capacity of 23.0 million metres of home textile fabric;

3. approximately HK$102.8 million (RMB106.9 million) for the construction of a production plant and the acquisition of weaving machines for production of cotton, linen, wool, synthetic and other textiles, principally for the production of home textile products on an OEM basis;

4. approximately HK$23.0 million (RMB23.9 million) for the establishment of a design development and exhibition centre in Hangzhou;

5. approximately HK$53.5 million (RMB55.6 million) for the construction of a new apparel production plant in Hangzhou with an estimated capacity of two million pieces of apparel per year;

6. approximately HK$205.6 million (RMB213.8 million) for the construction of a new apparel production base in Qiandaohu, Zhejiang, the PRC with an estimated annual production capacity of approximately six million pieces of apparel;

7. approximately HK$120.0 million (RMB124.8 million) for investment in quality projects;

8. approximately HK$20.0 million (RMB20.8 million) for improving the Group's information systems and upgrading operational efficiency; and

9. approximately HK$116.3 million (RMB121.0 million) for repayment of bank loans in respect of the financing of the acquisition of the equity interests in certain subsidiaries of the Group as part of the Reorganisation. Particulars of the relevant outstanding bank loans as at 30 September 2005 are set forth below:

Name of Bank	**Principal amount** *HKD'000*	**Drawdown date**	**Maturity date**	**Interest rate**	**Outstanding amount** *HKD'000*
Shanghai Pudong Development Bank	1,918	16 June 2005	16 December 2005	5.22%	1,918
Shanghai Pudong Development Bank	2,877	13 July 2005	12 January 2006	5.22%	2,877
Bank of Communications	4,796	26 April 2005	5 February 2006	5.58%	4,796
Bank of China	24	11 March 2004	10 March 2006	5.00%	24
Shanghai Pudong Development Bank	4,796	16 June 2005	16 December 2005	5.22%	4,796
ICBC	959	10 August 2005	5 February 2006	5.22%	959
Nanyang Commercial Bank	14,488	31 December 2004	31 December 2006	4.75%	9,171
Nanyang Commercial Bank	57,626	22 June 2005	22 June 2006	5.25%	14,410
Nanyang Commercial Bank	77,350	5 July 2005	5 July 2006	5.25%	77,350
					116,301

For further details relating to the acquisitions, please refer to the paragraphs (a)(i)–(iii), (c) and (d)(i)–(v) in the section headed "Reorganisation — Detailed steps of the Reorganisation" in Appendix VI to this prospectus.

The remaining balance of approximately HK$40.1 million (RMB41.7 million) and any additional net proceeds that the Company would receive if the Over-allotment Option is exercised, which is currently estimated to be approximately HK$146.2 million (RMB152.0 million) (assuming an Offer Price of HK$2.0), may be used for working capital requirements and general corporate purposes. The Group's operations require a high level of working capital as the Group will expend a significant amount of cash in the operations, principally to fund the purchase of silk/silk-blended fabric and other raw materials for production. Purchase of silk/silk-blended fabric and other raw materials normally requires cash payment with a relatively short credit period. As the Group expands, the working capital requirements will increase as the Group's purchase increase. Therefore, the Group believes that the additional working capital will provide greater support and flexibility for business expansion.

If the Offer Price is determined at the highest point of the stated range, the proceeds would be increased by approximately HK$97.5 million (RMB101.4 million). If the Offer Price is determined at the lowest point of the stated range, the proceeds would be decreased by approximately HK$97.5 million (RMB101.4 million). In such event, the net proceeds invested for project acquisition will be adjusted accordingly.

The Directors intend to further expand its OEM business by acquiring quality trading companies with diversified client base to widen its existing OEM client base and OEM factories engaged in non-silk garment production to expand non-silk OEM manufacturing facilities. For the Group's retail business, the Directors intend to acquire retail brands in the PRC should any suitable opportunities arise. However, as at the Latest Practicable Date, no specific target has been identified for project acquisition. The Directors will carefully consider the then prevailing market conditions and business circumstances before acquiring any investment targets.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Directors intend to place such proceeds on short-term deposits with licensed banks or financial institutions in Hong Kong.

Further information in relation to the use of proceeds of the Global Offering is set out in the section headed "Future plans and use of proceeds".

RISK FACTORS

The Directors believe that there are certain risks involved in the Group's operations. They can be broadly categorised into (i) risks relating to the Group; (ii) risks relating to the industry in which the Group operates; (iii) risks relating to the PRC; and (iv) risks relating to ownership of Shares and trading markets.

Risks relating to the Group

- Because the Group derives a substantial majority of its revenue from exports to the United States, its business will be harmed if its access to these markets were further restricted by any newly imposed trade restrictions, including tariffs, safeguards or otherwise

- In the three years ended 31 December 2004 and the five months ended 31 May 2005, 83.4%, 82.6%, 79.3% and 81.9% respectively of the Group's total worldwide sales were made to customers in the United States

- Sales to the Group's five largest customers represented between 49.1% and 63.1% of the Group's total worldwide sales made during the Track Record Period, and if the Group's relationships with any or all of these customers were to be negatively affected its business would be harmed

- The Group has no long-term sales contracts with any of its customers, including any of its top five customers, allowing customers to terminate their respective relationships with the Group at any time without cause and almost immediately

- The Group is subject to some financial risk in connection with foreign currency exchange rate fluctuations between the U.S. dollar and the Renminbi

- The Group's success significantly depends on key management and its ability to attract and retain additional management

- The Group's PRC retail business depends on the continuing operation and expansion of its retail network, including Concessions; non-renewal of Concessions or changes in the terms of Concessions may harm the Group's retail business

- The terms of certain Concessions have expired and the lessor of a retail store leased to the Group has not proved its right to lease such property

- The Group's growth potential depends on its managers' ability to achieve and manage growth

- The Group's retail business is entirely reliant on the PRC retail market; if economic conditions in the PRC do not match the Directors' expectations, the Group's PRC retail business may be harmed

- Possible infringement of trademarks and other intellectual property rights related to the Group's in-house and licensed brands

- If the brand images of the Group's in-house and licensed brands weaken in the minds of consumers in the PRC, the Group's PRC retail business will be harmed

- The Group is dependent on third parties for the manufacture of apparel for their in-house and licensed brands

- The Group relies on outside vendors to supply it with silk fabric and clothing accessories such as thread, buttons and zippers, and raw silk, and if any or all of these vendors were unable to continue to supply the Group, there can be no assurance that the Group would be able to locate alternative suppliers who could supply the same quality goods in a timely fashion and at commercially reasonable prices

- Silk fabric is the Group's largest single cost item; because the Group has no long-term supply contracts with its suppliers of silk fabric, fluctuations in the price of raw silk or silk fabric may harm the Group's business

- The franchise agreement allowing the Group to sell *SPRINGFIELD* branded apparel terminated in October 2005

- One of the Group's subsidiaries may have exceeded its business licence through the operation of its *SPRINGFIELD* retail outlets, and may be subject to penalties up to and including revocation of its business licence

- The terms of the Group's licence with the licensors of *MAX STUDIO* and *BURLINGTON HOUSE* may limit the Group's ability to expand using that brand

- If the Group is unable to successfully manage the rapid growth of its network of Concessions and Free-standing Stores in the PRC, its financial performance may be harmed

- If the Group is unable to protect certain of its intellectual property, including trademarks for its stores' names, its business may be harmed

- The Group has short term contracts with the licensor from whom the Group has licensed the *MAX STUDIO* brand. If the Group was to lose this licence, or was unable to renew it on commercially reasonable terms, its business may be harmed

- Retail sales may decline if the Group does not successfully advertise and market the apparel for its in-house and licensed brands

- The loss of, or disruption in, the Group's China Ting Industrial Complex and distribution network in the PRC may negatively impact its business and operations

- The Group makes provisions for obsolete or slow-moving inventory

- Tax liability may increase due to a change in the PRC's preferential tax treatment

- The past dividend distribution record should not be used as a reference of the amount of dividend payable in the future

Risks relating to the industry in which the Group operates

- As a substantial part of the Group's total turnover was derived from sales to customers outside of the PRC, any future appreciation of the value of the Renminbi may harm the Group's export business and adversely affect the financial condition and operating results of the Group

- Apparel manufacture requires substantial capital investment and the sources of the Group's future financing are uncertain

- Changes in PRC government regulations such as government charges, environmental regulations or tax could adversely affect participants in this industry

- Certain of the Group's customers are sensitive to social responsibility standards and if the Group has or is perceived to have low standards certain customers might choose not to do business with the Group

- If the minimum wage or manufacturing overhead is increased, the Group's cost of production will increase and its business may be harmed

- Increased inspection procedures and tighter import and export controls could increase the Group's operating costs and cause disruption to the Group's business

- Trade and other matters may affect PRC exporters, including the Group

- The Group's business may be affected by unpredictable weather patterns and natural catastrophes

- Reduced import duties may increase competition for the Group's retail operations

- Fashion and apparel industry risks to the Group's retail business and inventory obsolescence

- If the price of silk increases, the Group's profitability may be harmed

Risks relating to the PRC

- Changes in the economic and political environment in the PRC and policies adopted by the government to regulate its economy may adversely affect the business, operating results and financial condition of the Group
- A possible recurrence of a SARS outbreak may materially and adversely affect the Group's business and operating results
- The Group's raw material suppliers and garment manufacturers are subject to government regulation, and changes in these regulations or incentives may adversely affect the Group's business and operating results
- The Renminbi is not freely convertible
- The Group relies heavily on its middle management personnel, and failure to attract and retain such personnel in the PRC may harm the Group's operations and prospects there
- The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to the Group
- If power shortages occur in the PRC, the Group's business may be harmed

Risks relating to ownership of Shares and trading markets

- Future sales of securities by the Company or its shareholders may decrease the value of an investment
- There has been no prior market for the Shares and the Global Offering may not result in an active or liquid market for these securities, which may adversely affect the market price of the Shares
- The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile
- The Company will continue to be controlled by Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, whose interests may differ from those of other Shareholders
- The trading price of the Shares may be volatile
- The interest of the Shareholders may be diluted as a result of additional equity fund raising
- The industry statistics from government official sources contained in this prospectus are derived from various official sources and may not be reliable
- There are risks associated with forward-looking statements
- Prospective investors are cautioned not to place any reliance on any information contained in any reports or articles in the press or other media regarding the Group or the Global Offering including, in particular, any financial projections, valuations or other forward-looking information

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in the section headed "Glossary of technical terms".

"Application Form(s)"	the **WHITE** and **YELLOW** application forms or as the context so requires, any of them which is used in relation to the Hong Kong Public Offering
"Application Lists"	the application lists for the Hong Kong Public Offering
"Articles"	the articles of association of the Company as currently adopted
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"BNP Paribas Peregrine" or "Sponsor" or "Global Coordinator"	BNP Paribas Peregrine Capital Limited acting as the global coordinator, sponsor, bookrunner and lead manager of the Global Offering, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Board"	the board of Directors
"Bolinding Hangzhou Textile"	伯林鼎(杭州)紡織科技有限公司 (Bolinding Hangzhou Textile Technology Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 28 December 2004, being a wholly-owned subsidiary of the Company
"Business Day"	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 1,390,000,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of the Company as referred to in the paragraph headed "Written resolutions of the sole Shareholder passed on 1 November 2005 and 18 November 2005" in Appendix VI to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Broker Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chief Executive"	the chief executive (as defined in the Listing Rules) of the Company and its subsidiaries
"China" or "PRC"	The People's Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated) excluding Taiwan, Macau Special Administrative Region of the People's Republic of China and Hong Kong
"China Silk Association"	中國絲綢協會 (China Silk Association*), an association in the PRC, the members of which include enterprises and institutions in the PRC silk apparel production industry
"China Ting Brand Management"	浙江華鼎品牌管理有限公司 (Zhejiang China Ting Brand Management Company Limited*), a company established under the laws of the PRC with limited liability on 21 August 2003, being a wholly-owned subsidiary of the Company
"China Ting Europe"	Concept Creator Limited — China Ting Group Europe, a representative office registered by Concept Creator in France on 17 September 2002
"China Ting Garment"	China Ting Garment Mfg (Group) Limited (華鼎製衣(集團)有限公司) (formerly known as Hong Kong China Ting Garment Manufacturing (Holdings) Limited (香港華鼎製衣(集團)有限公司) and China Ting Garment Manufacturing Enterprises Limited (華鼎製衣企業有限公司)), a company incorporated in Hong Kong with limited liability on 16 January 2002, being a wholly-owned subsidiary of the Company
"China Ting Group"	China Ting Group Limited (華鼎集團(中國)有限公司), a company incorporated in Hong Kong with limited liability on 2 January 2003, being a wholly-owned subsidiary of the Company
"China Ting (Hangzhou) Textile Technology"	華鼎(杭州)紡織科技有限公司 (China Ting (Hangzhou) Textile Technology Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 29 December 2004, being a wholly-owned subsidiary of the Company
"China Ting Industrial Complex"	the industrial complex situated at Linping, Hangzhou, the PRC in which most of the Group's production facilities are situated, with a site area of approximately 202,000 sq.m. as at 30 September 2005
"China Ting Textile & Knitwear"	China Ting Textile & Knitwear (H.K.) Limited (華鼎紡織•針織品(香港)有限公司), a company incorporated in Hong Kong with limited liability on 10 March 2003, being a wholly-owned subsidiary of the Company

"China Ting (USA)"	China Ting Fashion Group (USA), LLC, a limited liability company organised on 17 May 2002 pursuant to the New York Limited Liability Company Law, being a wholly-owned subsidiary of the Company
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company"	China Ting Group Holdings Limited (華鼎集團控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 31 May 2005
"Concept Creator"	Concept Creator Limited (創越有限公司), a company incorporated in Hong Kong with limited liability on 12 November 1992, being a wholly-owned subsidiary of the Company
"Concept Creator Fashion"	Concept Creator Fashion Limited (創越時裝有限公司) (formerly known as Hang Silk (HK) Holdings Limited (杭絲(香港)集團有限公司)), a company incorporated in Hong Kong with limited liability on 12 May 1994, being a wholly-owned subsidiary of the Company
"Concept Creator Fashion (HK)"	Concept Creator Fashion (Hong Kong) Limited (創越時裝(香港)有限公司), a company incorporated in Hong Kong with limited liability on 7 May 2004, being a wholly-owned subsidiary of the Company
"Concessions"	the concession counters or sales areas occupied by the Group or its franchisees in various department stores in the PRC
"connected person"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of the Company, namely Mr. TING Man Yi, Firmsuccess, Mr. TING Hung Yi, In Holdings, Mr. DING Jianer, Willport and Longerview
"Diny (Hangzhou)"	迪妮(杭州)時裝有限公司 (Diny (Hangzhou) Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 4 December 2001, being a wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Dong Hai"	杭州東海公司 (Hangzhou Dong Hai Company*), a company established under the laws of the PRC and an Independent Third Party
"EU"	the European Union

"Euro(s)" or "€"	the lawful currency of those member states of the EU that have adopted such currency
"Finity International"	菲妮迪國際時裝有限公司 (Finity International Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 4 December 2001, being a wholly-owned subsidiary of the Company
"Finity (Shenzhen)"	菲妮迪時裝(深圳)有限公司 (Finity Fashion (Shenzhen) Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 11 August 1998, being a wholly-owned subsidiary of the Company
"Firmsuccess"	Firmsuccess Limited, a company incorporated in the BVI with limited liability on 11 April 2005 and wholly owned by Mr. TING Man Yi
"Free-standing Stores"	units, stores or shops leased by the Group or its franchisees for their retail business operations
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Group"	the Company and its subsidiaries
"Haiyan Feilong"	海鹽飛龍絲絹製品有限公司 (Haiyan Feilong Silk Product Company Limited*), a company established under the laws of the PRC with limited liability on 2 July 1996, an Independent Third Party
"Haiyan Feixiang"	海鹽飛翔工藝繡製品有限公司 (Haiyan Feixiang Handicraft and Embroidery Products Company Limited*), a company established under the laws of the PRC with limited liability on 20 September 2004 and held by Ms. LIU Lian Ying as to 1.33%, Ms. SUN Yun Zhen as to 0.93%, Ms. YANG Shui Zhen as to 10%, Mr. CHEN Ai Feng as to 47.27% and Mr. SUN Xian Ming as to 40.47%, respectively, all of whom are Independent Third Parties except for Ms. LIU Lian Ying and Ms. SUN Yun Zhen who are directors of Zhejiang Huayue
"Handnice"	Handnice Company Limited (恒勵有限公司), a company incorporated in Hong Kong with limited liability on 23 April 1985, being held as to 70% by Mr. WU Kan Man and as to 30% by Mr. YIP Ping, who are Independent Third Parties
"Hangzhou China Ting Embroidery"	杭州華鼎綉花有限公司 (Hangzhou China Ting Embroidery Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 11 May 2004, being a wholly-owned subsidiary of the Company
"Hangzhou China Ting Fashion"	杭州華鼎時裝有限公司 (Hangzhou China Ting Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 4 December 2001, being a wholly-owned subsidiary of the Company

"Hangzhou Chuangxin"	杭州創信絲綢織造有限公司 (Hangzhou Chuangxin Silk Company Limited*), a company established under the laws of the PRC with limited liability on 15 September 1993 and owned as to 80% by Zhejiang Huading Group and 20% by Ms. ZHANG Mao Mei who is the sister-in-law of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi, all being executive Directors. As Zhejiang Huading Group is owned by Mr. DING Jianer, being an executive Director, as to 52%, Hangzhou Chuangxin is a connected person of the Company
"Hangzhou Fuding"	杭州富鼎時裝有限公司 (Hangzhou Fuding Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 30 June 2005, being a wholly-owned subsidiary of the Company
"Hangzhou Fucheng"	杭州富成時裝有限公司 (Hangzhou Fucheng Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 15 December 1998, being a wholly-owned subsidiary of the Company
"Hangzhou Furun"	杭州富潤時裝有限公司 (Hangzhou Furun Fashion Company Limited*), a company established under the laws of the PRC with limited liability on 23 October 1997 and held as to 85% by Zhejiang Huading Group and as to 15% by Hangzhou Chuangxin
"Hangzhou Fuze"	杭州富澤紡織科技有限公司 (Hangzhou Fuze Textile Technology Company Limited*), a company established under the laws of the PRC with limited liability on 8 January 2003, being a substantial shareholder of Jiangsu Fuze and a connected person of the Company
"Hangzhou Huaxing"	杭州華星絲綢印染有限公司 (Hangzhou Huaxing Silk Printing Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 30 December 2002 and a wholly-owned subsidiary of Interfield
"Hangzhou Huaze"	杭州華澤絲綢織造有限公司 (Hangzhou Huaze Textile Technology Company Limited*), a company established under the laws of the PRC with limited liability on 27 December 2002, being a substantial shareholder of Jiangsu Fuze and a connected person of the Company
"Hangzhou Jincheng"	杭州余杭金誠絲綢織造有限公司 (Hangzhou Yuhang Jincheng Silk Company Limited*), a company established under the laws of the PRC with limited liability on 14 May 1999 and held by Mr. CHENG Si Min who is a director of certain subsidiaries of the Company as to approximately 71.4% and the employee association of Hangzhou Jincheng which is an Independent Third Party as to approximately 28.6%, respectively

"Heshan Tri-Star"	鶴山三星絲綢印染企業有限公司 (Heshan Tri-Star Silk Dyeing and Printing Works Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 27 September 1993 and a wholly-owned subsidiary of Interfield
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Branch Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Fuhowe"	Hong Kong Fuhowe Fashion Company Limited (香港富豪時裝有限公司) (formerly known as Hong Kong Sun Bird Chemical Dyeing Limited (香港太陽鳥化工染料有限公司)), a company incorporated in Hong Kong with limited liability on 24 October 1996, being a wholly-owned subsidiary of the Company
"Hong Kong Offer Shares"	the 50,000,000 new Shares, subject to reallocation as described in the section headed "Structure of the Global Offering", being offered under the Hong Kong Public Offering
"Hong Kong Public Offering"	an offer of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong (subject to re-allocation as described in the section headed "Structure of the Global Offering") at the Offer Price (plus brokerage of 1% of the Offer Price, Stock Exchange trading fee of 0.005% of the Offer Price, SFC transaction levy of 0.005% of the Offer Price and an investor compensation levy of 0.002% of the Offer Price) on the terms and subject to the conditions set out in this prospectus and the related Application Forms
"Hong Kong Underwriters"	the underwriters listed in the paragraph headed "Hong Kong Underwriters" in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 29 November 2005 relating to the Hong Kong Public Offering and entered into by, among others, the Company, the Global Coordinator and the Hong Kong Underwriters

"Huasheng Accessories"	杭州華盛輔料有限公司 (Hangzhou Huasheng Accessories Company Limited*), a company established under the laws of the PRC on 23 July 2003 and owned as to 25% by Hong Kong Fuhowe and as to 75% by Ms. ZHOU Shi Min, who is the spouse of Mr. DING Jianer, an executive Director, and thus, a connected person of the Company
"Independent Third Party(ies)"	third party(ies) who is/are independent of the Company, its connected persons and their respective associates
"In Holdings"	In Holdings Limited, a company incorporated in the BVI with limited liability on 11 April 2005 and wholly owned by Mr. TING Hung Yi
"Interfield"	Interfield Industrial Limited (中都實業有限公司), a company incorporated in Hong Kong with limited liability on 15 June 1990 and owned by China Ting Garment as to 40% and by Tri-Star Fabric Printing as to 60%
"International Placing"	the conditional placing of the International Placing Shares by the International Placing Underwriters with professional and institutional investors for cash at the Offer Price (plus brokerage of 1% of the Offer Price, Stock Exchange trading fee of 0.005% of the Offer Price, SFC transaction levy of 0.005% of the Offer Price and an investor compensation levy of 0.002% of the Offer Price), as further described in the section headed "Structure of the Global Offering"
"International Placing Shares"	the 450,000,000 new Shares being initially offered at the Offer Price pursuant to the International Placing together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering")
"International Placing Underwriters"	initial purchasers of the International Placing Shares listed in the paragraph headed "International Placing Underwriters" in the section headed "Underwriting" in this prospectus
"International Underwriting Agreement"	the international placing underwriting agreement expected to be entered into on or before 9 December 2005 by, *inter alia*, the Company, the Global Coordinator and the International Placing Underwriters in respect of the International Placing, as further described in the section headed "Underwriting — International Placing"
"Intersuccess"	Intersuccess Investments Limited, a company incorporated in the BVI with limited liability on 1 December 2004, being a wholly-owned subsidiary of the Company

"Issuing Mandate"	the general unconditional mandate given to the Directors by the shareholders of the Company relating to the issue of new Shares, further details of which are set out under "Further information about the Company — Written resolutions of the sole Shareholder passed on 1 November 2005 and 18 November 2005" in Appendix VI to this prospectus
"Jiangsu Fuze"	江蘇富澤紡織有限公司 (Jiangsu Fuze Textile Company Limited*), a company established under the laws of the PRC with limited liability on 5 December 2003 and owned by Hong Kong Fuhowe as to 52%, Hangzhou Fuze as to 26.2% and Hangzhou Huaze as to 21.8%
"Jiaxing Feiyue"	嘉興飛越針織製衣有限公司 (Jiaxing Feiyue Knitwear Garment Limited*), a sino-foreign joint venture established under the laws of the PRC with limited liability on 15 March 2000 and owned by Concept Creator Fashion as to 45.5% and by Haiyan Feilong as to 54.5%
"Jincheng Silk"	浙江華鼎金誠絲綢有限公司 (Zhejiang China Ting Jincheng Silk Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 15 September 2003, being a wholly-owned subsidiary of the Company
"Joyocean"	Joyocean Investments Limited, a company incorporated in the BVI with limited liability on 11 April 2005, being a wholly-owned subsidiary of the Company
"Kiteman"	Kiteman Investments Limited, a company established in the BVI and an Independent Third Party
"Latest Practicable Date"	23 November 2005, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Listing"	listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the listing date, expected to be on or about 15 December 2005, on which trading of the Shares on the Main Board first commences
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Longerview"	Longerview Investments Limited, a company incorporated in the BVI with limited liability on 9 June 2005 and beneficially owned by Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi as to 41.5%, 18% and 40.5% respectively

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Manfame"	Manfame Investments Limited, a company incorporated in the BVI with limited liability on 11 April 2005, being a wholly-owned subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"Oceanroc"	Oceanroc Investments Limited, a company incorporated in the BVI with limited liability on 30 March 2005, being a wholly-owned subsidiary of the Company
"Offer Price"	the offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%) of not more than HK$2.2 and expected to be not less than HK$1.8, such price to be agreed upon by the Company and the Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares, and where relevant, together with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by the Company to the Global Coordinator pursuant to which the Company may be required to issue up to an additional of 75,000,000 new Shares (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocations in the International Placing
"PRC government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Pre-IPO Share Option Deed"	the share option deed entered into between the Company and LI Yuet Mui, Xera on 18 November 2005, the principal terms of which are summarised under "Pre-IPO Share Option Deed and Share Option Scheme" in Appendix VI to this prospectus
"Price Determination Agreement"	the agreement to be entered into between the Company and the Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date to record the agreed Offer Price
"Price Determination Date"	on or before 9 December 2005 (Hong Kong time) at which time the final Offer Price is determined
"Principal Share Registrar"	Butterfield Fund Services (Cayman) Limited, the principal share registrar and transfer office of the Company in the Cayman Islands

"QIBs"	qualified institutional buyers within the meaning of the Rule 144A
"Receiving Banker"	Standard Chartered Bank (Hong Kong) Limited
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation undergone by the Group in preparation for the Listing as described in the paragraph headed "Reorganisation" in Appendix VI to this prospectus
"Repurchase Mandate"	the general unconditional mandate to repurchase Shares given to the Directors by the shareholders of the Company, further details of which are set out under "Further information about the Company — Written resolutions of the sole Shareholder passed on 1 November 2005 and 18 November 2005" and "Further information about the Company — Repurchase by the Company of its own securities" in Appendix VI to this prospectus
"RMB" and "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SARS"	Severe Acute Respiratory Syndrome
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of HK$0.10 each
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company on 18 November 2005, the principal terms of which are summarised under "Pre-IPO Share Option Deed and Share Option Scheme" in Appendix VI to this prospectus
"Shareholder(s)"	holder(s) of Shares
"Shenzhen Fuhowe"	深圳富豪時裝有限公司 (Shenzhen Fuhowe Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 13 March 1989, being a wholly-owned subsidiary of the Company
"Skylite Apparels"	Skylite Apparels Company (天虹時裝公司), a sole proprietor firm commenced business in Hong Kong on 8 April 2002 and ceased business in September 2005

"Skylite Fashion"	Skylite Fashion (Hong Kong) Limited (天宏時裝(香港)有限公司), a company incorporated in Hong Kong with limited liability on 15 October 2004, being a wholly-owned subsidiary of the Company
"Skyyear"	Skyyear Holdings Limited, a company incorporated in the BVI with limited liability on 11 April 2005, being a wholly-owned subsidiary of the Company
"Stock Borrowing Agreement"	the stock borrowing agreement entered into between the Global Coordinator and Longerview on 9 December 2005
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"sq.m."	square metre(s)
"subsidiaries"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Track Record Period"	the three years ended 31 December 2004 and the five months ended 31 May 2005
"Tri-Star Fabric Printing"	Tri-Star Fabric Printing Works Limited (三星印花廠有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party
"Underwriters"	the International Placing Underwriters and the Hong Kong Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"U.S." or "United States"	The United States of America
"U.S. Securities Act"	Unites States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Willport"	Willport Investments Limited, a company incorporated in the BVI with limited liability on 11 April 2005 and wholly owned by Mr. DING Jianer
"Witpower"	Witpower Investments Limited, a company incorporated in the BVI with limited liability on 11 April 2005, being a wholly-owned subsidiary of the Company

"WTO"	World Trade Organisation
"Yuhang Chuang Yue"	杭州余杭創越絲綢針織有限公司 (Hangzhou Yuhang Chuang Yue Silk and Knitwear Company Limited*), a company established under the laws of the PRC on 10 September 1996, being held as to 55% by Mr. CHEN Guo Lin, an Independent Third Party, and as to 45% by Mr. DING Xinger, the elder brother of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi
"Yuhang Huaming"	杭州余杭華明製衣有限公司 (Hangzhou Yuhang Huaming Garment Manufacturing Company Limited*), a company established under the laws of the PRC with limited liability on 13 June 1992 and held by Mr. DING Minger who is the elder brother of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi, all being executive Directors, as to 58% and Ms. JIN Xiao Ying as to 42%, and thus, a connected person of the Company
"Zhejiang China Ting Knitwear"	浙江華鼎針織品有限公司 (Zhejiang China Ting Knitwear Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 4 December 2001, being a wholly-owned subsidiary of the Company
"Zhejiang China Ting Textile Technology"	浙江華鼎紡織科技有限公司 (Zhejiang China Ting Textile Technology Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 24 August 2002, being a wholly-owned subsidiary of the Company
"Zhejiang Concept Creator"	浙江創越時裝有限公司 (Zhejiang Concept Creator Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 24 January 2000, being a wholly-owned subsidiary of the Company
"Zhejiang Fucheng"	浙江富成時裝有限公司 (Zhejiang Fucheng Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 19 February 2002, being a wholly-owned subsidiary of the Company
"Zhejiang Fuhowe"	浙江富豪時裝有限公司 (Zhejiang Fuhowe Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 4 December 2001, being a wholly-owned subsidiary of the Company

"Zhejiang Huading Group"	浙江華鼎集團有限責任公司 (Zhejiang Huading Group Company Limited*) (formerly known as 浙江華鼎實業投資有限公司), a limited liability company established under the laws of the PRC on 16 August 2001 and owned as to 52%, 30%, 12%, 3% and 3% by Mr. DING Jianer, Mr. DING Xinger, Yuhang Huaming, Mr. YE Ai Min and Mr. FU Xiao Bo respectively. Mr. DING Jianer is one of the executive Directors. Mr. DING Xinger is an elder brother of Mr. DING Jianer, Mr. TING Man Yi and Mr. TING Hung Yi, all being executive Directors. As Mr. DING Jianer and Mr. DING Xinger who are connected persons of the Company, collectively hold 82% of the equity interests in the registered capital of Zhejiang Huading Group, Zhejiang Huading Group is a connected person of the Company
"Zhejiang Huayue"	浙江華越絲綢製品有限公司 (Zhejiang Huayue Silk Products Company Limited*), a sino-foreign joint venture established under the laws of the PRC with limited liability on 8 June 2005 and owned by Manfame and Haiyan Feixiang as to 55% and 45%, respectively, being a non wholly-owned subsidiary. As Haiyan Feixiang is a substantial shareholder of Zhejiang Huayue which is a subsidiary of the Company, Haiyan Feixiang is a connected person of the Company. Haiyan Feixiang is owned by five individuals, namely, Ms. LIU Lian Ying, Ms. SUN Yun Zhen, Ms. YANG Shui Zhen, Mr. CHEN Ai Feng and Mr. SUN Xian Ming as to 1.33%, 0.93%, 10%, 47.27% and 40.47%, respectively. Ms. LIU Lian Ying and Ms. SUN Yun Zhen have been nominated as directors of Zhejiang Huayue by virtue of 45% equity interest held by Haiyan Feixiang in Zhejiang Huayue. As such, apart from its equity interest in Zhejiang Huayue, Haiyan Feixiang is considered to have other relationship with Zhejiang Huayue. Accordingly, Zhejiang Huayue is a connected person of the Company
"Zhejiang Huali"	浙江華勵時裝有限公司 (Zhejiang Huali Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 2 May 1989, being a wholly-owned subsidiary of the Company
"Zhejiang Xinan"	浙江信安時裝有限公司 (Zhejiang Xinan Fashion Company Limited*), a wholly foreign-owned enterprise established under the laws of the PRC with limited liability on 17 January 2002, being a wholly-owned subsidiary of the Company
"%"	per cent

* *For identification purposes only*

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Unless otherwise specified, translations of HK$ into US$, US$ into HK$, RMB into HK$ and HK$ into RMB in this prospectus are based on the rates set out below (for the purpose of illustration only):

HK$1.00 = RMB1.04
HK$7.80 = US$1.00

No representation is made that any amounts in RMB, HK$ and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with the Company and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

ATC	Agreement on Textiles and Clothing
CAGR	compound annual growth rate
FOB	"free on board", whereby the seller is only responsible for transporting goods to the ports or airfields of the production country, after which point the buyer bears all costs and risks of loss of or damage to the goods
home textile products	textile products used with the home which include decorative fabric, mattress fabric, upholstery fabric, curtains, bed-sheets, pillow cases, etc.
knitwear	apparel produced by interlooping yarn into a series of connected loops with knitting needles
licensed brands	brands which are licensed or franchised to the Group by the registered owners of such brands for the Group's use in relation to its manufacture and/or retail of products under such brands
MFA	Multi Fibre Agreement, an agreement entered into among developed country importers and developing country exporters of textiles and apparel to regulate and restrict the quantities traded from 1974 through 2004. It was negotiated in 1973 and was superseded in 1995 by the Agreement on Textile and Clothing
OEM	"original equipment manufacturer", a business that manufactures or purchases from other manufactures and possibly modifies goods or equipment for branding and resale by others
silk fabric	fabric containing 100% silk content
silk-blended fabric	fabric containing 50% or more silk content with the balance consisting of other materials such as linen, cotton, wool, lycra and rayon
VIP	"very important person", a status assigned to certain valued customers for the Group's branded retail apparel
woven apparel	apparel made of woven fabric which is produced by interlacing of warp and filling threads on a loom

Investors should consider carefully all of the information set out in this prospectus and, in particular, should evaluate the following risks in connection with an investment in the Group, certain of which are not typically associated with investing in equity securities of companies located predominantly in Hong Kong or other economically advanced jurisdictions.

The Directors believe that there are certain risks involved in the Group's operations. They can be broadly categorised into: (i) risks relating to the Group; (ii) risks relating to the industry in which the Group operates; (iii) risks relating to the PRC; and (iv) risks relating to ownership of Shares and trading markets.

RISKS RELATING TO THE GROUP

Because the Group derives a substantial majority of its revenue from exports to the United States, its business will be harmed if its access to these markets were further restricted by any newly imposed trade restrictions, including tariffs, safeguards or otherwise

The Group's manufacturing operations are based in the PRC, and during the three years ended 31 December 2004 and the five months ended 31 May 2005, it derived 83.4%, 82.6%, 79.3% and 81.9% respectively of its revenue from sales to the United States. The Group's business is therefore directly affected by trade barriers between the PRC and the United States. Trade relations between the PRC and the United States have been strained recently due to an increase in the PRC's exports of textiles and apparel. In May 2005 the United States moved under WTO rules to set "safeguard" limits on certain apparel products from the PRC. Under the WTO agreement admitting the PRC, an importing country may moderate the impact of Chinese imports on its home industry with "safeguard" limits that restrict imports to 7.5% above the previous year's level of imports for the remainder of the current year. The PRC responded to the U.S.' actions in June 2005 by withdrawing certain export tariffs on apparel and textile products that were either already in place or that were otherwise intended to be implemented this year. The PRC had imposed these export duties at the beginning of 2005 on various textile and apparel products, including women's silk blouses, in an attempt to appease its trading partners. As at the Latest Practicable Date, among silk and silk-blended apparel, women's silk blouses were still subject to an export duty of RMB0.2 per piece. Should the current trade disputes result in greater trade barriers between the PRC and the U.S., the Group's business would be adversely and materially affected and the Group may be forced to adjust its future strategy.

In the three years ended 31 December 2004 and the five months ended 31 May 2005, 83.4%, 82.6%, 79.3% and 81.9% respectively of the Group's total worldwide sales were made to customers in the United States

In the three years ended 31 December 2004 and the five months ended 31 May 2005, 83.4%, 82.6%, 79.3% and 81.9% respectively of the Group's total worldwide sales were made to customers in the United States. Because the United States is the Group's largest market, economic and political factors impacting the United States, such as the economic downturn over the last several years as well as the recent conflicts in Afghanistan and Iraq, have a significant effect on the Group's financial performance because these considerations affect the spending habits of U.S. consumers and, therefore, the purchasing decisions of the Group's U.S.-based customers who are principally department stores, chain retailers or fashion brands. A renewed economic downturn in the United States or continued uncertainties regarding future prospects in the United States that affect consumer spending habits there may have a material adverse effect on the Group's business.

Sales to the Group's five largest customers represented between 49.1% and 63.1% of the Group's total worldwide sales made during the Track Record Period, and if the Group's relationships with any or all of these customers were to be negatively affected its business would be harmed

Aggregate sales to the Group's five largest customers represented 61.9%, 57.4%, 49.1% and 63.1% of the Group's total sales in each of the three years ended 31 December 2004 and the five months ended 31 May 2005 respectively. Sales to the Group's largest customer represented 14.2%, 18.3%, 10.1% and 21.4% respectively, of the Group's total turnover in those same periods. If any of the Group's top five largest customers were to substantially reduce the size or dollar value of the orders it places with the Group or were to terminate its business relationship with the Group entirely, there can be no assurance that the Group would be able to obtain orders from other customers to replace any such lost sales or that, if the Group were to be able to obtain other orders, that they would be on commercially reasonable terms. If any of these relationships were to be so altered and the Group was unable to obtain replacement orders, its business would be harmed.

The Group has no long-term sales contracts with any of its customers, including any of its top five customers, allowing customers to terminate their respective relationships with the Group at any time without cause and almost immediately

As is common in the retail and OEM industries, the Group does not enter into long-term sales contracts with any of its customers. Customers may terminate their respective relationships with the Group at any time without cause and almost immediately. Further, the Group's customers, including its top five customers, are not obligated in any way to continue placing orders with the Group at all or at the same level which they historically have done. If any of the Group's OEM customers, particularly its key customers, were to materially reduce their orders with the Group or were to terminate entirely their business relationship with the Group, its business may be adversely affected as it may not be given sufficient notice of such intent to allow the Group to locate alternative OEM customers.

The Group is subject to some financial risk in connection with foreign currency exchange rate fluctuations between the U.S. dollar and the Renminbi

The Group's manufacturing operations are based in the PRC, and during the three years ended 31 December 2004 and the five months ended 31 May 2005, it derived 83.4%, 82.6%, 79.3% and 81.9% respectively of its revenue from sales to the United States. The Group currently does not hedge any of its exchange rate exposure related to fluctuations in the relative values of the U.S. dollar and the Renminbi, however, and there can be no assurance that the Group would be able to enter into such hedging agreements on commercially reasonable terms or that these hedging agreements would protect it fully against its exchange rate risk. If the Group is unable to enter into such hedging agreements and if the value of the Renminbi were to appreciate materially against the U.S. dollar, the Group's costs (in U.S. dollar terms) would increase. Any such cost increase would harm the Group's profitability.

The Group's success significantly depends on key management and its ability to attract and retain additional management

The Group's future success is dependent on the efforts, performance and abilities of its key management, particularly Mr. TING Man Yi and Mr. TING Hung Yi. The loss of any member of the Group's senior management may result in: (i) a loss of organisational focus, (ii) poor operating execution; (iii) an inability to identify and execute potential strategic initiatives such as licensing opportunities and attracting new OEM customers, and (iv) an impairment in the Group's ability to identify new store locations.

These adverse results could, among other things, reduce potential revenue, prevent the Group from diversifying its product lines and geographic concentrations, and expose it to downturns in its markets. Those circumstances, in turn, could adversely affect the Group's profitability and financial results.

The Group's PRC retail business depends on the continuing operation and expansion of its retail network, including Concessions; non-renewal of Concessions or changes in the terms of Concessions may harm the Group's retail business

As at 31 October 2005, out of the Group's 292 retail outlets in the PRC, 143 were Concessions directly operated by the Group, while the remaining 149 were Free-standing Stores (of which four were directly operated by the Group) and franchised outlets. There is no assurance that these Concessions (or the leases for the Free-standing Stores operated by the Group) will be continued or renewed by the department stores on expiry or on terms and conditions which are acceptable to the Group. If such Concessions (or the leases for the Free-standing Stores operated by the Group) are not continued or renewed or can only be renewed on less favourable terms, the Group will have to find Concessions in other appropriate department stores (or leases at other locations, as applicable). Furthermore, for the expansion of the Group's retail network, there is no assurance that appropriate stores will be located as and when required. If the Group is unsuccessful in continuing the operation and expansion of its retail network, the Group's business, operating results and financial condition may be adversely affected in a material respect.

The terms of certain Concessions have expired and the lessor of a retail store leased to the Group has not proved its right to lease such property

As at 31 October 2005, out of the 292 retail outlets in the PRC, the Group directly operated four Free-standing Shops and 143 Concessions. Whilst members of the Group normally enter into relatively long-term lease agreements generally with a term between three to five years with the relevant owners for Free-standing Shops, the Concessions operated by the Group are operated by way of license agreements entered into between members of the Group and the owners of shopping malls or department stores. These license agreements are generally for a shorter term of one year in order to provide operational flexibility to the Group. As at 31 October 2005, out of the 143 Concession operated by the Group, the licenses for 20 Concessions have either expired or are in the process of renewal or being re-negotiated to reflect the conversion of the *SPRINGFIELD* retail outlets into *RIVERSTONE* retail outlets, but the Group continues to use these Concessions with the consents of the owners of the relevant shopping malls and department stores and payment of the appropriate amounts of license fee. The Company was advised by its legal advisers on PRC law that as long as the relevant members of the Group continue to pay the agreed amount of license fee and do not otherwise breach any term of the relevant license arrangements, the license arrangements should continue until they are formally terminated by reasonable prior notice served by the relevant licensors. For the retail shop situated in Shanghai, the lessor has not proved its right to lease the property to the Group. Revenue from these 20 Concessions and the retail shop during the year ended 31 December 2004 amounted to HK$2.9 million which represented 0.2% of the Group's total revenue during the same period.

The Group intends to locate suitable replacement space in the event that the business at any of the Concessions or the retail shop is required to be terminated. Nevertheless, if the Group is unable to negotiate the renewal of the existing arrangements on commercially acceptable terms, or that the Group is unable to locate suitable replacement space within a short period of time after termination, the number of retail outlets operated by the Group may decrease, which may harm the retail apparel business of the Group.

The Group's growth potential depends on its managers' ability to achieve and manage growth

The Directors intend to expand its manufacturing facilities as well as its chain of retail outlets as part of its growth strategy. There can be no assurance that this strategy will be successful. The actual number and type of such retail outlets and manufacturing and distribution facilities to be opened and their success will be dependent upon a number of factors, including, among other factors, the Group's ability to manage such expansion and to hire and train sufficiently qualified staff, the availability of suitable storage, manufacturing and distribution facility locations and the successful negotiation of terms for new retail outlets acceptable to the Group. There is no assurance that the Group will be able to expand manufacturing and distribution facilities, open and operate new retail outlets on a timely basis and/or operate the business on a profitable basis.

The Group's retail business is entirely reliant on the PRC retail market; if economic conditions in the PRC do not match the Directors' expectations, the Group's PRC retail business may be harmed

During the three year ended 31 December 2004 and the five months ended 31 May 2005, 12.7%, 11.9%, 11.2% and 8.3% of the Group's total turnover was derived from sales at its retail stores, all of which are located in the PRC. In the event of any adverse changes in the PRC economy affecting the retail market (for example a slowing in growth of GDP which slows the growth of a middle class in China and slows growth in retail spending, especially discretionary spending on things like fashion apparel), the business, operating results and financial condition of the Group may be adversely affected in a material respect.

Possible infringement of trademarks and other intellectual property rights related to the Group's in-house and licensed brands

The Group uses several trademarks for the marketing and sales of its products. Further details of the trademarks owned by the Group, assigned to the Group and trademarks under application are set out in the paragraph headed "Intellectual property" in Appendix VI to this prospectus. The Directors believe that the trademarks and the Group's other intellectual property rights are important to its success and its competitive position. The Directors believe that appropriate steps have been taken to establish and protect the trademarks. Nevertheless, there can be no assurance that the actions the Group has taken will be adequate to prevent brand and product imitation by others or to prevent others from seeking to block sales of the Group's products as a violation of their trademarks and other intellectual property rights. Also, there can be no assurance that the Group can successfully obtain the registration of its trademarks and others will not assert rights in, or ownership of, the trademarks and other intellectual property rights. Use by the Group of the trademarks in any other country in which similar trademarks are registered or used may constitute infringement of such third party trademarks. The Group's business, operating results and financial condition may be adversely affected in a material respect by trademark infringement or trademark disputes with others.

If the brand images of the Group's in-house and licensed brands weaken in the minds of consumers in the PRC, the Group's PRC retail business will be harmed

The Group has invested, and plans to continue to invest, significant resources in the development and maintenance of its in-house and licensed brands in the PRC. The strength of these various brands, however, is subject to changing consumer perceptions. Consumer perceptions of the Group's brands in the PRC could be affected by external factors beyond the Group's control, including by increased competition in the PRC from domestic and foreign brands and by changes in consumer tastes and perceptions as China opens more fully to international commerce and culture. In addition, there can be no assurance that the Group's target customer groups in the PRC will prefer the Group's products to those of its competitors as the fashion industry is always subject to the unpredictability of customers' tastes and trends. There can be no assurance that the Group can maintain, or continue to benefit from its investments in, its brands' images. The Group's retail business in the PRC, its operating results and financial condition may be adversely affected in a material respect by any deleterious change in the image of the Group's brands.

The Group and its licensors for *MAX STUDIO* and *BURLINGTON HOUSE* are mutually dependent on the actions of the Group and the relevant licensors to enhance and protect the global value and credibility of the licensed brand. The use of the licensed trademarks by the Group is subject to the restriction that the goods or products must conform to the quality and design standards prescribed by the licensors. The use of licensed trademarks in the rest of the world outside the PRC is controlled by the licensors and is not controlled by the Group. The branded products manufactured or produced by or for the Group in the PRC are subject to the high quality and design standards prescribed by the licensors. In addition, the Group is restricted in its sales channels if it has agreed only to sell goods or products bearing the licensed trademarks through retail outlets of high standard. Use or development of the brands in regions outside the PRC in ways that are inconsistent with the Group's use of the licensed trademarks may damage the value of the licensed trademarks to the Group, in particular as China opens more fully to international commerce and culture and more Chinese consumers travel abroad. Further, there can be no guarantee that products with the same or confusingly similar trademarks may be introduced into the PRC; such imports may result in a dilution of the value of the licensed trademarks.

The Group is dependent on third parties for the manufacture of apparel for their in-house and licensed brands

During the three years ended 31 December 2004 and the five months ended 31 May 2005, 12.7%, 11.9%, 11.2% and 8.3% of the Group's total annual turnover was derived from sales of apparel from in-house and licensed brands through its retail operations in the PRC. The Group is dependent on third parties for the manufacture of a significant portion of the apparel and all of the accessories for the in-house and licensed brands that the Group sells. The Group does not have any long-term contracts with such third parties. Without adequate supplies of apparel and accessories from in-house and/or licensed brands to sell to customers in the styles and fashions demanded by the Group's customer base, the Group's annual turnover may decrease materially and its business may be harmed. In the event that the Group's PRC-based manufacturers are unable or unwilling to continue to manufacture garments for its in-house and licensed brands, the Group would have to identify new garment manufacturers. The Group may not be able to identify such garment manufacturers for existing or new products in a timely manner and such manufacturers may not allocate sufficient capacity to the Group in order to meet its requirements. If the Group were unable to secure adequate and timely supplies of in-house and licensed brand apparel, its sales and gross margin rates and ultimately the Group's operating results may be harmed.

In addition, even if current manufacturers continue to manufacture the Group's products, they may not maintain adequate controls with respect to product specifications and quality and may not continue to produce products that are consistent with the Group's standards. If the Group is forced to rely on products of inferior quality, then brand recognition of the Group's in-house and licensed brands and customer satisfaction would be likely to suffer. These manufacturers may also increase the cost of the products the Group purchases from them. If garment manufacturers increase costs, the Group's margins may be adversely affected.

Should the Group experience significant unanticipated demand, the Group will be required to significantly expand its access to manufacturing, both from current and new manufacturing sources. If such additional manufacturing capacity is not available on terms as favourable as those obtained from current sources, then the Group's financial results may be harmed.

The Group relies on outside vendors to supply it with silk fabric and clothing accessories such as thread, buttons and zippers, and raw silk, if any or all of these vendors were unable to continue to supply the Group, there can be no assurance that the Group would be able to locate alternative suppliers who could supply the same quality goods in a timely fashion and at commercially reasonable prices

The Group relies on outside suppliers to supply it with raw silk, silk fabric and clothing accessories, many of whom are long-term suppliers to the Group. As with its own customers, however, the Group has no long-term supply contracts with these silk fabric mills and its other suppliers, but instead works on an order-to-order basis. The quality of the silk fabric used is central to the production of a quality garment and the Group relies significantly on a small number of trusted fabric mills with which it has maintained long standing commercial relationships to deliver quality fabric. The Group's top five suppliers together accounted for 22.0%, 17.9%, 22.5% and 21.4% respectively of the total raw materials purchased by the Group for each of the three years ended 31 December 2004 and the five months ended 31 May 2005. The Group relies on its suppliers to meet the Group's orders in a timely fashion. In order to respond to price pressures from its own customers, however, the Group may have to seek alternative suppliers for raw silk or silk fabric if its current suppliers cannot deliver such supplies at competitive prices. If any or all of these suppliers were unable or unwilling to continue to supply the Group, particularly the silk fabric mills, there can be no assurance that the Group will be able to locate alternative suppliers who could supply the same quality goods in a timely fashion and on comparable commercial terms. If the Group is unable to do so, its business will be harmed.

Silk fabric is the Group's largest single cost item; because the Group has no long-term supply contracts with its suppliers of silk fabric, fluctuations in the price of raw silk or silk fabric may harm the Group's business

The Group sources the majority of the silk fabric used in its silk apparel manufacturing from third party silk fabric mills in the PRC. Silk fabric is the Group's largest cost item in its apparel manufacturing business. For each of the three years ended 31 December 2004 and the five months ended 31 May 2005, silk fabric costs accounted for 25.4%, 29.0%, 33.7% and 34.2% respectively of the total cost of sales of the Group. The Group sources silk and non-silk fabric from over 50 suppliers on an ongoing basis, and has established business relationships of between two to 11 years with its top five fabric suppliers for each of the three years ended 31 December 2004 and the five months ended 31 May 2005. The Group has no long-term contracts with any of its silk fabric suppliers, so, while historically it has attempted to build up inventory when prices are lower, any significant increase in the cost of fabric in the future may adversely affect the Group's business in a material respect as it may not be able to pass on all such increased costs to its customers.

The franchise agreement allowing the Group to sell *SPRINGFIELD* branded apparel terminated in October 2005

The Group began selling *SPRINGFIELD* branded apparel in September 2004 under a franchise agreement dated 1 December 2003. Sales of *SPRINGFIELD* branded apparel accounted for 0.1% and 0.3% of the Group's total revenue in the year ended 31 December 2004 and the five months ended 31 May 2005 respectively. The Group entered into an agreement with the franchisor dated 18 October 2005 to terminate the franchise agreement, and the Group ended all sales of *SPRINGFIELD* branded apparel in October 2005. The Group's current best estimate of the maximum liability of this termination is HK$3.1 million comprising the loss of HK$3 million for the return of inventory and approximately HK$0.1 million for the cost of renovation. But the Group cannot now be sure of the actual amount of this liability, if any. The unsold inventory were returned to the franchisor at cost of purchase minus a discount of 30%. The Group's termination of its relationship with the *SPRINGFIELD* brand could affect the Group's business and growth prospects. The Group intends to convert some or all of its *SPRINGFIELD* retail outlets into other retail outlets. There can be no assurance that this conversion will be immediately successful, if ever, and the Group may incur excessive costs that could harm its financial condition and results of operations.

One of the Group's subsidiaries may have exceeded its business licence through the operation of its *SPRINGFIELD* retail outlets, and may be subject to penalties up to and including revocation of its business licence

According to the Group's PRC legal advisers, China Ting Brand Management may be deemed to have conducted business beyond the scope of its business licence for its operation of the *SPRINGFIELD* retail business as it commenced the operation of the retail business without obtaining approval for the change in the business scope from the relevant authorities in accordance with 《外商投資商業領域管理辦法》 (the Measures on the Administration of Foreign-Invested Commercial Enterprises) issued by the Ministry of Commerce on 16 April 2004. Details of such measures are summarised in the section headed "Industry Overview — PRC regulations in relation to retail business" in this prospectus. The Group's PRC legal advisers have advised that China Ting Brand Management may be subject to a fine ranging from RMB10,000 (equivalent to approximately HK$9,615) to RMB100,000 (equivalent to approximately HK$96,154) imposed by the relevant registration authority. In an extreme case the business licence of China Ting Brand Management may be revoked. If the business licence of China Ting Brand Management, which currently operates the retail business of *RIVERSTONE*, were to be revoked, China Ting Brand Management would have to cease operations. For the year ended 31 December 2004 and five months ended 31 May 2005, China Ting Brand Management recorded total sales of HK$1.8 million and HK$2.7 million respectively, and losses of HK$2.9 million and HK$2.0 million respectively.

The terms of the Group's licence with the licensors of *MAX STUDIO* and *BURLINGTON HOUSE* may limit the Group's ability to expand using that brand

The Group's licence arrangements with the licensors of *MAX STUDIO* and *BURLINGTON HOUSE* restrict the Group's use of that licence to the PRC. There can be no guarantee that future licence agreements signed by the Group with other brand owners will not contain similar restrictions, which may restrict the Group's ability to expand into other markets using those brands and may limit the Group's growth prospects more generally.

If the Group is unable to successfully manage the rapid growth of its network of Concessions and Free-standing Stores in the PRC, its financial performance may be harmed

The Group is expanding its chain of Concessions and Free-standing Stores in the PRC. As at 31 October 2005, out of the 292 retail outlets the Group directly operated 143 Concessions and four Free-standing Stores. There can be no assurance that this strategy will be successful. The actual number and type of such retail outlets to be opened and their success will be dependent upon a number of factors, including, among other factors, the Group's ability to manage such expansion and to successfully negotiate the terms for new concessions and retail leases acceptable to the Group. Management of the Group's growth will require continued development of the Group's operating and financial controls and may place strains on the Group's information technology systems.

If the Group is unable to protect certain of its intellectual property, including trademarks for its stores' names, its business may be harmed

The Group has invested, and plans to continue to invest, significant resources in the development and maintenance of its various brands. The Group has applied for but has not yet completed the registration and/or assignment of certain trademarks, including the trademark for *ÉLANIE*, *Dbni* and *RIVERSTONE* in certain classes in the PRC and in Hong Kong (details of which are set out in the paragraph headed "Intellectual property" in Appendix VI to this prospectus).

Should a third party adopt or use the Group's unregistered trademarks, the Group may not be able to take action to protect its use of such unregistered trademarks. As a result of the third party's use of the Group's unregistered trademarks, the Group's image and brand recognition could be harmed, which, in turn, could have an adverse impact on the Group's financial performance.

The respective images and brand name recognition in the PRC of its in-house and licensed brands are the result of considerable investment in marketing and advertising. The Group's ability to leverage this investment depends on its ability to continue using such brand names exclusively. Any use of the Group's brands by third parties, or the inability of the

Group to use its brand names, would negatively affect the Group's name recognition and the positive effects of advertising or other marketing efforts done to date, which could have an adverse effect on the Group's financial performance. Further, any future disputes concerning trademarks or brands may incur significant litigation costs.

The Group has short term contracts with the licensor from whom the Group has licensed the *MAX STUDIO* brand. If the Group was to lose this licence, or was unable to renew it on commercially reasonable terms, its business may be harmed

For the year ended 31 December 2004, sales of apparel from the Group's *MAX STUDIO* branded apparel accounted for 1.7% of its total annual turnover. The Group's licence for *MAX STUDIO* expires on 31 December 2006, upon which, subject to satisfaction of agreed performance targets, the Group will have the right to renew the licence for a term of three years. There can be no assurance that this agreement will remain in effect or that it can be renewed on acceptable terms or at all. If the Group were to lose its licence relating to the *MAX STUDIO* licensed brand, or was unable to renew this licence on commercially acceptable terms, the Group's business may be harmed.

Retail sales may decline if the Group does not successfully advertise and market the apparel for its in-house and licensed brands

The Group's retail business in the PRC is affected by the success or failure of its advertising and promotional efforts and those of the in-house and licensed brands whose apparel the Group sells. Future advertising efforts by the Group, or its licensors may be costly and may not result in increased sales. If the Group were to undertake a major advertising campaign without success, then a failure to realise any revenues from such advertising and promotional expenditures, together with the possible adverse impact on brand value and loss of market share, would have a negative impact upon the Group's revenues. In either case, increased costs and decreased margins, accompanied by static or decreased revenues, would cause a decline in the Group's results of operations.

The loss of, or disruption in, the Group's China Ting Industrial Complex and distribution network in the PRC may negatively impact its business and operations

The Group's success depends, in large part, on its ability to manufacture, source and distribute merchandise efficiently. A substantial portion of the Group's manufacturing is completed at the China Ting Industrial Complex. If this complex was to be damaged or shut down for any reason, the Group's business would be materially and adversely harmed. Although the Group maintains insurance on its manufacturing facilities in the PRC, there can be no assurance that this insurance will be sufficient, or that insurance proceeds will be timely paid, in the event that the complex is shut down for any reason or if the Group incurs higher costs in connection with the manufacturing of its products.

The Group also depends, in large part, on the orderly operation of its receiving and distribution network, which depends, in turn, on adherence to shipping schedules and effective management of the distribution centre. Any loss of, or disruption in, the Group's distribution network could adversely affect the Group's operations. Additionally, within the PRC, the distribution infrastructure is not as developed as in Hong Kong or elsewhere and the distances involved are greater. There can be no assurance that events beyond the Group's control, such as, sub-standard transportation infrastructure, fire or other catastrophic events, employee matters or shipping problems or disruptions in operations due to the fact that the distances travelled are greater in the PRC, would not result in delays in the delivery of merchandise to stores.

The Group makes provisions for obsolete or slow-moving inventory

The Group makes provisions for obsolete or slow-moving inventory at its retail operations. During each of the three years ended 31 December 2004 and the five months ended 31 May 2005, the Group made provisions for obsolete and slow-moving inventories of HK$1.6 million, HK$3.6 million, HK$1.4 million and HK$1.5 million respectively. To the extent that the Group has obsolete or slow-moving inventory, this practice effectively lowers the value of the Group's assets and operating profit. The Group's inventory is susceptible to obsolescence in part because it consists of fashionable apparel and accessories, and demand for such items can rise and fall based on shifting trends.

Tax liability may increase due to a change in the PRC's preferential tax treatment

Under the Income Tax Law of the People's Republic of China Concerning Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國所得稅法) promulgated on 9 April 1991 and the Detailed Implementing Rules for the Income Tax Law of Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業所得稅法細則) promulgated on 30 June 1991, each of the operating subsidiaries of the Group which had been incorporated in the PRC is entitled to apply for preferential tax treatment in the form of reduced tax rates or tax holidays provided by the PRC government or its local agencies or bureau.

There can be no assurance that the current PRC tax laws mentioned above and their application or interpretation will remain unchanged or that the Group will actually receive the benefit of any tax or VAT refunds or other tax holidays in future years. If the Group does not receive such benefits in the future, the Group's tax liability may increase as well as its effective tax rate, and if so the Group's profitability will be harmed.

The past dividend distribution record should not be used as a reference of the amount of dividend payable in the future.

Prior to the Listing, certain companies now comprising the Group declared dividends, to their respective shareholders, details of which are set out in the section headed "Dividends, working capital and distributable reserves" of this prospectus.

There is no assurance that dividend distributions will be made by the Company in the future, or with a particular pattern. The amount of dividends to be declared by the Company (if any) will be subject to the recommendation of the Directors after taking into account of the Group's earnings, working capital requirements, financial conditions, cash flow, profits available for distribution by subsidiaries the progress and the funding requirement of the Group's future business plans, and other relevant factors. The past dividend distribution record referred to above should not be used as a reference or basis to determine, or predict, the amount of dividend payable in the future.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

As a substantial part of the Group's total turnover was derived from sales to customers outside of the PRC, any future appreciation of the value of the Renminbi may harm the Group's export business and adversely affect the financial condition and operating results of the Group

For the five months ended 31 May 2005, 81.9% of the Group's sales are made to customers in the United States. These sales are denominated in U.S. dollars, while most of the Group's costs of sales, including silk fabric and labour costs, are denominated in Renminbi. The value of the Renminbi is subject to changes in the PRC Government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in local markets.

In 1994, the value of the Renminbi was pegged to the U.S. dollar at a rate determined by the People's Bank of China ("PBoC"), China's central bank. On 21 July 2005, the PBoC dropped the dollar peg and adopted a new exchange rate policy which instead links the value of the Renminbi to a basket of currencies. On the same day, the Renminbi was revalued by 2.1% against the U.S. dollar. The daily median exchange rate used for trading on the following day is calculated based on the Renminbi's closing rates against various currencies which are published on the State Administration of Foreign Exchange website daily. The Renminbi can fluctuate from the daily median within a narrow band of 0.3% against the U.S. dollar, and 1.5% on other currencies. As the approximately 2% revaluation of the Renminbi became effective after the latest date of the audited financials included in this prospectus, the Company cannot state definitely whether this revaluation has had a material financial impact on the Group's sales into the United States. However, the Directors currently expect the revaluation will only have a small adverse effect on the business of the Group. The Directors anticipate that over time the Group will increase the prices of its products to account for this revaluation. It is the Group's intent to further control costs and increase production volume to mitigate this impact, but it cannot be assured that this will be effective.

Although the PRC government has reiterated its intention to maintain the stability of its currency, there can be no assurance that there will not be further revaluation or that other measures will not be introduced to address the concerns of the PRC's trading partners given its strong growth in exports in recent years. Should the Renminbi appreciates significantly against the U.S. dollar or other currencies, such appreciation could have a material adverse effect on the Group's earnings and the foreign currency equivalent of such earnings. Furthermore, there can be no assurance that the Renminbi exchange rate will remain stable in the future under the new exchange rate system.

Any such appreciation of the Renminbi will increase the cost in U.S. dollars of goods produced in the PRC, which is likely to reduce the level of exports to the United States and/or to reduce the Group's margins if the Group is unable to charge its U.S. customers more for its products. Either one of these outcomes would have a material adverse effect on the Group's business.

Apparel manufacture requires substantial capital investment and the sources of the Group's future financing are uncertain

The Group operates in an industry that requires a substantial amount of capital and other long-term expenditures, including those relating to the construction of new production facilities and the purchase of costly modern machinery such as weaving machines and electronic jacquard machines. To the extent that it expands or adds new production facilities, the Group expects to fund such commitments and other capital and operating expenses from a combination of cash on hand, cash generated from operations, bank facilities and proceeds from the Global Offering. The Directors expect that the Group will have sufficient cash and/or committed financing to meet its obligations as they fall due. However, no assurance can be given that it will be able to generate sufficient cash from operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are favourable to it or consistent with its expectations. To the extent that the Group cannot finance capital acquisition at reasonable rates in the future, its business may be harmed.

Changes in PRC government regulations such as government charges, environmental regulations or tax could adversely affect participants in this industry

Like other participants in the industry, the Group's operations in its production facilities are subject to national and local laws, regulations, taxes and charges which may change at any time. The Group may incur substantial additional costs in order to comply with existing and future obligations. In the case of environmental obligations, these would include costs in relation to the discharge of pollutants, maintenance and inspection and insurance coverage in the jurisdictions in which it has operations.

Under the current PRC national and local environmental laws and regulations, a waste disposal fee is imposed on enterprises for over-discharge of pollutants, and a fine is levied against illegal discharge of pollutants causing environmental pollution. Business enterprises may also be required to shut down production facilities which have caused serious environmental problems. Production projects under construction have to be specifically designed to use environmentally friendly facilities. There is no assurance that the PRC government will not change the prevailing environmental laws and regulations or the terms of the Group's permit. If the PRC government imposes additional or stricter environmental laws and regulations, it might increase the operating costs of the Group and have an adverse impact on the Group's profitability.

Certain of the Group's customers are sensitive to social responsibility standards and if the Group has or is perceived to have low standards certain customers might choose not to do business with the Group

Retailers and branded apparel manufacturers are facing increasing pressure to ensure that labour practices and factory conditions in relation to their products meet certain social responsibility standards. Accordingly, many such retailers and branded apparel manufacturers (including a number of the Group's customers) require their suppliers to fulfill their own social responsibility standards or those set out under independent programs such as the Worldwide Responsible Apparel Production ("WRAP") Certification Program. Should the Group fail to fulfill the social responsibility standards required by its customers, be publicly perceived to fail to fulfill such standards or otherwise be publicly associated with poor social responsibility standards, its customers may decide not to use its services and its business may be harmed.

If the minimum wage or manufacturing overhead is increased, the Group's cost of production will increase and its business may be harmed

Apparel manufacture is labour intensive. In 2004, total direct labour costs represented 8.7% of the total cost of sales by the Group. Labour protection systems are implemented in the PRC and minimum wage standards are determined by the people's government of the relevant province, autonomous region and municipality and then submitted to and filed with the State Council. The Group is obliged to pay the relevant local minimum wage to its workers in the PRC. If such minimum wage were to increase materially, the labour cost would increase and if the Group is not able to pass that increase on to its customers in the form of higher prices, its business may be harmed.

Additionally, manufacturing overhead also constitutes a significant part of the Group's production cost. In 2004, manufacturing overhead constituted 14.9% of the Group's total cost of sales. Any rise in the manufacturing overhead could negatively affect the Group's business and results of operations.

Increased inspection procedures and tighter import and export controls could increase the Group's operating costs and cause disruption to the Group's business

The apparel industry is subject to various security and customs inspection and related procedures ("Inspection Procedures") in countries of origin and destination as well as at transshipment points. Such Inspection Procedures can result in the seizure of apparel, delays in transshipment or delivery of apparel and the levying of customs duties, fines or other penalties against exporters or importers. If Inspection Procedures or other controls are further tightened the Group may incur further costs and delays and its business may be harmed.

Trade and other matters may affect PRC exporters, including the Group

The Group cannot predict whether in the future it will be subject to additional trade restrictions, including the likelihood, type or effect of any such restrictions. Generally, trade restrictions, including increased tariffs or quotas, embargoes, and customs restrictions, against apparel items, as well as labour strikes, work stoppages or boycotts, could adversely affect the Group's business, financial condition and results of operations.

The Group's business may be affected by unpredictable weather patterns and natural catastrophes

The apparel industry is affected by changes in weather patterns as colder periods will not provide the incentive for customers to buy lighter clothing, nor will warmer periods provide incentive to buy heavier clothing. As such, any unpredicted and unusual change of weather patterns could adversely affect the turnover of the Group's apparel. In the event of a severe change in weather patterns, the business, operating results and financial condition of the Group could be adversely affected in a material respect.

Reduced import duties may increase competition for the Group's retail operations

The relaxation of import duties in the PRC on apparel from international brands in connection with the PRC's accession to the WTO will allow foreign competitors to enter the PRC's apparel market more easily and increase competition for the Group's retail operations. If the Group is unable to respond to such competition, its business may be harmed.

Fashion and apparel industry risks to the Group's retail business and inventory obsolescence

The Directors believe that the success of the Group's retail business depends largely on its ability to originate and define product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. There can be no assurance that the Group will be able to continue to develop appealing styles or successfully meet constantly changing consumer demands in the future. Any failure on the Group's part to anticipate, identify and respond effectively to changing consumer demands and fashion trends could adversely affect retail and consumer acceptance of the Group's in-house and licensed brand products and leave the Group with a substantial amount of unsold inventory, missed opportunities, brand image problems and adversely affected operating results. All fashion retailers, including the Group, may also encounter the risk of inventory obsolescence, which can affect production, planning and profitability. As an indication, the Group recorded a provision for obsolete inventories of HK$1.6 million, HK$3.6 million, HK$1.4 million and HK$1.5 million for each of the three years ended 31 December 2004 and the five months ended 31 May 2005.

If the price of silk increases, the Group's profitability may be harmed

The price of raw silk has fluctuated significantly in the past. As the cost of silk fabric, which reflects the cost of raw silk, represented 25.4%, 29.0%, 33.7%, and 34.2% of the Group's cost of sales during the three years ended 31 December 2004 and the five months ended 31 May 2005, these fluctuations have had a significant impact on the Group's financial results over the Track Record Period. If the price of silk were to increase in the future, the Group's profitability may be harmed because the Group has historically had a limited ability to pass on these increased costs to customers.

RISKS RELATING TO THE PRC

Changes in the economic and political environment in the PRC and policies adopted by the government to regulate its economy may adversely affect the business, operating results and financial condition of the Group

The economy of the PRC differs from the economies of most countries belonging to the Organisation for Economic Cooperation and Development in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, rate of inflation and balance of payments position. Prior to 1978, the economy of the PRC was a planned economy. Since 1978, increasing emphasis has been placed on the utilisation of market forces in the development of the PRC economy. Annual and five-year State Plans are adopted by the PRC government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the PRC's industrial output, in general the PRC government is reducing the level of direct control which it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms have been undertaken, with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. There can be no assurance that the

PRC government will continue to pursue a policy of economic reform. The Group may not in all cases be able to capitalise on the economic reform measures adopted by the PRC government.

The Group's operations and financial results could be adversely affected by changes in PRC political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof), measures which might be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Furthermore, a significant portion of the economic activity in the PRC is export-driven and, therefore, is affected by development in the economies of the PRC's principal trading partners and other export driven economies.

A possible recurrence of a SARS outbreak may materially and adversely affect the Group's business and operating results

From November 2002 to July 2003, the PRC, Hong Kong, Singapore, Taiwan and certain other areas in Asia experienced an outbreak of a new and contagious form of atypical pneumonia now known as SARS. According to the World Health Organization, over 7,000 probable cases of SARS and 600 deaths had been reported in 30 countries from November 2002 to May 2003. A recurrent outbreak could potentially disrupt the Group's operations if any employees or customers in the Group's stores are suspected to have contracted SARS, and the store is identified as a possible source of spreading the SARS infection. The Group may be required to quarantine the employees that have been suspected of becoming infected, as well as any others that had come into contact with them. The Group may also be required to disinfect the affected store and therefore suffer a temporary suspension of its retail operations. Any quarantine or suspension of its retail operations at any stores will affect the Group's overall operations and operating results. Furthermore, such an outbreak would likely restrict the level of economic activity in affected areas, which would also adversely affect the Group's business and operating results.

The Group's raw material suppliers and garment manufacturers are subject to government regulation, and changes in these regulations or incentives may adversely affect the Group's business and operating results

The PRC government has implemented policies from time to time to regulate economic expansion in the PRC. A substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. New regulations or the readjustment of previously implemented regulations could require the Group's fabric suppliers or sub-contracted garment manufacturers to change their business plans, could increase their costs or could limit their ability to sell products and conduct activities in the PRC, which could adversely affect the Group's business and operating results.

The Renminbi is not freely convertible

The Group receives a portion of sales (and other revenue) in Renminbi, which is currently not a freely convertible currency. For the three years ended 31 December 2004 and the five months ended 31 May 2005, approximately 12.7%, 11.9%, 11.2% and 8.3% of the Group's total turnover was denominated in Renminbi respectively. While the Group has used these proceeds for the payment of Renminbi-based expenses, it may in the future need to convert these sales into foreign currencies to purchase imported apparel or other products from future international licensors, particularly as the Group expects the proportion of its total sales derived from its PRC-based retail operations to increase in the future. Under the PRC's existing foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade may be made in foreign currencies without government approval, except for certain procedural requirements. The PRC government may, however, at its discretion, restrict access in the future to foreign currencies for current account transactions and prohibit the Group from converting Renminbi sales into foreign currencies. If this were to occur, the Group might not be able to meet its foreign currency payment obligations.

The Group relies heavily on its middle management personnel, and failure to attract and retain such personnel in the PRC may harm the Group's operations and prospects there

The Group's success depends to a significant extent on its ability to attract and retain skilled operations and finance personnel. In particular, the Group needs a large number of capable personnel to fill middle management positions and in the future will need to fill more positions of this nature in the PRC. Without sufficient numbers of appropriately skilled employees available to staff its PRC operations, the Group will be hindered in pursuing its expansion strategy. There is intense competition for qualified personnel and the Group may experience difficulty in locating candidates with appropriate qualifications.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to the Group

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court of the PRC. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. Such uncertainties could limit the legal protections available to the Group.

If power shortages occur in the PRC, the Group's business may be harmed

The Group consumes substantial amounts of electricity in its manufacturing processes. The Group has experienced recurring power shortages to its production facilities in the PRC. In particular, according to the Directors, the Group often experiences power shortage to its production facilities in Hangzhou during January, February, July and August, and in Shenzhen during July, August and September of each year, during which power is usually suspended for one to two days per week.

The Group currently has backup power systems in each of its factory buildings in the China Ting Industrial Complex with the purpose of providing electricity to its machinery and equipment in order to reduce periods of brownouts, blackouts and loss of work-in-progress. However, there can be no assurance that the Group will always have adequate supplies of electricity to meet its needs at any of its production facilities. Any power shortage for a significant period of time may have an adverse effect on the Group's business.

RISKS RELATING TO OWNERSHIP OF SHARES AND TRADING MARKETS

Future sales of securities by the Company or its shareholders may decrease the value of an investment

Future sales by the Company or its existing shareholders of substantial amounts of Shares after the Global Offering could adversely affect market prices prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale immediately after the Global Offering due to contractual and legal restrictions on resale. Nevertheless, after these restrictions lapse or if these restrictions are waived or breached, future sales of substantial amounts of Shares, including Shares issued upon exercise of outstanding options and warrants, or the possibility of such sales, could negatively impact the market price of the Shares and the Group's ability to raise equity capital in the future.

There has been no prior market for the Shares and the Global Offering may not result in an active or liquid market for these securities, which may adversely affect the market price of the Shares

Prior to this Global Offering, there has not been a public market for the Shares. After the Global Offering, an active public market may not develop or be sustained. If an active market for the Shares does not develop after the Global Offering, the market price and liquidity of the Shares may be adversely affected.

The Offer Price may not be indicative of prices that will prevail in the trading market and such market prices may be volatile

The Offer Price has been determined by negotiations between the Company and representatives of the Underwriters and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the initial public offering price. The financial markets in Hong Kong have experienced significant price and volume fluctuations, and market prices of technology companies have been and continue to be extremely volatile. Volatility in the price of the Shares may be caused by factors outside the Group's control and may be unrelated or disproportionate to the Group's operating results.

The Company will continue to be controlled by Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, whose interests may differ from those of other Shareholders

Before the Global Offering, the Company was wholly owned by Longerview, which is indirectly wholly owned by Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer. Immediately following the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued pursuant to the exercise of the Over-Allotment Option, or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), Longerview will hold 74.87% of the Shares in issue. As the Company's largest Shareholder, subject to the Articles and applicable laws and regulations, it will be able to influence major policy decisions, including the Company's overall strategic and investment decisions, by:

- controlling the election of Directors and, in turn, indirectly controlling the selection of senior management;
- determining the timing and amount of dividend payments;
- deciding on increases or decreases in share capital;
- determining the issuance of new securities; and
- approving mergers, acquisitions and disposals of the Group's assets or businesses.

The interests of the Controlling Shareholders, could conflict with the interests of the other Shareholders. Accordingly, Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer may take actions that favour their own interests and which may not be in the best interests of other Shareholders. Any such actions could adversely affect the interests of minority Shareholders or the price of the Shares.

The trading price of the Shares may be volatile

Following the Global Offering, the trading price of the Shares may fluctuate substantially in response to, among other factors:

- fluctuations in the Group's interim or annual results of operations;
- changes in financial estimates by securities analysts;
- investor perceptions of the Group and the investment environment in Asia, including Hong Kong and the PRC;
- changes in policies and developments related to the apparel industry;
- changes in tariffs and other import and export barriers on apparel;
- changes in pricing policies adopted by the Group or its competitors;
- the depth and liquidity of the market for the Shares;
- the demand for and supply of the Shares;

- the recruitment or departures of key personnel; and
- general economic and other factors.

Moreover, in recent years, stock markets in general have experienced increasing price and volume fluctuations, some of which have been unrelated or have not corresponded to the operating performances of such companies. These broad market and industry fluctuations may adversely affect the market price of the Shares.

The interest of the Shareholders may be diluted as a result of additional equity fund raising

The Group may need to raise additional funds in the future to finance expansion of its operations or new acquisitions. If additional funds are raised through the issuance of new Shares or other securities that may be converted into the Shares or other equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced and Shareholders may experience subsequent dilution. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

The industry statistics from government official sources contained in this prospectus are derived from various official sources and may not be reliable

Certain statistics from government official sources in the sections headed "Summary" and "Industry overview" in this prospectus relating to the apparel industry, such as statistics relating to global and PRC sales, are derived from various official sources. Whilst the Directors have taken all reasonable care to ensure that the facts and statistics are accurately reproduced from such sources, such information has not been independently verified by the Company and may be inconsistent, inaccurate, incomplete or out-of-date. None of the Company, the Sponsor, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering make any representation as to the accuracy or completeness of such information and, accordingly, such information should not be unduly relied upon.

There are risks associated with forward-looking statements

This prospectus contains certain statements that are forward-looking, often indicated by the use of words such as "anticipate", "believe", "could", "expect", "estimate", "may", "ought to", "should", "will" or similar terms. These forward-looking statements address, among other topics, the Group's growth strategy and its expectations concerning its future operations, liquidity and capital resources. Prospective investors are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of the assumptions or judgments on which such statements are based could prove to be incorrect and as a result, the forward-looking statements could also be incorrect. In light of these and other uncertainties, the forward-looking statements in this prospectus should not be regarded as representations by the Group that its plans, expectations or objectives will be achieved, and investors should not place undue reliance on such statements.

Prospective investors are cautioned not to place any reliance on any information contained in any reports or articles in the press or other media regarding the Group or the Global Offering including, in particular, any financial projections, valuations or other forward-looking information

Prospective investors are cautioned that the Directors do not accept any responsibility for the accuracy or completeness of any reports or articles in the press or other media as such reports or articles have not been prepared or approved by the Directors. The Directors make no representations as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the media. To the extent that such statements, if any, are inconsistent with, or conflict with, the information contained in this prospectus, the Directors disclaim them. Accordingly, prospective investors are cautioned not to place any reliance on any such information.

STOCK BORROWING ARRANGEMENT

In order to facilitate over-allocations in connection with the International Placing, the Global Coordinator may choose to borrow Shares from Longerview pursuant to the terms and conditions under the Stock Borrowing Agreement. For the purposes of the stock borrowing arrangements, the Company and Longerview have applied, and the Stock Exchange has agreed to grant, a waiver from strict compliance with rule 10.07(1)(a) of the Listing Rules which otherwise restricts the disposal of Shares by Longerview, one of the Controlling Shareholders. Detailed terms and conditions of the Stock Borrowing Agreement and the waiver are set forth in the paragraph headed "Over-allotment and stabilisation" in the section headed "Structure of the Global Offering" in this prospectus.

CONNECTED TRANSACTIONS

Members of the Group have entered into and are expected to enter into certain transactions which would constitute non-exempt continuing connected transactions of the Company under the Listing Rules after the Listing. The Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements set forth in Chapter 14A of the Listing Rules for such non-exempt continuing connected transactions. Further information on such non-exempt connected continuing transactions and the conditions of the waiver are set forth in the section headed "Connected transactions" in this prospectus.

DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG

Pursuant to rule 19.10(6) of the Listing Rules, certified English translations of documents mentioned in paragraph 53 of part A of appendix 1 to the Listing Rules must be made available for public inspection. The Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with rule 19.10(6) of the Listing Rules. Accordingly, no certified English translations of those material contracts and the PRC legal opinion which are in the Chinese language as referred to in items (k) and (f) under the paragraphs headed "Documents available for public inspection in Hong Kong" in appendix VII will be available for public inspection. Further information on this waiver is set forth in appendix VII to this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by BNP Paribas Peregrine as sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. The International Placing is managed by the Global Coordinator and is fully underwritten by the International Placing Underwriters. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be finally determined by the Global Coordinator (on behalf of the Underwriters) and the Company on or before Friday, 9 December 2005 (Hong Kong time).

If the Global Coordinator (on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by Friday, 9 December 2005, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON SALE OF SHARES

No action has been taken to permit a public offering of the offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Underwriters, any of their respective directors or any other persons or parties involved in the Global Offering.

United States

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act, and subject to certain exceptions may not be offered, sold, pledged or otherwise transferred within the United States, except to QIBs in accordance with Rule 144A or outside the United States in accordance with Rule 903 or Rule 904 of Regulation S. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on Rule 144A.

The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom. The Offer Shares may not be offered or sold to any person in the United Kingdom, other than to qualified investors as defined in section 86(7) Financial Services and Markets Act 2000 ("FSMA"), being (i) persons falling within Article 2.1(e)(i), (ii) or (iii) of Directive 2003/71/EC (the "Prospectus Directive"), which includes legal entities which are regulated by the Financial Services Authority (the "FSA") or entities which are not so regulated whose corporate purpose is solely to invest in securities and companies which are not small or medium sized enterprises for the purposes of Article 2.1(f) of the Prospectus Directive, (ii) investors registered on the register maintained by the FSA under section 87R FSMA and (iii) an investor authorised by an European Economic Area State other than the United Kingdom to be considered as a qualified investor for the purposes of the Prospectus Directive or otherwise in circumstances which would not give rise to a breach of section 85 FSMA.

In addition, this prospectus is distributed only to and is directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "relevant persons"). The Offer Shares are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Offer Shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents. This prospectus should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

No application is being made for the Offer Shares to be admitted to trading on a regulated market in the United Kingdom.

Singapore

This prospectus has not been and will not be lodged as a prospectus with the Monetary Authority of Singapore and the Offer Shares will be offered in Singapore pursuant to exemptions invoked under Subdivision 4, Division 1, of Part XIII, particularly section 274 and section 275, of the Securities and Futures Act (Cap 289, 2002 Rev Edn) of Singapore (the

"SFA"). Accordingly, this prospectus and any other offering document or materials in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than: (a) pursuant to, and in accordance with the conditions of, exemptions invoked under Subdivision 4, Division 1, of Part XIII, particularly section 274 and section 275, of the SFA and to persons to whom the Offer Shares may be offered or sold under such exemption; or (b) otherwise pursuant to, and in accordance with the conditions of any other provision of the SFA.

Italy

The offering of the Offer Shares has not been registered pursuant to the Italian securities legislation and, accordingly, the Offer Shares will not be offered or sold in Italy in a solicitation to the public. The Offer Shares may not be offered, sold or delivered, and copies of this prospectus or any other document relating to the Offer Shares may not be distributed in Italy except to Professional Investors, as defined by the *Commissione Nazionale per le Società e la Borsa* ("CONSOB"), the stock market regulator in Italy, in Art. 31.2 of CONSOB Regulation no. 11522 of 1 July 1998, as amended, pursuant to Art. 30.2 and Art. 100 of Legislative Decree no. 58 of 24 February 1998 (the "Finance Law") or in any other circumstance where an express exemption from compliance with the solicitation restrictions is provided by the Finance Law or CONSOB Regulation no. 11971 of 14 May 1999, as amended (the "Issuers Regulation") applies, including those provided for under Art. 100 of the Finance Law and Art. 33 of the Issuers Regulation, and provided, however, that any such offer, sale, or delivery of the Offer Shares or distribution of copies of this prospectus or any other documents relating to the Offer Shares in Italy must: (i) be made in accordance with all applicable Italian laws and regulations; (ii) be conducted in accordance with any relevant limitations or procedural requirements the Bank of Italy or CONSOB may impose upon the offer or sale of the Offer Shares; and (iii) be made only by: (a) banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of Legislative Decree no. 385 of 1 September 1993, as amended (the "Banking Law Consolidated Act"), to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Finance Law; or (b) foreign banks or financial institutions (the controlling shareholding of which is owned by one or more banks located in the same European Union Member State) authorised to place and distribute securities in the Republic of Italy pursuant to Articles 15, 16 and 18 of the Banking Law Consolidated Act, in each case acting in compliance with every applicable law and regulation.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan (the "SEL"). The Offer Shares which are being offered hereby may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption available from the registration requirements of the SEL and in compliance with any other applicable requirements of Japanese law. Such other applicable requirements may include: (i) the reporting or other regulations under the Foreign Exchange and Foreign Trade Law of Japan; (ii) the transferability and other restrictions under the SEL; and (iii) regulations of the Japan Securities Dealers Association. As used in this paragraph, a resident of Japan means any individual residing in Japan and business offices located in Japan, including any corporation or other entity established under the laws of Japan.

Germany

The Offer Shares will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as of 1 July 2005, as amended, and/or any other laws, rules or regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. No prospectus (*Prospekt*), base prospectus (*Basisprospekt*), registration document (*Registrierungsformular*), securities note (*Wertpapierbeschreibung*), and/or summary note (*Zusammenfassung*) within the meaning of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as of 1 July 2005, as amended, and/or any other laws, rules or regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities has been or will be filed for approval, registered or published within the Federal Republic of Germany.

Netherlands

Unless at any relevant time a valid and approved prospectus is available within the meaning of the EU prospectus directive (i.e., Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC) and Section 3 of the Act on the Supervision of Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), the Offer Shares may not be offered in the Netherlands other than:

i. to professional market parties (*professionele marktpartijen*) within the meaning of section 1a § 3 of the Exemption Regulation under the Act on the Supervision of the Securities Trade 1995 as amended (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*), which includes (i) legal entities which are authorised or regulated to operate in the financial markets, including credit institutions, investment firms, other authorised or regulated financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, commodity dealers; (ii) national and regional governments, central banks, international and supranational institutions; (iii) "small and medium-sized enterprises' being companies or entities, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: (a) an average number of employees during the financial year of at least 250, (b) a total balance sheet exceeding €43 million and (c) an annual net turnover of at least €50 million; (iv) companies or entities whose corporate purpose is solely to invest in securities; and (v) certain companies, entities or natural persons which or who have been registered in the register referred to in section 4 § 3 of the Act on the Supervision of the Securities Trade 1995; or

ii. in an offer addressed to a number of investors of less than 100 per EU member state; or

iii. in an offer addressed to investors who acquire Offer Shares for a total consideration of at least EUR50,000 per investor; or

iv. as part of an offer where the total consideration of such offer is less than EUR2,500,000, which limit shall be calculated over a period of 12 months.

Canada

The Offer Shares may only be offered in those jurisdictions in Canada and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell the Offer Shares. This prospectus is not, and under no circumstances is to be construed as, an advertisement or public offering of the Offer Shares in Canada. No securities commission in Canada has reviewed or in any way passed upon this prospectus or the merit of the offering and any representations to the contrary is an offense.

France

This prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French *Code Monétaire et Financier* and has therefore not been and shall not be submitted to the *Autorité des Marchés Financiers* ("AMF") in order to obtain a prior approval or be passported in France following approval by the competent European stock exchange authority under the Prospectus Directive, or otherwise. Any delivery of this prospectus and/or of any other document relating to this offering shall not under any circumstances be deemed to constitute an offer to sell or a solicitation to buy securities within the meaning of the foregoing provisions of the French *Code Monétaire et Financier*.

The Offer Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this prospectus nor any other offering material relating to the Offer Shares has been distributed or caused to be distributed and will be distributed or caused to be distributed to the public in France otherwise than (i) to qualified investors and/or to members of a restricted circle of investors (*cercle restreint d'investisseurs*) (as defined in Articles L.411-2 and D.411-1 and D.411-2 of the French *Code Monétaire et Financier*), provided that these investors act for their own account, and/or (ii) to portfolio management on behalf third parties services providers (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (iii) in other circumstances defined in Article L.411-2 of French *Code Monétaire et Financier* and in Article 211-2 of the General Regulation of the AMF.

Persons into whose possession this prospectus or any other offering materials relating to the Offer Shares come must inform themselves about and observe the restrictions resulting from the above-mentioned provisions. This prospectus and any other material may not be distributed or caused to be distributed in France other than to investors to whom offers and sales of the securities in France may be made as described above and shall not be passed onto other person or reproduced (in whole or in part).

If the offer of securities is realised pursuant to Article L.411-2-II-4° of the French *Code Monétaire et Financier*, qualified investors and/or members of a restricted circle of investors are notified that they must act in that connection for their own account in accordance with the terms set out by Articles L.411-2-II-4°, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code Monétaire et Financier* and may not re-transfer, directly or indirectly, the securities, other than in compliance with applicable laws and regulations in particular those relating to public offering (which are, in particular, embodied in Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code Monétaire et Financier*).

Taiwan

The Offer Shares have not been and will not be registered with the Securities and Futures Bureau of Taiwan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Taiwan or to, or for the benefit of, any resident of Taiwan, except: (a) pursuant to the requirements of the securities related laws and regulations in Taiwan; and (b) in compliance with any other applicable requirements of Taiwanese laws.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for re-offering or re-sale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Cayman Islands

No offer or invitation may be made to the public in the Cayman Islands to subscribe for or purchase any of the Offer Shares.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, Shares in issue and to be issued as mentioned in this prospectus (including Shares to be issued pursuant to the Capitalisation Issue, Shares which may fall to be issued upon the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the Application Lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Offer Shares will be registered on the Company's branch register of members to be maintained in Hong Kong by the Hong Kong Branch Share Registrar. The Company's principal register of members will be maintained by the Principal Share Registrar in the Cayman Islands.

Dealings in the Shares registered in the Hong Kong Branch Share Registrar in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong Branch Share Registrar, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder of the Company, or if joint Shareholders, to the first-named therein in accordance with the Articles.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses. Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of the Group, the Underwriters, the Sponsor, any of their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

OVER-ALLOTMENT AND STABILISATION

In connection with the Global Offering, the Global Coordinator or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Global Coordinator or any person acting for it to do this. Such stabilisation action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period.

In connection with the Global Offering, the Company intends to grant to the Global Coordinator the Over-allotment Option, which will be exercisable in full or in part by the Global Coordinator no later than 30 days from 8 December 2005, namely the last date for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to allot and issue at the Offer Price up to 75,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Global Offering, to cover over-allocations in the International Placing and/or the obligations of the Global Coordinator to return securities under the Stock Borrowing Agreement.

Further details with respect to stabilisation and the Over-allotment Option are set out in the paragraphs headed "Over-allotment and stabilisation" under the section headed "Structure of the Global Offering". An announcement will be made by the Company to the public within seven days after the end of the stabilising period as required under the Securities and Futures (Price Stabilising) Rules.

PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to apply for the Hong Kong Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. TING Man Yi *(Chairman)*	Flat A, 14th Floor Block 2, Cavendish Heights 33 Perkins Road Hong Kong	Chinese
Mr. TING Hung Yi *(Chief executive officer)*	Flat A, 6th Floor Block 18 One Beacon Hill 1 Beacon Hill Road Kowloon Hong Kong	Chinese
Mr. DING Jianer	Flat A, 7th Floor Block 18 One Beacon Hill 1 Beacon Hill Road Kowloon Hong Kong	Chinese
Mr. WONG Sin Yung	Flat B, 14th Floor, Block 4 Laguna City Kwun Tong Kowloon Hong Kong	British
*Independent non-executive Directors**		
Dr. CHENG Chi Pang	Flat A, 22nd Floor Glory Heights 52 Lyttelton Road Mid Levels Hong Kong	Chinese
Mr. WONG Chi Keung	20A, Melody Court 2C–D, Kam Hong Street North Point, Hong Kong	Chinese
Mr. LEUNG Man Kit	16A Ho King View 2 Braemar Hill Road Hong Kong	British

* Dr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit are members of the Audit Committee. Dr. CHENG Chi Pang is the chairman of the Audit Committee. Dr. CHENG Chi Pang and Mr. LEUNG Man Kit are members of the Nomination Committee, and Dr. CHENG Chi Pang and Mr. WONG Chi Keung are members of the Remuneration Committee.

PARTIES INVOLVED

Global Coordinator, Bookrunner and Lead Manager	BNP Paribas Peregrine Capital Limited 59th–63rd Floors Two International Finance Centre 8 Finance Street Central Hong Kong
Sponsor	BNP Paribas Peregrine Capital Limited 59th–63rd Floors Two International Finance Centre 8 Finance Street Central Hong Kong
Hong Kong Underwriters	BNP Paribas Peregrine Capital Limited 59th–63rd Floors Two International Finance Centre 8 Finance Street Central Hong Kong
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Qualified accountant	Mr. CHENG Ho Lung Raymond *CPA, ACCA*
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Remuneration Committee	Mr. TING Hung Yi (Chairman) Dr. CHENG Chi Pang Mr. WONG Chi Keung

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INTRODUCTION

According to the United Nations Statistics Division, the apparel industry is one of the largest export industries in the world with global trading volume of approximately US$487.4 billion (comprising US$220.6 billion of exports, US$249.0 billion in imports and US$17.8 billion in re-exports) in 2004. The industry structure was shaped by a quota system from 1974 with the signing of the MFA. In 1995, the MFA was superseded by the ATC, a transitional agreement designed to gradually phase out quotas by 2005. All of the members of the WTO are also signatories of the ATC, including prominently the United States, EU member states and Japan. Under the ATC, quotas were allocated by importing countries to regulate the quantity of apparel imported from exporting countries as a means to protect the interests of their domestic apparel manufacturing industries from those of the exporting countries which often can produce apparel at a lower cost. As a result, the geographical distribution of the industry is fragmented, with apparel manufacturers scattered over many different countries. Production facilities are located mostly in developing or less developed countries with available quota and low labour costs. Traditional manufacturers focus on the manufacturing of apparel without heavy involvement in other related activities such as design, development and distribution. In the case of these traditional manufacturers, such activities are either handled by the apparel retailers, such as department stores and branded apparel makers, or by other third parties, such as sourcing agents, with little integration of operations with manufacturers.

However, changes in the global trading arena in recent years and the abolition of quotas under the ATC as of 1 January 2005, have prompted larger structural changes in the industry, which are expected to lead to a period of industry consolidation. It is expected that apparel production will be concentrated in a few countries and larger manufacturers will become more common as apparel retailers and branded apparel makers source from fewer manufacturers in order to reduce their administrative costs and take advantage of cost savings due to these larger manufacturers' economies of scale.

Additionally, apparel retailers and branded apparel makers are increasingly requiring that apparel manufacturers deliver the right items and quantity at the right time. Accordingly, this had led to shorter product cycles and faster delivery time from manufacturers.

To cope with these changes, apparel manufacturers are expected to have to change the way they operate. Existing manufacturers, without the customary production limitations imposed by the quota system, are expected to be unable to rely in the future on the effect of production caps on their competitors to avoid vigorous competition. Manufacturers are also expected to have to partner with apparel retailers and branded apparel makers by providing more value added services on the apparel supply chain such as design and development, material handling, logistics, custom clearance, information technology and other services.

This will prompt many manufacturers to better integrate their operations with those of apparel retailers and branded apparel makers and provide a more comprehensive service solution in order to lower cost in the apparel sourcing process.

In addition, without the constraint of quota limitations, manufacturers could further consolidate their production capability. This could translate into lower costs for the retailers.

Furthermore, apparel retailers and branded apparel makers are facing growing pressure to ensure that the labour practices of their apparel manufacturers meet internationally recognised social responsibility standards. In view of this, retailers and apparel makers may require apparel manufacturers to comply with standards set up internally or by independent certification programmes such as the Worldwide Responsible Apparel Production ("WRAP") Certification Program.

Structural impact on the textile and apparel industry post ATC

Since the abolition of quotas, exports of apparel among WTO members are no longer restricted by quotas (although tariff barriers, which as at the Latest Practicable Date do not apply to the Group, may still be applicable). The less competitive apparel manufacturers may no longer rely on quotas allocated to them to compete for business. While some manufacturers will thereafter focus on further reducing production cost to increase competitiveness, the magnitude of such further reductions is believed to be limited as a great part of production is already located in low cost countries. Room for further cost reduction from producing apparel in low cost countries is therefore limited. It is expected that structural changes in the industry will take place along the following lines:

- Shift of production to fewer countries. It is believed that under the quota system apparel had been manufactured in a far greater number of countries than would otherwise be justified by the high cost involved in coordinating and administering imports from a large number of exporting countries. Since the abolition of quotas, it is expected that countries will be competing with each other to a greater extent on factors such as quality, cost, lead time and political stability. Production is expected to shift to and to concentrate in a smaller number of stable countries with low labour costs, productive workers, a good logistic infrastructure and in close proximity to fabric supplies. Costs could also be saved by reducing the number of sourcing offices in different countries.

- Industry consolidation. For apparel retailers and branded apparel producers, buying from fewer suppliers helps to reduce administration and coordination costs spent on sourcing. However, apparel retailers and branded apparel producers generally need to source a wide assortment of different categories of apparel and historically many manufacturers have usually produced only limited categories of apparel due to a lack of sufficient quota capacity and the need to attain economies of scale by focusing on a few categories of apparel. As a result, apparel retailers and branded apparel producers have generally had to source from a large number of suppliers.

  Pursuant to the elimination of quotas on imports, manufacturers can expand their production either through organic growth or mergers and acquisitions without concern for quota capacity. This could result in more large-sized manufacturers capable of producing a wider assortment of different categories of apparel. These large-sized manufacturers would then be in a position to obtain more business from apparel retailers and branded apparel producers.

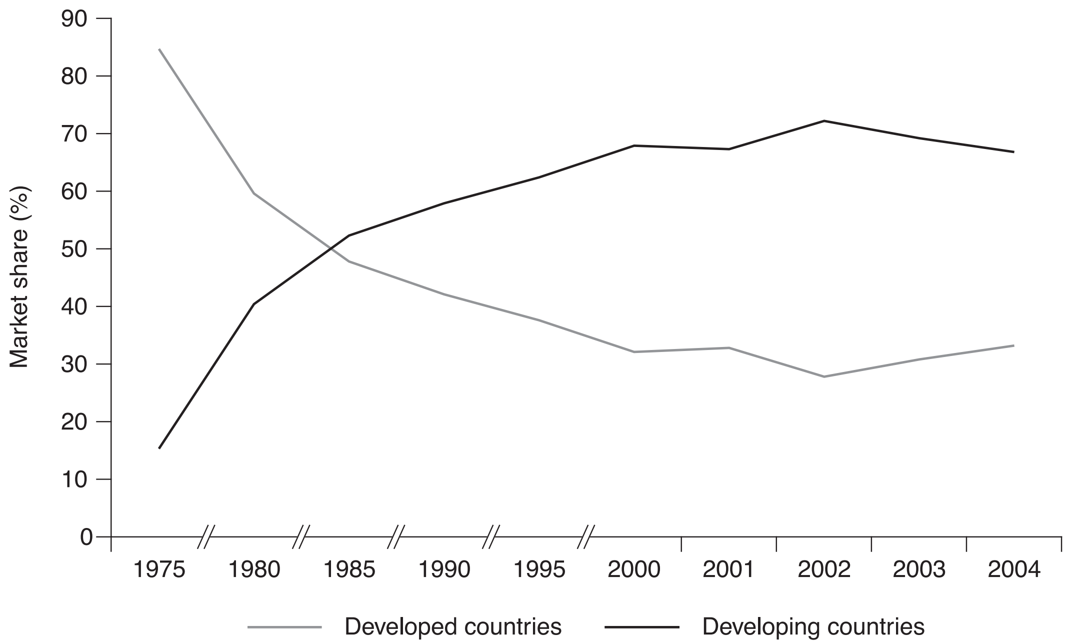
GLOBAL TEXTILE AND APPAREL TRADE

Historical growth and trends in world wide apparel trade

Global trade in textiles and apparel has grown from under US$6 billion in 1962 to US$487.4 billion in 2004. Textile and apparel exports represented nearly 5.5% of the total world exports in 2004. Apparel exports have grown more rapidly than textile exports with apparel exports accounting for more than half of aggregate apparel/textile exports.

The developed countries used to dominate the global exports of apparel. However, due to the fact that apparel production is labour intensive, it has slowly shifted to developing or less developed countries where the cost of labour is lower. The industry is fragmented, with apparel manufacturers scattered in many different countries. Since the late 1980s, the developing countries surpassed the developed countries in the production of textiles and apparel. Currently, developing countries account for roughly half of the world's textile exports, and nearly three-quarters of the world apparel exports.

World market share of developing and developed countries in the apparel industry



Note 1: Developed countries include Japan, Canada, the U.S., Australia, New Zealand, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, the United Kingdom, Sweden, Finland, Austria, Switzerland and Israel.

Developing countries include all other countries except developed countries.

Note 2: Data of Spain in Year 2004 is not available.

Note 3: Scale of table changes from every five years to every year, starting in 2000.

Source: United Nations Statistics Division.

Major exporting regions in the world

The production of apparel is scattered among different countries. According to U.S. Office of Textiles and Apparel statistics, in 2004, there were more than 190 countries exporting apparel to the U.S., of which only 50 countries had an annual export value exceeding US$100 million. This can be attributed to the international quota system on apparel exports previously in force under the MFA and subsequently the ATC, which required that apparel could only be manufactured in countries where quota capacity was available.

Even during the period when worldwide apparel trade was governed by the quota system, apparel production increasingly shifted to Asian countries during the 1980s and 1990s. Asian countries' share of world apparel exports in terms of export value has increased from 26.8% in 1980 to 37.8% in 2004 and since 2000 has surpassed that of the EU. According to WTO statistics, in 2004, Asia was the largest exporter of apparel in terms of export value to the U.S. and Japan, providing 60.1% and 89.9% of the total value of apparel consumed by the U.S. and Japan respectively.

The table below shows the market share of global exports of apparel from the EU, U.S. and Asia from 1980 to 2004 in terms of value:

Share in world apparel exports (%)

Exporting Region	1980	1990	2000	2002	2003	2004
EU *(note 1)*	42.0	37.7	24.1	25.1	26.5	29.0
Asia *(note 2)*	26.8	33.4	36.7	36.4	38.0	37.8
U.S.	3.1	2.4	4.4	3.0	2.5	2.0
Rest of world	28.1	26.5	34.8	35.5	33.0	31.2
	100.0	100.0	100.0	100.0	100.0	100.0

Source: WTO

Note 1: The EU includes Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and United Kingdom.

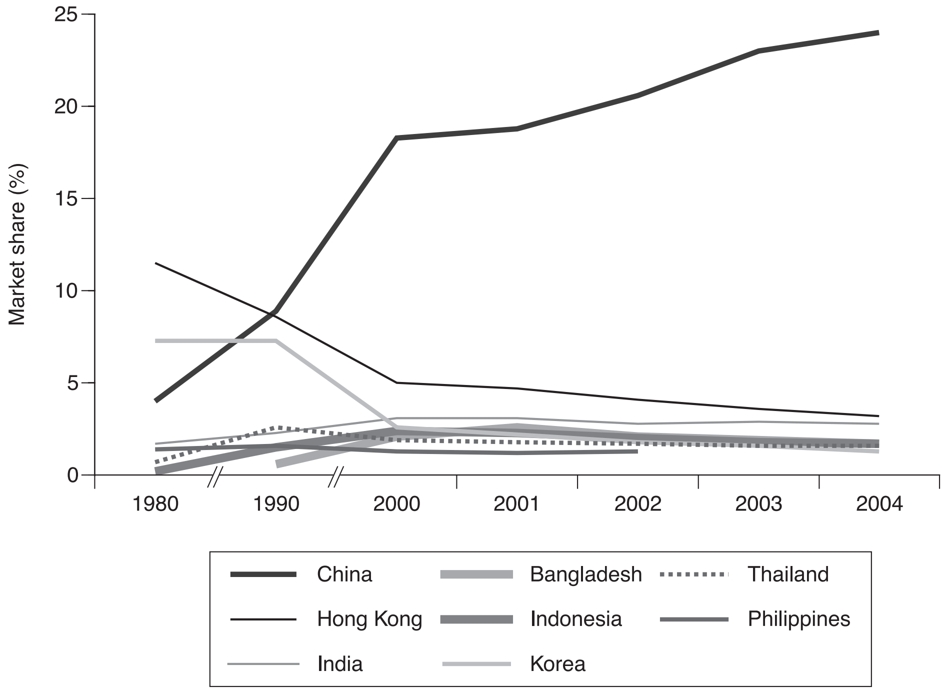
The number of member states of the EU was increased to 25 in 2004. The ten additional countries are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Note 2: The data for Asia includes China, Hong Kong, India, Bangladesh, Indonesia, Korea, Thailand, and the Philippines for the years 1980, 1990, 2000 and 2002.

The data for Asia includes China, Hong Kong, India, Bangladesh, Indonesia, Korea, Thailand and Vietnam for the years 2003 and 2004.

Among Asian countries, China has become a main production base for apparel products. According to WTO statistics, China was the world's largest exporting country for textiles and apparel products in 2004. China's share of world export of apparel in terms of export value has grown from 4% in 1980 to 24% in 2004, with a CAGR of 7.8%. The graph below illustrates the share of world apparel exports from major Asian countries from 1980 to 2004.

Share of world exports of apparel by selected Asian countries (1980 to 2004)



Source: WTO

Note: Scale of table changes from every ten years to every year, starting in 2001

Major importing regions in the world

According to WTO statistics, the EU, U.S. and Japan were the three largest importers of textiles and apparel products in 2004 with an aggregate import value of US$219 billion which accounted for approximately 81.0% of the world apparel imports in 2004. The U.S. was the single largest importing country of apparel in 2004. The table below shows the share of the EU, U.S. and Japan in the world apparel import market from 1980 to 2004:

Share in world apparel imports (%)

Importing Region	1980	1990	2000	2002	2003	2004
EU *(note 1)*	54.3	50.6	39.9	40.3	42.9	45.0
U.S.	16.4	24.0	32.4	31.7	30.2	28.0
Japan	3.6	7.8	9.5	8.4	8.3	8.0
Rest of world	25.7	17.6	18.2	19.6	18.6	19.0
	100.0	100.0	100.0	100.0	100.0	100.0

Source: WTO

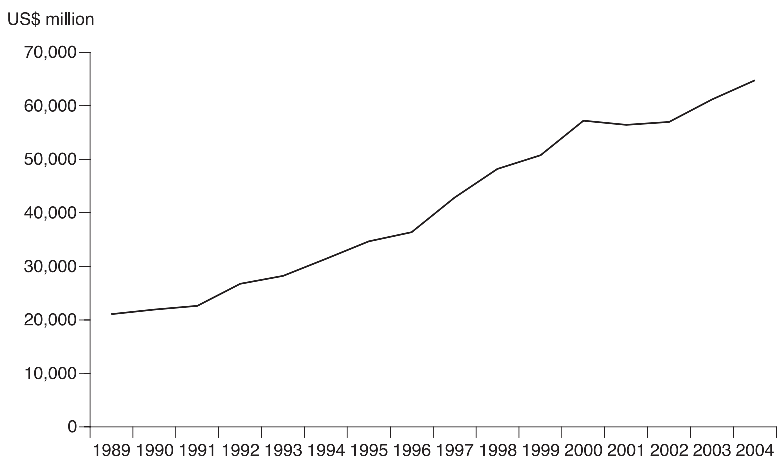
Note 1: The EU includes Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden and United Kingdom.

The number of member states of the EU was increased to 25 in 2004. The ten additional countries are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

U.S. apparel imports

According to the U.S. Office of Textiles and Apparel, the U.S. imported US$61.2 billion and US$64.8 billion worth of apparel products in 2003 and 2004 respectively. The value of apparel products imported into the U.S. grew at a CAGR of 7.8% in the 15 years from 1989 to 2004. The chart below illustrates the growth of the U.S. apparel imports from 1989 to 2004:

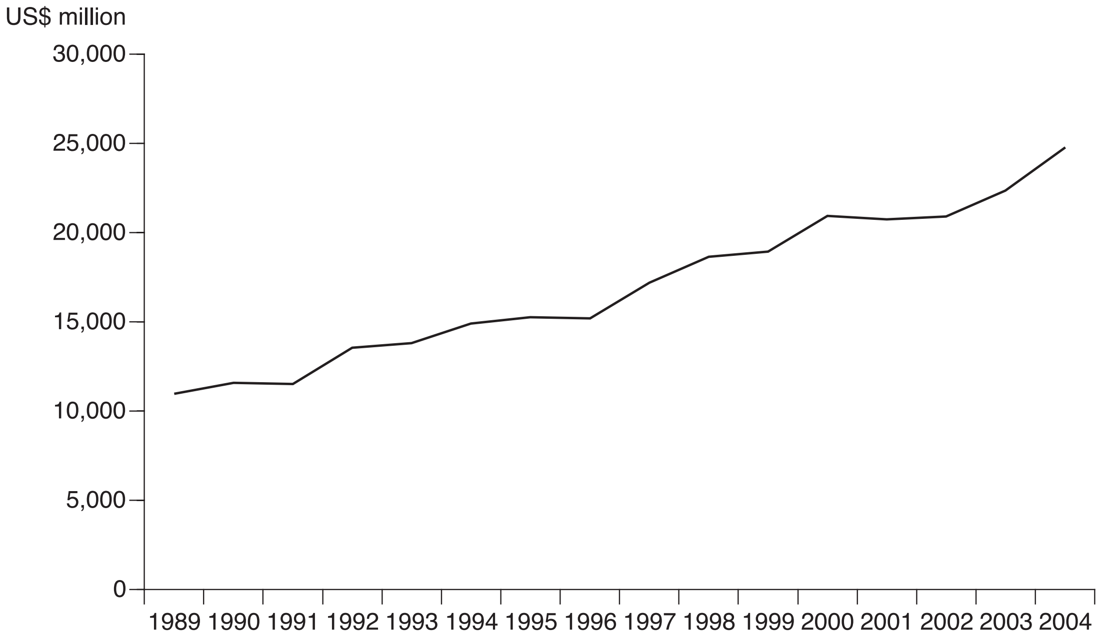
U.S. apparel imports 1989 to 2004



Source: U.S. Office of Textiles and Apparel

According to the U.S. Office of Textiles and Apparel, the U.S. imported apparel from 190 countries in 2004. The top three exporters (China, Mexico and Hong Kong) accounted for an aggregate of 30.1% of total U.S. apparel imports while 69.9% came from the other 187 countries worldwide. As the largest apparel exporter to the U.S. in 2004, China exported US$8.9 billion worth of apparel to the U.S. in 2004. The amount of apparel imports from China grew from US$2.4 billion in 1989 to US$8.9 billion in 2004, representing a CAGR of 9.1%.

U.S. apparel imports from Asia 1989 to 2004

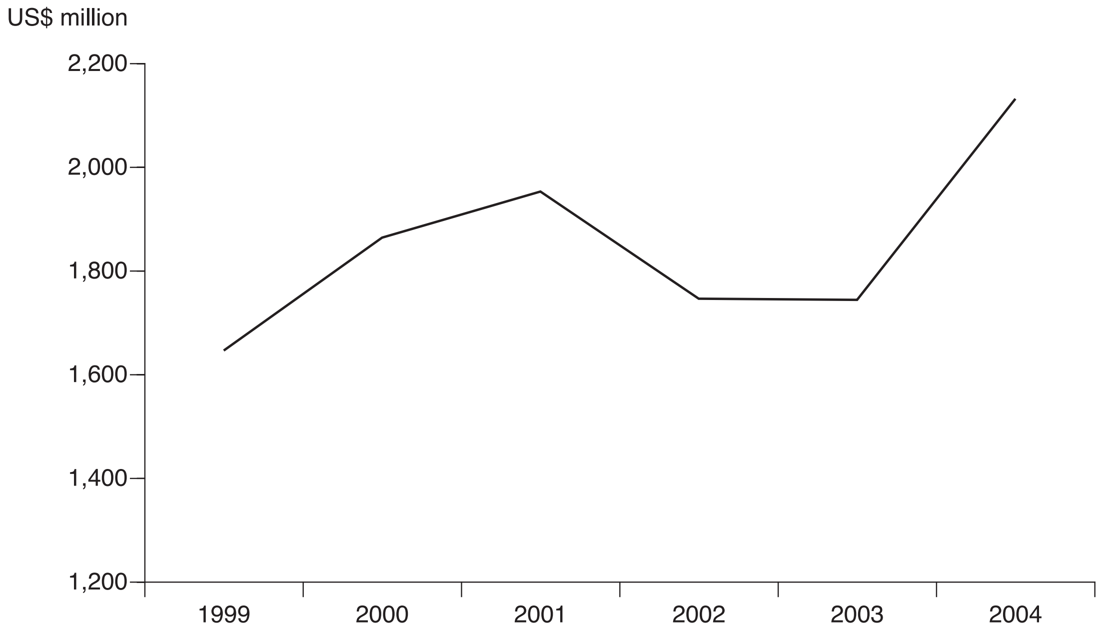


Source: U.S. Office of Textiles and Apparel

The U.S. imported US$2.13 billion worth of silk apparel from an aggregate of 98 exporters around the world in 2004, which represented a year-on-year growth of 22.2%. In 2004, 83.7% of U.S. silk apparel imports were from China, while the other 97 silk exporters provided the remaining 16.3%.

The following chart shows the value of the U.S. silk apparel imports over the last five years.

U.S. silk apparel imports 1999 to 2004

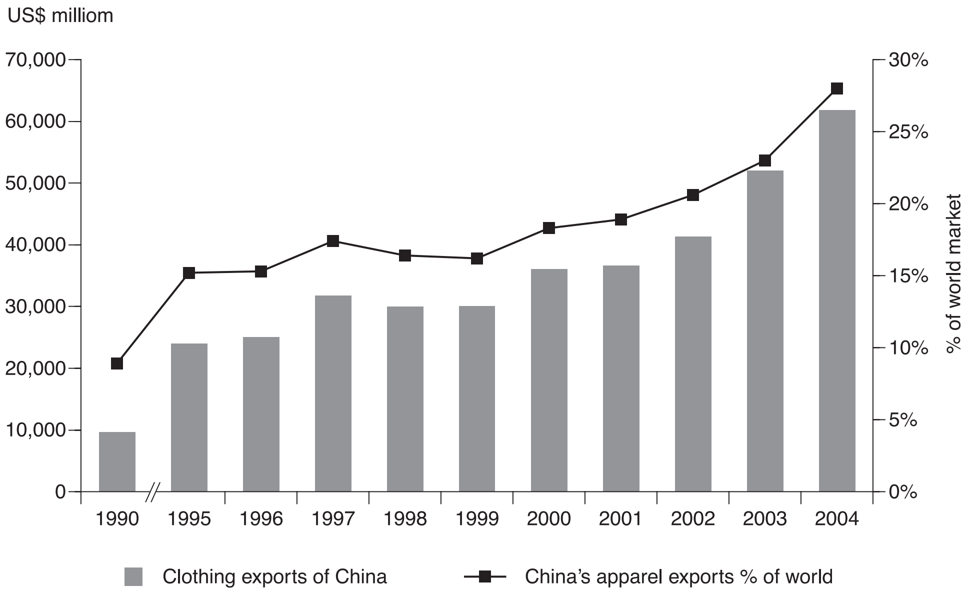


Source: U.S. Office of Textiles and Apparel

CHINA'S APPAREL EXPORT

According to the United Nations Statistics Division, China exported US$61.9 billion worth of apparel in 2004, making it the largest apparel exporting country in 2004. China's share of the global export apparel market, in terms of export value, grew from 8.9% in 1990 to 28.0% in 2004, a CAGR of 8.5%. The chart below illustrates the actual amount of China's apparel exports and the market share of China's exports compared to the global market in terms of export value from 1990 to 2004.

China's apparel exports in terms of value from 1990 to 2004



Source: WTO and the United Nations Statistics Division

China is the home for global silk apparel exports

China is the principal global silk apparel exporter and produced over 70% of the world's raw silk from 1999 to 2002. As illustrated in the table below, China held a dominant position in the world's raw silk production. The next largest raw silk producing country in 2002 was India, accounting for only 15.3% of the world's raw silk production compared to China's 76.9%.

World raw silk output 1999–2002

	1999		**2000**		**2001**		**2002**	
	tonne	*%*	*tonne*	*%*	*tonne*	*%*	*tonne*	*%*
China	55,990	73.8%	51,278	71.2%	62,560	73.3%	73,585	76.9%
India	13,944	18.4%	14,432	20.0%	15,842	18.6%	14,617	15.3%
Brazil	1,554	2.0%	1,389	2.0%	1,485	1.7%	1,607	1.7%
Others	4,369	5.8%	4,912	6.8%	5,496	6.4%	5,841	6.1%
Total	75,857	100.0%	72,011	100.0%	85,383	100.0%	95,650	100.0%

Source: Silk Yearbook of China 2004

In 2004, China exported 89.98 million pieces of silk knitted garments worth US$777 million, representing a 35.4% year-on-year growth in terms of value, as well as 112.79 million pieces of silk shuttle-woven (梭織) garments with a total export amount of US$1,012 million, representing a 21.2% year-on-year growth in terms of value. Key export markets for China's silk apparel are the U.S., Hong Kong, Japan, Germany, the UK and Italy, with an export amount of US$1.10 billion, US$177 million, US$165 million, US$64 million, US$55 million and US$55 million respectively in 2004.

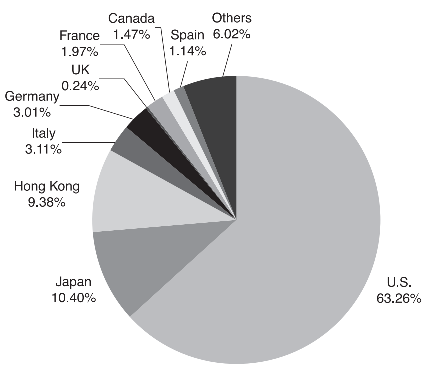
China's export of silk apparel

	2002		**2003**		**2004**	
	Million pieces	*US$ million*	*Million pieces*	*US$ million*	*Million pieces*	*US$ million*
Silk Knitted (針織) Garments	66.43	536	72.42	574	89.98	777
Silk Shuttle-woven (梭織) Garments	84.48	746	95.31	835	112.79	1,012

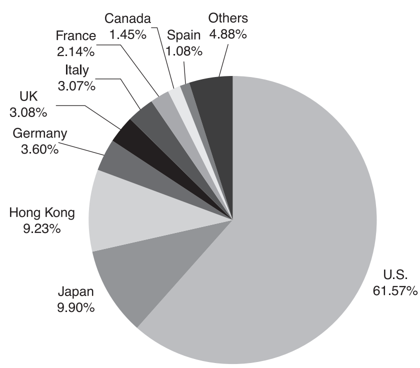
Source: China Customs Statistics

China silk apparel exports

2003



2004



Source: China Customs Statistics

Zhejiang Province was China's largest exporting province of silk products in terms of export value with exports of US$4.64 billion in 2004, an increase of 38.9% from 2003, and it accounted for 60.6% of China's total silk exports.

Top ten silk products exporting provinces in China

	2004 Export Value *(US$ million)*	% change	Share of Total %
Zhejiang	4,642.07	38.89	60.57
Jiangsu	917.30	38.33	11.97
Shanghai	664.46	32.87	8.67
Guangdong	434.57	12.94	5.67
Shandong	244.83	12.11	3.19
Sichuan	230.15	43.13	3.00
Fujian	95.86	20.33	1.25
Beijing	73.53	8.92	0.96
Anhui	42.72	19.2	0.56
Zhongqing	42.56	43.75	0.56

Source: China Customs Statistics

QUOTA SYSTEM AND IMPORT DUTIES

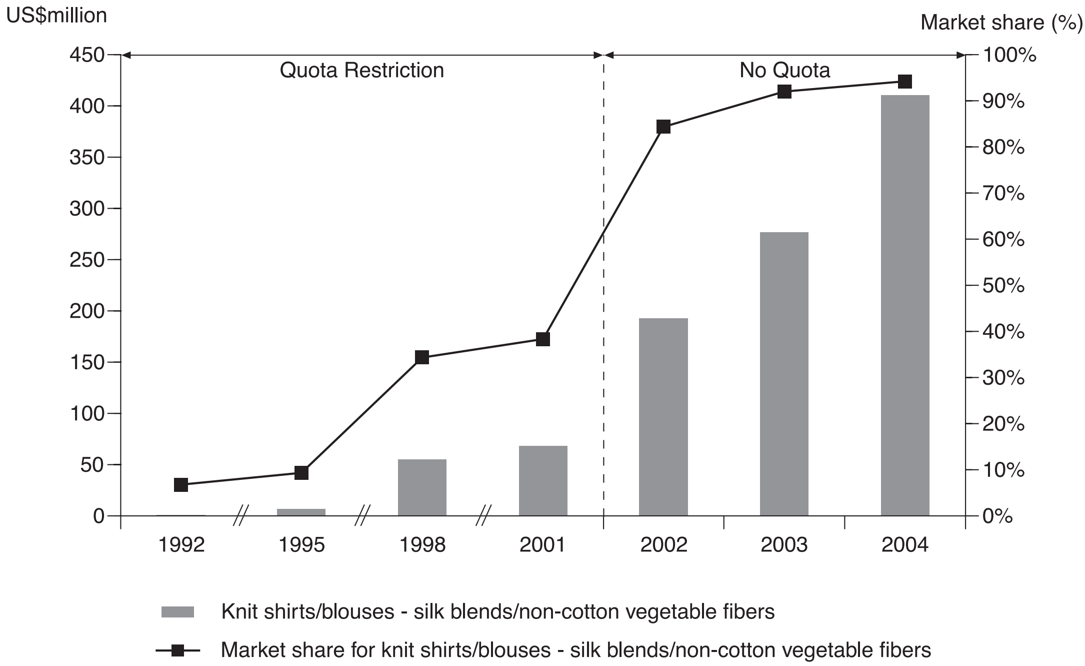
Silk products: Already a beneficiary of quota-free system

According to current WTO agreements, pure silk products are not subject to any form of quota. In addition, the previous quota system for exports to the U.S. as governed by the ATC which applied to silk-blend products has been generally released since 1 January 2002.

Quota restrictions under the ATC in respect of the export of silk blends/non-cotton vegetable fibres knit shirts/blouses from China to the U.S. were lifted on 1 January 2002. According to the U.S. Office of Textiles and Apparel, China's market share of imports to the U.S. for silk blends/non-cotton vegetable fibres knit shirts/blouses grew from 38.3% in 2001 to 94.2% in 2004.

The chart below illustrates U.S. imports from China for silk-blends/non-cotton vegetable fibres knit shirts/blouses (Category 838) and its share in the U.S. market from 1992 to 2004:

U.S. silk-blends/non-cotton vegetable fibres knit shirts/blouses (Category 838) imports from China and share of China's imports of such categories 1992–2004



Source: U.S. Office of Textiles and Apparel

SPECIAL SAFEGUARDS

As a protective measure for importing countries to avoid a sudden influx of Chinese apparel, China remains restricted by two provisions as provided for under the Report of the Working Party on the Accession of China to the WTO, which allow other WTO members to restrict market access for textile and apparel products produced in China. These are as follows:

- **A textile-specific safeguard.** This safeguard is effective until 31 December 2008. Under it, an importing country can request a "consultation" with China if a surge in a particular category of product has caused "market disruptions". Upon receipt of such a request for consultation, China must immediately limit export growth of the category concerned to no more than 7.5% of the level achieved in the first 12 months period of the most recent 14 months preceding the month in which the request for consultation was made. Consultations would be held within 30 days of the receipt of the request and parties concerned should try to reach an agreement within 90 days of the receipt of the request. If no agreement can be reached within 90 days, consultation would continue. The limit, which takes effect on the date of the request for consultations, would end on 31 December of the year in which consultations were requested, or where three or fewer months remained in the year at the time of the request for consultations, would end 12 months after the request for consultations. No restraint limit would remain in effect beyond one year, without reapplication, unless otherwise agreed between the importing country concerned and China.

- **A product-specific safeguard.** This safeguard, which applies to all products, i.e. industrial goods, including textiles and apparel, and agricultural products, is effective until 2013. Similar to the textile-specific safeguard but applying to a specific category of products, this provision allows the importing country to address rapidly increasing imports from the PRC that have caused or threaten to cause market disruptions on a product-specific basis. The importing country invoking the product-specific safeguard must provide reasonable public notice and provide adequate opportunity for interested parties to submit their views and evidence on the appropriateness of the proposed measure and whether it would be in the public interest before the safeguard can take effect. The importing country concerned shall provide written notice of the decision to apply a measure, including the reasons for such measure and its scope and duration. Once the safeguard takes effect, the importing country is free to withdraw concessions or otherwise limit imports to the extent necessary to prevent or remedy such market disruptions. The importing country may apply a measure only for such period of time as may be necessary to prevent or remedy the market disruption.

One of these safeguards was initiated by the U.S. against China in May 2005, and subsequently in August 2005, to limit the growth of certain categories of imported textile products from China, including seven categories of apparel, namely cotton knitted shirts, cotton trousers, underwear, men's cotton and man-made fibre shirts, man-made fibre knitted shirts, man-made fibre trousers and bras.

This has resulted in limits to the annual growth of China's exports in the above categories to 7.5% of the levels achieved in the first 12 months of the most recent 14 months before the request of the consultation. Safeguards allow the U.S. to impose further quota requirements in the future.

In November 2005, the U.S. and China reached an agreement to manage the growth rates of Chinese textile and apparel imports to the U.S. at 10% to 15% in 2006, 12.5% to 16% in 2007, and 15% to 17% in 2008, covering 11 categories of apparel and 10 categories of textiles.

Separately in June 2005, the EU and China reached an agreement to manage the growth of the EU's textile and clothing imports from China. The agreement covers ten of the 35 categories of Chinese imports liberalised on 1 January 2005 which include the following: (i) pullovers; (ii) men's trousers; (iii) blouses; (iv) T-shirts; (v) dresses; (vi) bras; (vii) flax yarn; (viii) cotton fabric; (ix) bed linen; and (x) table and kitchen linen.

The agreement between the EU and China limits the growth of imports in the aforementioned categories to between 8.0% to 12.5% per year for 2005, 2006 and 2007. Following discussions between the EU and China regarding the treatment for Chinese imports to the EU that have exceeded the quota allowed for 2005, on 14 September 2005, an EU regulation came into effect which provided for the release of 50% of the Chinese imports blocked by EU customs authorities. The remaining 50% will be "borrowed" from the Chinese textile and garment quotas agreed for 2006.

In addition to the safeguards, China will still continue to be subject to anti-dumping restraints until 2016. To protect their own domestic apparel industries, trade associations and others in importing countries could view any significant price reduction in imported products as signs of dumping and lobby for "trade remedy actions" subject to the importing country's government's approval, which could significantly reduce the quantity of imports from exporting countries.

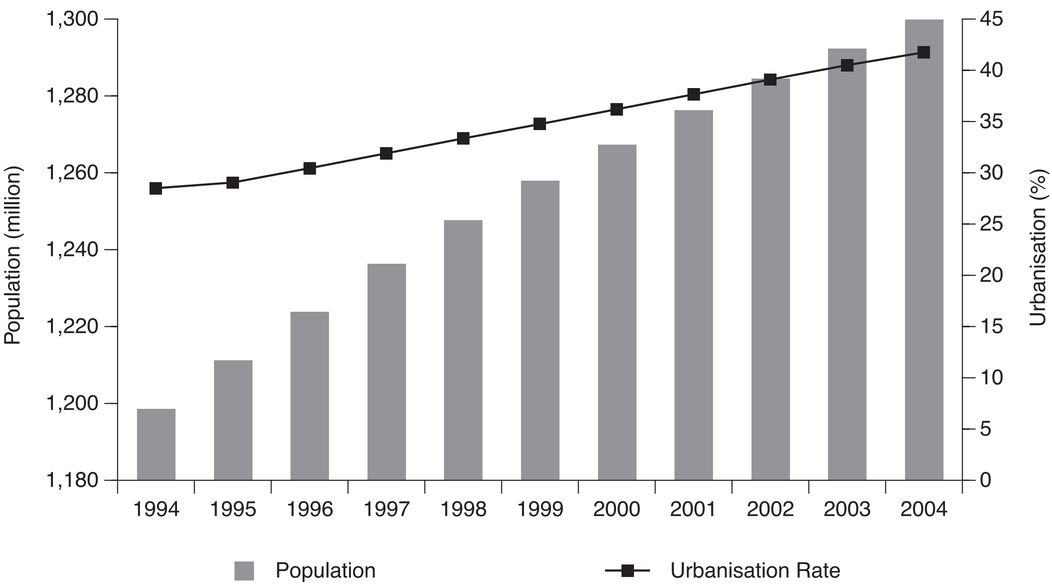
PRC's Interim Administrative Measures on Textile Exports

On 22 September 2005, the Ministry of Commerce of the PRC announced the "Interim Administrative Measures on Textile Exports" (the "Measures"), which took effect from 22 September 2005. According to the Measures, trading entities are required to seek approval from relevant commerce departments and obtain provisional export licences before exporting textile products that are listed under the "Catalogue of Textile Products Subject to Temporary Administration". They should also apply for special textile certificates of origin from the designated authorities of the PRC General Administration of Quality Supervision, Inspection and Quarantine. The Measures are not applicable to textile products under outward processing arrangements (OPA) that are of non-PRC origin.

DOMESTIC RETAIL

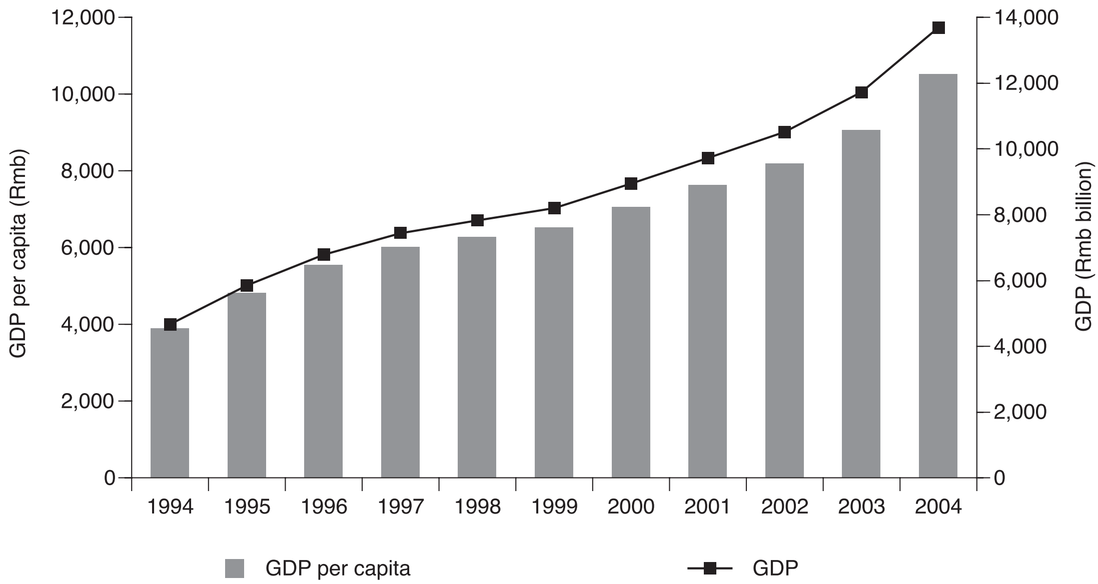
The PRC economic growth and consumption power

The PRC is one of the most populated countries in the world and its population has grown continuously over the past decade. The population of the PRC has a CAGR of 0.8% between 1994 and 2004. The population of the PRC reached nearly 1.3 billion in 2004 whilst the urbanisation rate has increased from approximately 28.5% in 1994 to approximately 41.8% in 2004. It is expected that with the increasing urbanisation rate, there are tremendous opportunities for growth in the retail sector in the PRC in the future. The chart below shows the population growth and urbanisation rate in the PRC during the period from 1994 to 2004.



Source: China Statistic Yearbook 2005

Over the past decade, the PRC has been one of the world's fastest growing economies. According to the National Bureau of Statistics of the PRC (中華人民共和國國家統計局), its GDP grew at a CAGR of approximately 11.3% per annum from 1994 to 2004. The chart below illustrates the GDP and the GDP per capita in the PRC during the period from 1994 to 2004:



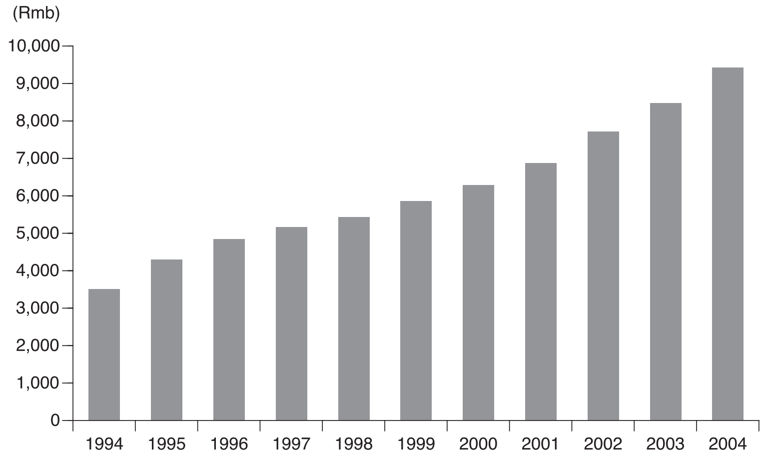
Source: China Statistic Yearbook 2005

It is generally believed that the economic growth in the PRC will continue. According to the forecast by the International Monetary Fund, it estimates that the real GDP in the PRC will grow at an annual growth rate of 8.5% and 8.0% in 2005 and 2006 respectively, which will outpace most of the economies in the world. The table below illustrates the forecast growth rate of real GDP in major economies in the world by the International Monetary Fund in 2005 and 2006:

	2005F (%)	**2006F (%)**
PRC	8.5	8.0
Emerging Asia	7.0	6.9
USA	3.6	3.6
Euro Area	1.6	2.3
Japan	0.8	1.9
Hong Kong	4.0	4.0
Singapore	4.0	4.5

Source: International Monetary Fund

Strong economic growth and the growth in GDP per capita have resulted in improvements in the living standard and purchasing power of the population in the PRC. This is evidenced by the gradual increase in the average income level in the PRC, in particular, among urban households. The per capita annual disposable income of urban households in the PRC has increased from approximately RMB3,496 in 1994 to RMB9,422 in 2004, or a CAGR of 10.4%. The chart below illustrates the per capita annual disposable income of urban households in the PRC during the period from 1994 to 2004:



Source: China Statistic Yearbook 2005

Statistics show a concentration of wealth among urban households and demonstrate the overall consumption power of the upper and middle classes. The table below illustrates the distribution of disposable income among different economic classes in urban China:

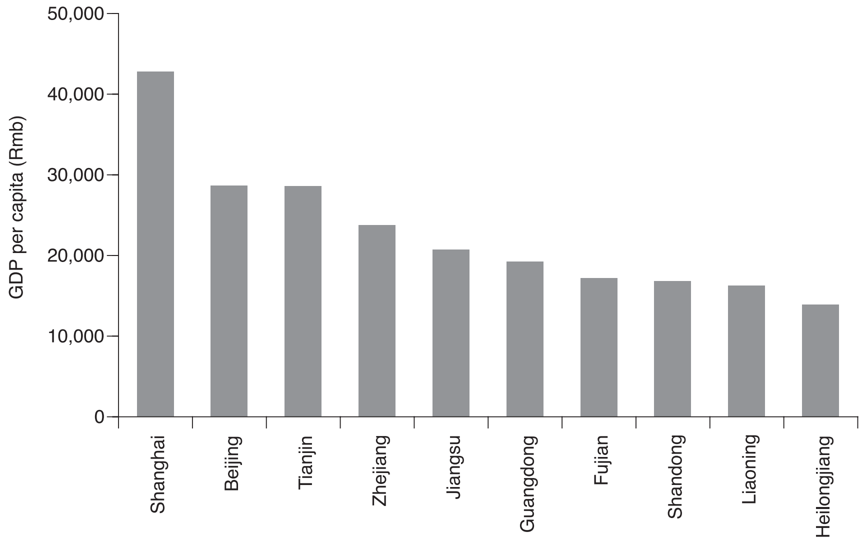
Average Annual Per Capita Disposable Income in Urban Households (RMB)	**Lowest**	**Low**	**Lower Middle**	**Middle**	**Upper Middle**	**High**	**Highest**
Percentage of China population (%)	10%	10%	20%	20%	20%	10%	10%
CAGR* (1998–2004)	2.4%	5.0%	6.6%	8.1%	9.6%	11.3%	15.0%
2004	2,862	4,429	6,024	8,167	11,051	14,971	25,377
2003	2,590	3,970	5,337	7,279	9,765	13,123	21,837
2002	2,409	3,649	4,932	6,657	8,870	11,273	18,996
2001	2,803	3,856	4,947	6,336	8,164	10,375	15,115
2000	2,653	3,634	4,624	5,898	7,487	9,434	13,311
1999	2,618	3,492	4,364	5,512	6,905	8,632	12,084
1998	2,477	3,303	4,107	5,119	6,379	7,878	10,962

* Compound annual growth rate

Source: China Statistical Yearbook 1999–2005 inclusive

From the table above, two trends can be observed: (i) an increase in urban household purchasing power overall and (ii) an increase in upper and middle class purchasing power in particular. In 1998, only 10% of urban households earned more than RMB8,000 per capita a year whereas by 2004 approximately 60% of urban households earned more than RMB8,000. The average annual per capita disposable income of the top 10% of urban households increased from RMB10,962 in 1998 to RMB25,377 in 2004, representing an increase of approximately 131% in six years.

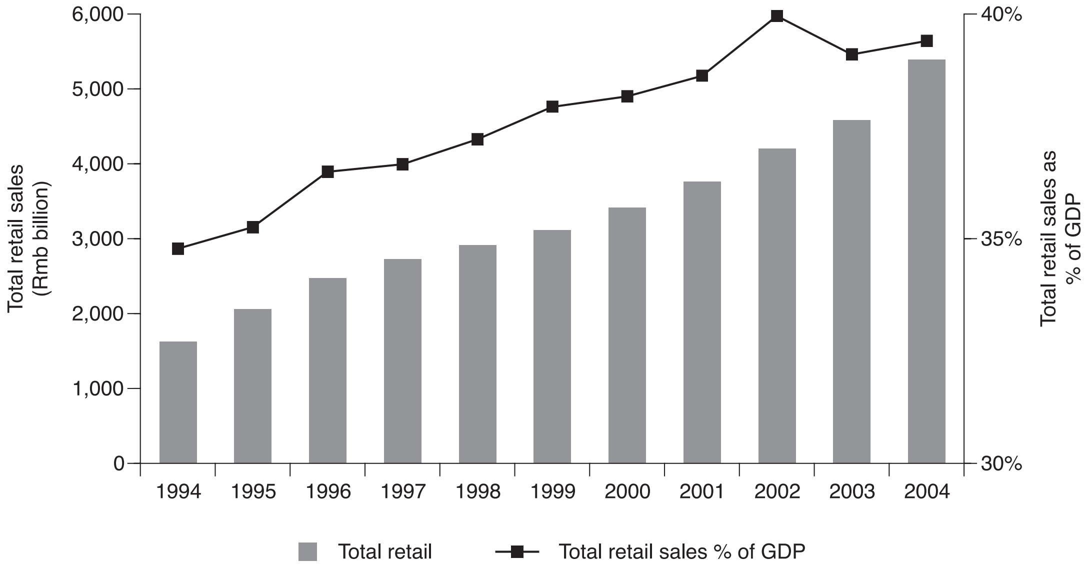
Beijing and Shanghai, being the two major financial and economic centres, make a significant contribution to the GDP per capita in the PRC and have the two highest GDP per capita amongst all the regions in the country. Being the two fastest growing cities in the PRC, they remain the leading consumer markets. In addition, it is expected that the 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai will further boost the economic growth and consumption in Beijing, Shanghai and their respective surrounding areas. The chart below shows the GDP per capita of the top ten regions in the PRC in 2004:



Source: China Statistic Yearbook 2004

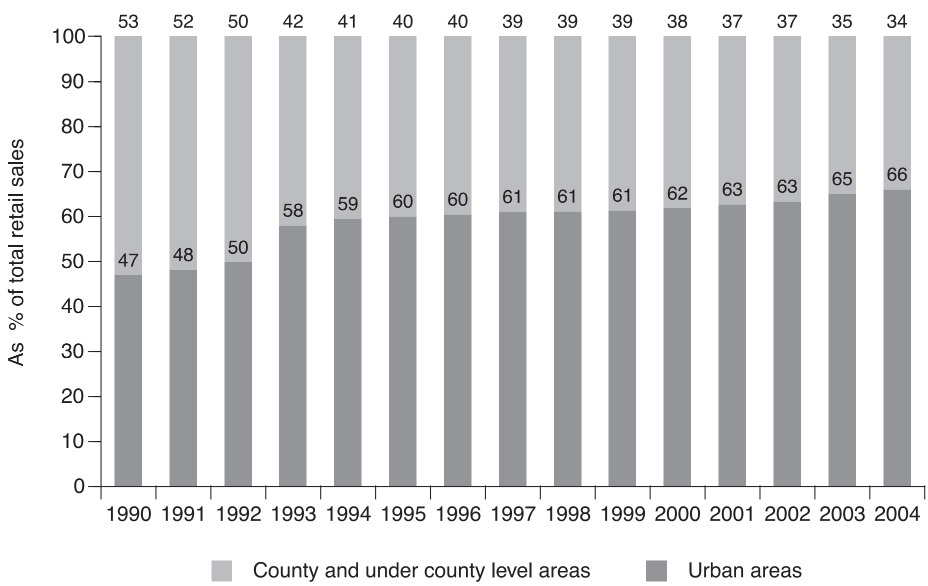
RETAIL INDUSTRY IN THE PRC

With its huge population, the PRC has a large consumer base which provides tremendous opportunities for the distributors of consumer goods. Since the 1990s, the PRC government has adopted a series of policies to reform the retail industry which included promoting domestic consumption by means of policy incentives and the opening up of the domestic retail industry to foreign investments. Prior to these reforms, shopping in the PRC often meant choosing from a limited range of locally-manufactured products, whereas today's consumers in the PRC are exposed to a growing range of retail formats which carry a wide variety of high quality goods, both manufactured locally and imported from outside the PRC. The retail formats include department stores, supermarkets, hypermarkets, convenience stores, speciality stores, supercentres, franchise stores and warehouse markets. The reforms in the retail industry have led to an increase in total retail sales. The total retail sales of consumer goods in the PRC increased from approximately RMB1,600 billion in 1994 to approximately RMB5,400 billion in 2004, representing a CAGR of 12.7%, which is higher than the GDP growth for the same period at a CAGR of 11.3%. The chart below shows the total retail sales of consumer goods in nominal terms in the PRC and as a percentage of GDP during the period from 1994 to 2004:



Source: China Statistic Yearbook 2004

The increase in total retail sales is principally attributable to the consumption in urban areas. According to the National Bureau of Statistics of the PRC (中華人民共和國國家統計局), in 2004, total retail sales of consumer goods in urban areas reached RMB3,557.3 billion which accounted for approximately 65.9% of the total retail sales while the population in urban areas only accounted for approximately 41.8% of the total population in the PRC. The chart below shows the comparison of total retail sales of consumer goods in urban areas and county/under county level areas during the period from 1990 to 2004:



Source: National Bureau of Statistics, PRC

Other than the government policies to increase consumption, the gradual opening up of the PRC retail market to foreign investments has also contributed to the growth in the retail industry. Since the opening up of the market in the 1990s, foreign invested enterprises have been expanding rapidly to capture market share. It is expected that foreign retailers will further penetrate the PRC retail industry in the future. At the end of 2004, there were a total of 3,261 stores operated by foreign invested retail trade enterprises above designated size (i.e. those that have more than 60 employees and whose sales is above RMB5 million) in the PRC, representing approximately 7.0% of the total number of retail trade enterprises above the designated size. However, the 7.0% foreign invested retail trade enterprises operated store accounted for approximately 16.9% of the PRC retail market share in terms of sales revenue within the same designated size.

Pursuant to the WTO agreement, starting from 11 December 2004, foreign investors are allowed to establish wholly-owned companies for wholesale, retail, franchise, warehousing and inventory management business in the PRC. The Directors believe that with the future growth potential of the PRC retail industry, the complete opening-up of PRC retail market will further attract foreign investments.

Clothing retail market in China

The increase in wages and disposable income in China has led to an increase in consumer spending and as a result an increase in expenditure on clothing. The average annual per capita expenditure of urban households on clothing grew significantly from RMB482.37 to RMB686.79 from 1999 to 2004 representing a CAGR of 7.3%. The large population and rapid economic growth in China offer an opportunity for domestic sales growth and marketing of consumer goods. The following table illustrates the average annual per capita expenditure of urban households on clothing in PRC from 1999 to 2004:

Average annual per capita expenditure of urban households on clothing

	1999	2000	2001	2002	2003	2004
Clothing (RMB)	482.37	500.46	533.66	590.88	637.72	686.79
YoY growth (%)	0.3	3.8	6.6	10.7	7.9	7.7

Source: China Statistical Yearbook 2001–2005

Social responsibility

Retailers and branded apparel manufacturers are facing increasing pressure to ensure that labour practices and factory conditions in relation to the production of their products meet certain social responsibility standards. Retailers and branded apparel manufacturers selling socially suspect products could face lawsuits on matters such as unfair labour practices. Labour standards and factory conditions are usually the main subject of standard-setting and monitoring initiatives.

To limit their exposure to social responsibility issues, retailers and branded apparel manufacturers may require their suppliers to comply with their own internal codes of social responsibility or those set out under independent programs such as the WRAP Certification Program. Although details of these standards vary, their basic principles are usually similar, generally covering standards relating to the prohibition of forced labour, the prohibition of child labour, compensation and benefits, hours of work, the prohibition of discrimination, health and safety, freedom of association and collective bargaining, environment and customs compliance.

PRC regulations in relation to retail business

Prior to the PRC's entry into the WTO, foreign investors were severely restricted from providing retail services in the PRC for both their own proprietary operations and for third parties.

On 25 June 1999, the PRC's State Economic Trade Commission and the Ministry of Foreign Trade and Economic Cooperation jointly issued 《外商投資商業企業試點辦法》 (the Measures on the Trial Establishment of Foreign-Invested Commercial Enterprises) (the "Measures"). According to the Measures, foreign companies or enterprises and domestic companies or enterprises were allowed to set up sino-foreign equity joint ventures or sino-foreign co-operative joint ventures ("Joint Ventures") in certain designated experimental area in the PRC, but wholly foreign-owned enterprises were not allowed to be established in the Industry at that stage. Moreover, the establishment of Joint Ventures had to comply with commercial development planning rules in the relevant area. To gain access to the PRC market, non-PRC retailers had to apply for permission from the PRC government in accordance with the Measures, which had high market entry thresholds for foreign investment enterprises.

However, to fulfill PRC's WTO commitment to the opening up of its distribution services sector, the Ministry of Commerce issued 《外商投資商業領域管理辦法》 (the Measures on the Administration of Foreign Invested Commercial Enterprises) (the "New Measures") on 16 April 2004, which regulate foreign investments in distribution services, meaning enterprises which do not carry out any production activities, such as wholesale, retail, commission agency and franchising. When the New Measures took effect from 1 June 2004, the Measures were abolished.

There are a number of major changes in the New Measures, including permitting foreign investors to engage in the operations of distribution services on a wholly owned basis from 11 December 2004. The New Measures also gradually enlarge the geographical coverage of foreign-invested commercial enterprises and lower the market entry thresholds. In terms of requirements for foreign-invested commercial enterprises to set up stores, it is stipulated in the New Measures that foreign investors can apply to set up both commercial enterprises and stores at the same time in accordance with simplified procedures and clear guidelines.

According to the New Measures, the foreign-invested commercial enterprise must meet the following conditions: (i) its minimum registered capital must comply with the requirements of PRC company law (RMB500,000 for wholesalers and RMB300,000 for retailers); (ii) it must comply with the normal total investment and registered capital requirements for foreign-invested enterprises; and (iii) in general, its term of operations may not exceed 30 years, or 40 years in the western region of the PRC. Moreover, the foreign-invested commercial enterprise must meet the following conditions to open retail stores: (i) if applying to open a store at the same time as applying to establish the enterprise, the proposed store must conform to the urban development plan and the commercial development plan of the city where it is located; and (ii) if applying to open a store after the establishment of the enterprise, then in addition to meeting the above requirement, the enterprise must also (a) have undergone annual inspection on time and passed, and (b) have received all of its registered capital from its investors.

The procedures for establishing a foreign-invested commercial enterprise are first to submit an application (including a project description, feasibility study and other relevant documents required) to the relevant provincial level Commerce Bureau for preliminary approval. If that preliminary approval is granted, the application is submitted to the Ministry of Commerce for final approval. Additionally, any retail stores to be opened by an established foreign-invested commercial enterprise must be approved according to the same process. The approval process together generally does not exceed four months given the satisfactory submission of application documents. The approved foreign-invested commercial enterprise shall be registered with the competent Administration of Industry and Commerce within one month after the approval issued by the Ministry of Commerce or the authorised provincial branch.

OVERVIEW

The Group is a vertically integrated and large scale garment manufacturer, exporter and retailer based in China whose businesses principally comprise the following two distinctive, yet related, parts: (i) the provision of vertically integrated garment manufacturing solutions for middle to high-end fashion apparel, primarily for women, using predominantly silk or silk-blended fabric, on an OEM basis for international fashion brands, chain retailers and department stores primarily in the United States and increasingly in Europe; and (ii) manufacturing and retailing of branded fashion apparel, primarily for women, in China. The Group sold over 13 million pieces of apparel for the year ended 31 December 2004 with a total turnover of HK$1,401 million for the same year. According to the China Silk Association, the Group is one of the largest exporters and manufacturers of silk apparel in China.

The Group is headquartered in Hong Kong with production facilities in Zhejiang, Jiangsu and Shenzhen and offices in Hong Kong, Hangzhou, Shenzhen, Shanghai, Paris and New York to support its sourcing, manufacturing and distribution activities, to maintain close liaison with major customers and to keep abreast of the latest market information and international fashion trends. The Group's primary manufacturing facilities are situated at the China Ting Industrial Complex in Hangzhou, which is the centre of China's silk industry. The Group also operates other manufacturing facilities in Shenzhen, Hangzhou City, Haiyan of Zhejiang and Sihong of Jiangsu, the PRC.

The Group's principal business, from which it derived 88.8% of its turnover for the year ended 31 December 2004, is the manufacture on an OEM basis of predominantly silk and silk-blended fashion apparel (primarily for women) for export to fashion brands, chain retailers and department stores including Express, Macy's, Jones Apparel Group, Liz Claiborne, May Department Stores, Saks Inc. and Zara. The Group offers vertically integrated garment manufacturing solutions comprising fabric design and sourcing, raw silk processing and weaving and garment manufacturing.

In addition to its OEM business, the Group has also established a branded fashion apparel retail business in China which accounted for 11.2% of its turnover for the year ended 31 December 2004. The Group's retail business is principally of women's apparel which is conducted under its own brands namely *FINITY*, *ÉLANIE* and *Dbni* (formerly under the brands, *diny* and *dbn!*) and a licensed brand, *MAX STUDIO*. The Group began to retail men's apparel as a franchisee for a Spanish brand, *SPRINGFIELD* in September 2004, but discontinued doing so following the launch of its own brand *RIVERSTONE* in mid October 2005. As of 31 October 2005, the Group had a retail network of 292 retail outlets across various major PRC cities comprising 143 Concessions and four Free-standing Stores directly operated by the Group and 145 retail outlets operated by franchisees through franchise arrangements.

The following table shows the breakdown of the Group's turnover, operating profit and profit (after taxation and minority interests) of the Group for each of the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005.

	Year ended 31 December			For the five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$000	*HK$000*	*HK$000*	*HK$000*	*HK$000*
Turnover	711,903	980,015	1,401,465	621,915	833,481
Operating profit	98,215	111,135	243,154	127,482	244,952
Profit (after taxation and minority interests)	87,033	85,272	192,803	100,833	198,563

The following table shows the breakdown of the Group's turnover by activities for each of the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005.

	Year ended 31 December						For the five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
OEM	621,428	87.3	863,242	88.1	1,244,512	88.8	558,817	89.9	763,923	91.7
Retail	90,475	12.7	116,773	11.9	156,953	11.2	63,098	10.1	69,558	8.3
Total Turnover	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

The following table shows the breakdown of the Group's turnover by products for each of the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005.

	Year ended 31 December						For the five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Silk/silk-blended apparel[1]	466,359	65.5	616,533	62.9	909,696	64.9	382,913	61.6	490,671	58.9
Linen/linen-blended apparel[2]	11,181	1.6	123,202	12.6	151,320	10.8	115,297	18.5	117,715	14.1
Others[3]	234,363	32.9	240,280	24.5	340,449	24.3	123,705	19.9	225,095	27.0
Total Turnover	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

Note 1: garments with more than 50% silk content.

Note 2: garments with more than 50% linen content.

Note 3: Others mainly represent other garments made principally of cotton, polyester and wool and accessories, such as belts and bags.

The following table shows the breakdown of the Group's turnover by geographic region for each of the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005:

	Year ended 31 December						For the five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
US	593,797	83.4	809,266	82.6	1,111,184	79.3	505,324	81.3	682,934	81.9
China (including Hong Kong)	104,088	14.6	125,973	12.9	190,682	13.6	70,330	11.3	84,404	10.1
EU	2,486	0.4	13,749	1.4	41,726	3.0	12,070	1.9	44,744	5.4
Others	11,532	1.6	31,027	3.1	57,873	4.1	34,191	5.5	21,399	2.6
Total Turnover	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

PRINCIPAL STRENGTHS

Leading player in the global silk apparel trade

According to the China Silk Association, the Group is one of the largest exporters and manufacturers of silk apparel in China. The Group's manufacturing operations are principally located in Hangzhou, the centre of the silk industry in China, the largest silk exporting country in the world. The Directors believe that the Group enjoys a strategic advantage in its sub-segment of the textile industry. The Directors believe that the Group's scale of operations and strong track record, longstanding relationships with and reputation among customers and suppliers, and its wealth of experience in the silk industry accumulated over the years, place the Group in a strong position to maintain and further strengthen its leading position in China's silk garment industry.

Silk apparel manufactured by the Group subject to relatively limited trade restrictions compared to non-silk apparel, particularly in the United States, the Group's principal market

Compared to garments produced using other types of fabrics such as cotton, silk garments manufactured by the Group in China have historically been and are currently subject to relatively limited trade restrictions, particularly on imports into the United States, the Group's principal market. The Directors believe that, in part, this is due to the fact that major apparel importing countries, in particular the United States, do not have significant silk garment manufacturing industries to protect from foreign competition. Consequently, the Directors believe that the Group's silk garment export business occupies a leading position in a segment of the apparel industry which is currently and is likely to remain in the future relatively free from import/export restrictions.

During each of the three years ended 31 December 2004 and the five months ended 31 May 2005, total expenses incurred by the Group on account of quotas, tariffs, voluntary export restraints or other forms of trade restriction amounted to HK$16.6 million, HK$16.9 million, HK$12.4 million and HK$1.0 million respectively.

For further information on trade restrictions affecting the Group's OEM business, please see the sections headed "Industry Overview" and "Business — Trade Restrictions and Quota" in this prospectus.

Strong established market position with established customer relationships and reputation rendering the Group (i) a potential beneficiary of expected consolidation of the apparel supply chain, and (ii) strategically positioned for expansion into the non-silk garment OEM business

As a supplier of quality silk garments with a reputation amongst its customers for quality, consistency and reliability, the Group has established business relationships with a number of international fashion brands, chain retailers and department stores such as Liz Claiborne and May Department Stores. The Group has a broad customer base with over 50 active customers in the year ended 31 December 2004. Aggregate sales to the Group's top five customers in the three years ended 31 December 2004 and the five months ended 31 May 2005 represented 70.9%, 65.2%, 55.2% and 68.8% of the Group's total annual OEM turnover in these respective periods. The Directors believe that international garment retailers/brand owners will increasingly seek to reduce the number of manufacturers with whom they do business and consolidate their sources of supply after the abolition of the global quota system, and the Directors expect China to become the prime beneficiary of such consolidation.

The Directors believe that the Group's established market position as a middle to high-end silk garment supplier in China coupled with the Group's established business relationships with key customers render the Group well positioned to benefit from the expected consolidation of the apparel supply chain in the post quota global apparel trade environment.

The Directors also believe that the Group's customer base and relationships and manufacturing operations provide the Group with the opportunity to expand into the non-silk garment OEM business. The Group has strategically timed its expansion into the non-silk garment OEM business to coincide with the expiry of the textile-specific safeguards which may be imposed by WTO members against textile exports from China until the end of 2008. The Directors believe that, as the silk garment manufacturing process generally require a higher level of production knowhow and labour skill than certain other fabric types, the Group's experience in the silk garment segment serves as a basis for it to expand into other non-silk garment businesses. A successful example of this particular strategy can be found in the Group's strategic expansion into the linen garment business starting from 2002 after the quotas on the import of linen products from China were lifted by the U.S. from January 2002. The Group's linen garment sales have grown from HK$11.2 million in 2002 to HK$151.3 million in 2004, supplying, among others, a number of its existing silk garment OEM customers.

More diversified and balanced business portfolio than "pure" apparel manufacturers

In addition to its traditional OEM export business, the Group has diversified over the past seven years into the branded fashion retail business in the PRC market. As at 31 October 2005, the Group had five brands for its apparel retail business with 292 retail outlets spanning over 26 provinces and centrally governed municipalities across the PRC. Following the establishment of its own brand, *RIVERSTONE*, the retail of *SPRINGFIELD* apparel was discontinued in October 2005. The Group's retail business has enjoyed a growth momentum of 31.7% and 29.6% CAGR in turnover and gross profit contribution respectively between 2002 and 2004. For the five months ended 31 May 2005, the Group's retail business accounted for 8.3% of its total turnover and 12.7% of its gross profit. The Directors believe that the Group's success in the apparel retail business enables the Group to capitalise on fast growing domestic consumer spending in the PRC (per capita annual disposable income of urban households in the PRC grew with a CAGR of 10.4% over the period from 1994 to 2004) and also serves to diversify risks generally associated with purely export oriented businesses in the garment/textile industry on account of economic and political factors such as trade restrictions and currency risks.

Large scale integrated manufacturing facilities and industry knowhow capable of undertaking various stages of the silk garment supply chain

The Group's principal manufacturing facilities are centred at the China Ting Industrial Complex which was opened in 2003. As at 30 September 2005, the China Ting Industrial Complex occupied a site area of approximately 202,000 sq.m. and housed various factory buildings specialising in different manufacturing processes. Together with its other manufacturing facilities located in Shenzhen, Jiangsu and other parts of Zhejiang, the Group operates an integrated manufacturing operation capable of undertaking, in-house, various segments of the silk garment manufacturing process from fabric design and development, raw silk processing and weaving, to garment production. The Group is also engaged in new fabric research and development with a view to enhancing its ability to develop and source a wide array of fabric for its customers.

The Directors believe that the Group's large scale integrated manufacturing operations with corresponding industry knowhow are key to its winning OEM business and enables the Group to benefit from economies of scale, to control costs and the quality of its products and to accelerate time to market for its customers, supporting not only its OEM business but also its retail business.

Experienced management team

The Group has an experienced management team with substantial experience in the silk garment manufacturing and the fashion industry. The Group's factory managers and operational managers are also experienced in this field. The Directors believe that its experienced management team has implemented effective cost control measures to achieve a competitive cost of production (even when the price of raw silk is rising).

GROWTH STRATEGIES

The Directors believe that the Group's current business activities provide an excellent platform for future growth and expect to concentrate efforts to achieve future growth on the following areas:

Expand branded apparel retail sales

It is the Group's objective to expand its retail business to increase the proportion of the Group's turnover generated from its retail business in the long run, by increasing the size of its retail network. Towards this goal the Directors intend to open additional retail outlets in major PRC cities for the sale of the Group's branded and licensed products. The Directors also intend to establish a retail network in Hong Kong as well as other Asian countries to expand its retail coverage and enhance brand recognition. In the short term, retail outlets operated by the Group are likely to be predominantly Concessions but over time the Directors intend to open more Free-standing Stores, including flagship specialty stores in major PRC cities providing a range of products under various brand names in one location. The Directors also intend to develop further the Group's portfolio of retail brands, both men's wear and women's wear, and to collaborate with other premium fashion partners to introduce other premium fashion brands to the Chinese domestic market. The Group expects to focus on those brands for which it also manufactures the apparel, as that has the potential to provide a higher margin.

Diversify the Group's business into home textile production and retail sales

The Group aims to diversify its business further into home textile production and retail sales. In addition to the Group's existing home textile production facility of Zhejiang China Ting Textile Technology, the Directors intend to construct a new dyeing, printing and finishing production plant for home textile products adjacent to the China Ting Industrial Complex which will provide an estimated annual production capacity of 23.0 million metres of home textile fabric. In October 2005, Finity International had been granted an exclusive right to sell and distribute, and the non-exclusive right to manufacture, home textile products in the PRC bearing certain licensed marks of *BURLINGTON HOUSE*. Such home textile products include bed sheets, pillow cases, duvet covers, towels, bath robes and other interior furnishing accessory items.

Expand apparel production capacity

The Directors intend to expand the Group's apparel production capacity, particularly after 1 January 2009, when, under the WTO, all textile-specific safeguard measures against China's exports will expire. The Directors intend to do so by building the Group's own production facilities, first in Hangzhou, Zhejiang, and then in Qiandaohu, Zhejiang, the PRC. In addition, the Group is in the process of establishing a new apparel manufacturing facility in Macao, at which it intends to set up outward processing arrangements (OPA). Through the above expansion, the Directors intend to take advantage of the significant annual growth in the apparel market and to further diversify its apparel offering. The Directors intend to seek to leverage the Group's relationships with customers in respect of its silk apparel by beginning to manufacture apparel of garments of other fabric type for existing customers. The Group will also seek to cultivate new customers for this business. The Directors believe that the manufacture of silk garments is technically more difficult and requires more skill than garments of other fabric type, and in particular, cotton garments. Consequently, the Directors believe that the Group is well positioned to broaden its apparel business. The Directors also intend to establish a design development and exhibition centre in Hangzhou to further strengthen the Group's design and development capabilities in fabric and apparel and to further strengthen the Group's competitive edge.

Expand into the European OEM business

The Directors intend to expand into new markets in Europe. During the Track Record Period, a significant majority of the Group's turnover from its OEM business was derived from sales to customers in the United States. The Directors intend to further emphasise the Group's sales and marketing efforts in Europe, with the goal of having approximately 30% of its turnover from its OEM business derived from sales to customers in Europe in the medium to long run. This strategy complements the Group's aim to expand its non-silk business as non-silk apparel will be the main focus of the Group's growth strategy in Europe. The Directors believe that the market in Europe is more diverse than in the U.S. in terms of tastes and styles. Furthermore, the Group will focus on growing business in Europe with brand retailers such as Zara as the Directors believe that there is expected to be a significant potential for growth with brand retailers in Europe. To implement this strategy, the Group has opened a representative office in Paris to co-ordinate the business strategy of the Group in Europe.

Expand existing production facilities organically and through acquisition to position the Group to take advantage of anticipated industry consolidation

The Directors intend to expand the Group's existing production facilities in multiple sites and product lines in the next two to three years and to seek opportunities for growth through acquisition of suitable businesses. The Directors believe that such organic and acquisitive growth will better position the Group to take advantage of the anticipated consolidation in the textile and apparel industry following the abolition of quotas.

For further details and information on the Group's future plans and use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

HISTORY AND DEVELOPMENT AND BASIS OF THE REORGANISATION

Business milestones

The business of the Group was founded in 1992 by Mr. TING Man Yi, the chairman of the Group, with the establishment of Concept Creator in Hong Kong, specialising in trading of silk fabric. In May 1994, Concept Creator Fashion was incorporated, focusing on trading of knitted garments manufactured by outsourced contractors.

Hong Kong Fuhowe was incorporated in October 1996 as part of the Group's plan to develop its own garment manufacturing business. Mr. DING Jianer, an executive Director and a younger brother of Mr. TING Man Yi, joined the Group in 1996 and was responsible for the business operation of Hong Kong Fuhowe in China.

In August 1998, Hong Kong Fuhowe, together with Kiteman, established Finity (Shenzhen) for the manufacturing and retailing of apparel under the *FINITY* brand in China. Finity (Shenzhen) was owned by Hong Kong Fuhowe as to 55% with the remaining 45% owned by Kiteman.

The Group's garment manufacturing operations quickly expanded with the establishment of Hangzhou Fucheng and Zhejiang Concept Creator in Hangzhou to engage in garment manufacturing, in December 1998 and January 2000 respectively.

In May 2002, the Group launched a retail brand, *diny* (now under the brand, *Dbni*), in the PRC.

In 2002, Mr. TING Hung Yi, the chief executive officer of the Group and a younger brother of Mr. TING Man Yi and Mr. DING Jianer, joined the Group and was responsible for the development of the Group's OEM export business and retail fashion business in China. During the same year, the construction of the China Ting Industrial Complex commenced, while the OEM export business of the Group continued to expand, with the establishment of China Ting Garment, China Ting (USA), and China Ting Europe.

In March 2003, the Group established China Ting Textile & Knitwear to expand into knitwear export business.

The China Ting Industrial Complex first commenced production in May 2003 and came into full operation in January 2004. As at 30 September 2005, the China Ting Industrial Complex occupied a site area of approximately 202,000 sq.m. and housed various factory buildings and an administration building. The construction of the China Ting Industrial Complex was a milestone in the Group's development. The commencement of production of the new factories within the China Ting Industrial Complex allowed the Group to quickly expand its scale of garment production, enhance its production efficiency and diversify its production capability vertically into silk weaving, knitwear and home textile fabric production.

In March 2003, the Group made a strategic investment by acquiring a 40% shareholding interest in Interfield which through its two operating subsidiaries, namely Hangzhou Huaxing and Heshan Tri-Star, engages in printing and dyeing of silk fabric.

In June 2003, China Ting Group was granted a licence to manufacture and market women's apparel under the licensed brand *MAX STUDIO* in the PRC. In August 2003, the Group launched another retail brand, *ÉLANIE*, in the PRC.

In June 2004, the Group acquired the brand *FINITY* for use in the PRC and Hong Kong for an aggregate consideration of US$4.0 million. In September 2004, *SPRINGFIELD* was added to the Group's portfolio of retail brands.

In June 2004, the Group contracted to acquire the remaining 45% equity interest in Finity (Shenzhen) from Kiteman for a consideration of US$1.5 million.

In October 2005, the retail of *SPRINGFIELD* apparel was discontinued. The Group began to retail men's apparel under its own brand *RIVERSTONE* in mid October 2005 through its retail network in China.

As at the Latest Practicable Date, apart from the factory used by Hangzhou Huaxing, all factories within the China Ting Industrial Complex were operated by members of the Group, forming the Group's principal manufacturing base to support its OEM and fashion retail operations.

Basis of the Reorganisation and the preparation of the combined accounts of the Group

Overall basis of the Reorganisation

The Reorganisation was implemented for the purpose of restructuring members of the Group to be held, directly or indirectly, by the Company. The Reorganisation also provides the basis for the preparation of the combined accounts of the Group, the text of which is set forth in Appendix I to this prospectus.

Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels, together with members of the Group, are considered under the common control and management of the individual Controlling Shareholders, namely Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, because all the material operating and financial policies of all members of the Group, together with that of Zhejiang Huading Group. Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels, were jointly determined by the individual Controlling Shareholders during the Track Record Period.

In light of the above, the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels were assumed by members of the Group during the Track Record Period.

Skylite Apparels was engaged in the business of trading of apparel items which was ceased and assumed by Skylite Fashion in September 2005. All the fixed assets, such as office equipment and furniture and fixture, amounting to HK$238,000, held by Skylite Apparels have been transferred by Skylite Fashion at their aggregate net book value. Following this transfer, the assets of Skylite Apparels only consisted of cash balance, tax payables and other receivables.

As at the Latest Practicable Date, none of Zhejiang Huading Group, Hangzhou Chuangxin and Hangzhou Furun was engaged in any business activities that competed or would be likely to compete with the business of members of the Group. The garment exporting business previously conducted by Zhejiang Huading Group, during the Track Record Period, has been assumed by China Ting Garment since July 2005. The silk weaving business previously conducted by Hangzhou Chuangxin has been assumed by Hangzhou Fucheng upon completion of the acquisition of the assets and liabilities of Hangzhou Chuangxin by Hangzhou Fucheng in November 2005. Hangzhou Furun became inactive since December 2003.

For the preparation of the combined accounts of the Group, in light of the "common control and management" of the individual Controlling Shareholders over all members of the Group, Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels and the assumption of the business, assets and liabilities described above during the Track Record Period, all the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Furun, Hangzhou Chuangxin and Skylite Apparels have been included in the combined accounts of the Group.

As the investors of Zhejiang Huading Group, Hangzhou Furun and Hangzhou Chuangxin intend to retain some assets, particulars of which are set forth below, which are not crucial to the business activities of the Group, the aggregate net book value of these assets was treated as a deemed distribution made by the Group upon completion of the Reorganisation. The equity interests of Zhejiang Huading Group, Hangzhou Chuangxin and Hangzhou Furun are not held by the Company upon completion of the Reorganisation.

Excluded companies

The assumption of business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels by members of the Group, during the Track Record Period, for the above reason of common control and management, was conducted in the following ways:—

— The garment exporting business activities of Zhejiang Huading Group were terminated in July 2005 and have been assumed by China Ting Garment by way of taking up the customers' purchase orders. The staff previously employed by Zhejiang Huading Group within the China Ting Industrial Complex have been transferred to Jincheng Silk, Zhejiang China Ting Textile Technology, Zhejiang Concept Creator and Zhejiang Xinan, whereas the staff previously employed by Zhejiang Huading Group, Shanghai branch, have been transferred to Hangzhou China Ting Fashion, Shanghai branch. As at the Latest Practicable Date, the principal assets and liabilities retained by Zhejiang Huading Group included the office tower situated within the China Ting Industrial Complex, the staff quarters situated adjacent thereto, the office premises in Shanghai, its long term equity investment in Hangzhou Chuangxin and Hangzhou Furun, cash balance, trade payables and receivables previously incurred. The Directors confirm that all of these are not crucial to the business activities of members of the Group;

— Hangzhou Furun had no material business during the Track Record Period and its business activities have been assumed by Hangzhou Fucheng by way of taking up the customers' purchase orders. As at the Latest Practicable Date, the principal assets and liabilities retained by Hangzhou Furun included cash balance and trade payables and receivables previously incurred. The Directors confirm that all of these are not crucial to the business activities of members of the Group;

— Skylite Apparels has not carried on any business since September 2005 and its business registration in Hong Kong has been cancelled. The business activities of Skylite Apparels have been assumed by Skylite Fashion by way of taking up the customers' purchase orders. As at the Latest Practicable Date, the principal assets and liabilities retained by proprietor of Skylite Apparels only consisted of cash balance, tax payables and other receivable previously incurred; and

— All assets and liabilities of Hangzhou Chuangxin (other than the land and the related factory building which are to be resumed by the PRC government and certain assets and liabilities, the legal title of which cannot be transferred) have been acquired by Hangzhou Fucheng pursuant to an asset acquisition agreement dated 18 November 2005 and entered into between Hangzhou Chuangxin and Hangzhou Fucheng. The business activities of Hangzhou Chuangxin have been assumed by Hangzhou Fucheng after completion of such acquisition in November 2005.

The combined accounts of the Group are based on the above overall basis of the Reorganisation.

Acquisitions made by members of the Group

Acquisitions made to streamline the business operations of the Group

The following sets forth certain brief information on the acquisitions made by members of the Group during the Track Record Period.

In January 2002, Concept Creator Fashion, which was held by Mr. TING Man Yi as to 75%, acquired from Handnice 25% equity interest in Zhejiang Huali at nominal consideration. The amount of consideration was based on the mutual agreement between the parties. The transfer was made in recognition of the contribution made by Mr. TING Man Yi towards the business growth of Handnice. The remaining 75% equity interest in Zhejiang Huali was at that time held by Yuhang Huaming.

In January 2002, Zhejiang Huading Group acquired from Yuhang Chuang Yue 85% equity interest in Hangzhou Furun at a consideration of RMB500,000, which was agreed between the parties following arm's length negotiations. As Hangzhou Furun held 45% equity interest in Hangzhou Fucheng at that time, the Directors consider that such acquisition strengthened the management of the Group. The remaining 15% equity interest in Hangzhou Furun was at that time held by Hangzhou Chuangxin, which was then held by Dong Hai as to 80% and by Ms. ZHANG Mao Mei as to 20%. Ms. ZHANG is the sister-in-law of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi.

In January 2002, Zhejiang Huading Group acquired from Yuhang Chuang Yue 26.5% equity interest in Zhejiang Concept Creator at a cash consideration of RMB1 million, which was agreed between the parties following arm's length negotiations. The Directors consider that such acquisition further strengthened and consolidated the business operations of the Group. The remaining 73.5% equity interest in Zhejiang Concept Creator was at that time held by Concept Creator Fashion.

In February 2002, Zhejiang Huading Group acquired from Yuhang Chuang Yue 75% equity interest in Shenzhen Fuhowe at a cash consideration of RMB1,552,500, which was agreed between the parties following arm's length negotiations. As Shenzhen Fuhowe at that time operated one of the major production facilities of the Group, the Directors consider that such acquisition enhanced the business operations of the Group. The remaining 25% equity interest in Shenzhen Fuhowe was at that time held by Hong Kong Fuhowe.

In April 2002, Zhejiang Huading Group acquired from Dong Hai 80% equity interest in Hangzhou Chuangxin at a cash consideration of RMB4.8 million, which was based on the value of the relevant interests in the registered capital of Hangzhou Chuangxin. As Hangzhou Chuangxin was mainly engaged in silk weaving and was at that time one of the Group's suppliers for silk fabrics, the Directors consider such acquisition was part of the Group's business plan to establish a vertically integrated production chain. The remaining 20% equity interest in Hanzhou Chuangxin was at that time held by Ms. ZHANG Mao Mei.

In December 2002, Zhejiang Huading Group acquired from Yuhang Huaming 75% equity interest in Zhejiang Huali at a cash consideration of RMB5,260,000, which was agreed between the parties following arm's length negotiations. As Zhejiang Huali was at that time one of the major production facilities of the Group, the Directors consider that such acquisition further strengthened the business operations of the Group. The remaining 25% equity interest in Zhejiang Huali was at that time held by Concept Creator Fashion.

In February 2003, 70% equity interest in Zhejiang Huading Group was transferred from Mr. TING Man Yi to Mr. DING Jianer (who had at that time already held 30% equity interest in Zhejiang Huading Group) as to 22%, Mr. DING Xinger as to 30%, Yuhang Huaming as to 12%, Mr. FU Xiao Bo as to 3% and Mr. YE Ai Min as to 3% respectively. After such transfers, Zhejiang Huading Group was held by Mr. DING Jianer as to 52%, Mr. DING Xinger as to 30%, Yuhang Huaming as to 12%, Mr. FU Xiao Bo as to 3% and Mr. YE Ai Min as to 3%.

The transfer of the 30% equity interest in Zhejiang Huading Group to Mr. DING Xinger was made in consideration of an advancement made to Mr. DING Xinger based on the amount of the equity investment of RMB30 million. The transfer was made for the purpose of recognising Mr. DING Xinger's contribution to the business growth of the Group (together with Zhejiang Huading Group, Hangzhou Furun, Skylite Apparels and Hangzhou Chuangxin) as a member of the senior management of Zhejiang Huading Group.

The transfer of 12% equity interest in Zhejiang Huading Group to Yuhang Huaming was made at a consideration of RMB12 million. The consideration was settled by assigning a loan of equivalent amount, which was previously made by Yuhang Huaming to Zhejiang Huading Group, to Mr. TING Man Yi.

Mr. DING Jianer, Mr. FU Xiao Bo and Mr. YE Ai Min were all senior managers of Zhejiang Huading Group. The consideration of the transfer, which was based on the relevant amount of equity investment in Zhejiang Huading Group, was settled by way of an advancement made by an affiliated company of the Controlling Shareholders not being a member of the Group, to each of Mr. DING Jianer, Mr. FU Xiao Bo and Mr. YE Ai Min in the amounts of RMB22 million, RMB3 million and RMB3 million respectively. These amounts had been settled in full as at the Latest Practicable Date. These transfers were made for the purpose of recognising their contributions to the business growth of the Group during the Track Record Period.

In March 2003, China Ting Garment acquired from Tri-Star Fabric Printing 40% shareholding interest in Interfield at a cash consideration of HK$24 million, which was determined by the parties with reference to the net asset value of Interfield as at 31 March 2003. As Interfield and its subsidiaries provided fabric printing and dyeing services to members of the Group, the Directors consider that the investment strengthened the Group's business by way of having a better control on dyeing and printing.

In June 2003, Concept Creator Fashion contributed an additional amount of US$324,600 to the registered capital of Zhejiang Huali. After such capital contribution, the then equity interest in Zhejiang Huali held by Concept Creator Fashion increased from 25% to 51%. The remaining 49% equity interest in Zhejiang Huali was at that time held by Zhejiang Huading Group.

In December 2003, China Ting Garment acquired from Hangzhou Furun 45% equity interest in Hangzhou Fucheng at a cash consideration of RMB2,250,000, which was based on the value of the relevant interests in the registered capital of Hangzhou Fucheng. The Directors consider that such acquisition was beneficial to the Group. After such acquisition, Hangzhou Fucheng was held by Hong Kong Fuhowe and China Ting Garment as to 55% and 45% respectively.

In June 2004, Hong Kong Fuhowe and Kiteman entered into an agreement whereby Hong Kong Fuhowe agreed to acquire from Kiteman 45% equity interest in Finity (Shenzhen) at a cash consideration of US$1.5 million, which was determined by the parties by reference to the net asset value of Finity (Shenzhen). Following completion of the acquisition in May 2005, Hong Kong Fuhowe became the sole investor of Finity (Shenzhen). The Directors consider that such acquisition established a platform for the Group to expand its retail business in the PRC.

In April 2005, Hong Kong Fuhowe contributed an additional amount of US$175,000 to the registered capital of Jiangsu Fuze. After such capital contribution, the then equity interest in Jiangsu Fuze held by Hong Kong Fuhowe increased from 45% to 52%. The remaining equity interest in Jiangsu Fuze was held by Hangzhou Fuze and Hangzhou Huaze as to 26.2% and 21.8% respectively.

Reorganisation and post-Reorganisation

For the purpose of the Listing, the Group has undergone further steps for the Reorganisation, particulars of which are set forth under "Reorganisation" in Appendix VI to this prospectus.

On 18 November 2005, Hangzhou Fuding entered into an asset acquisition agreement with Zhejiang Huading Group for the acquisition of a factory building located within the China Ting Industrial Complex with a total gross area of approximately 10,326.14 sq.m. together with other ancillary facilities. The aggregate consideration for the acquisition was approximately RMB12.3 million (equivalent to approximately HK$11.8 million), which was based on the net book value of the relevant assets as at 31 October 2005. Completion of the acquisition is expected to take place after the Listing Date.

On 18 November 2005, Hangzhou Fucheng entered into an asset acquisition agreement with Hangzhou Chuangxin for the acquisition of all assets and liabilities (other than the land and the related factory building which are to be resumed by the PRC government and certain assets and liabilities to which the legal title cannot be transferred) of Hangzhou Chuangxin at a cash consideration of approximately RMB0.5 million (equivalent to approximately HK$0.5 million). The consideration was based on the net book value of the relevant assets acquired. The silk weaving business previously conducted by Hangzhou Chuangxin has been assumed by Hangzhou Fucheng in November 2005.

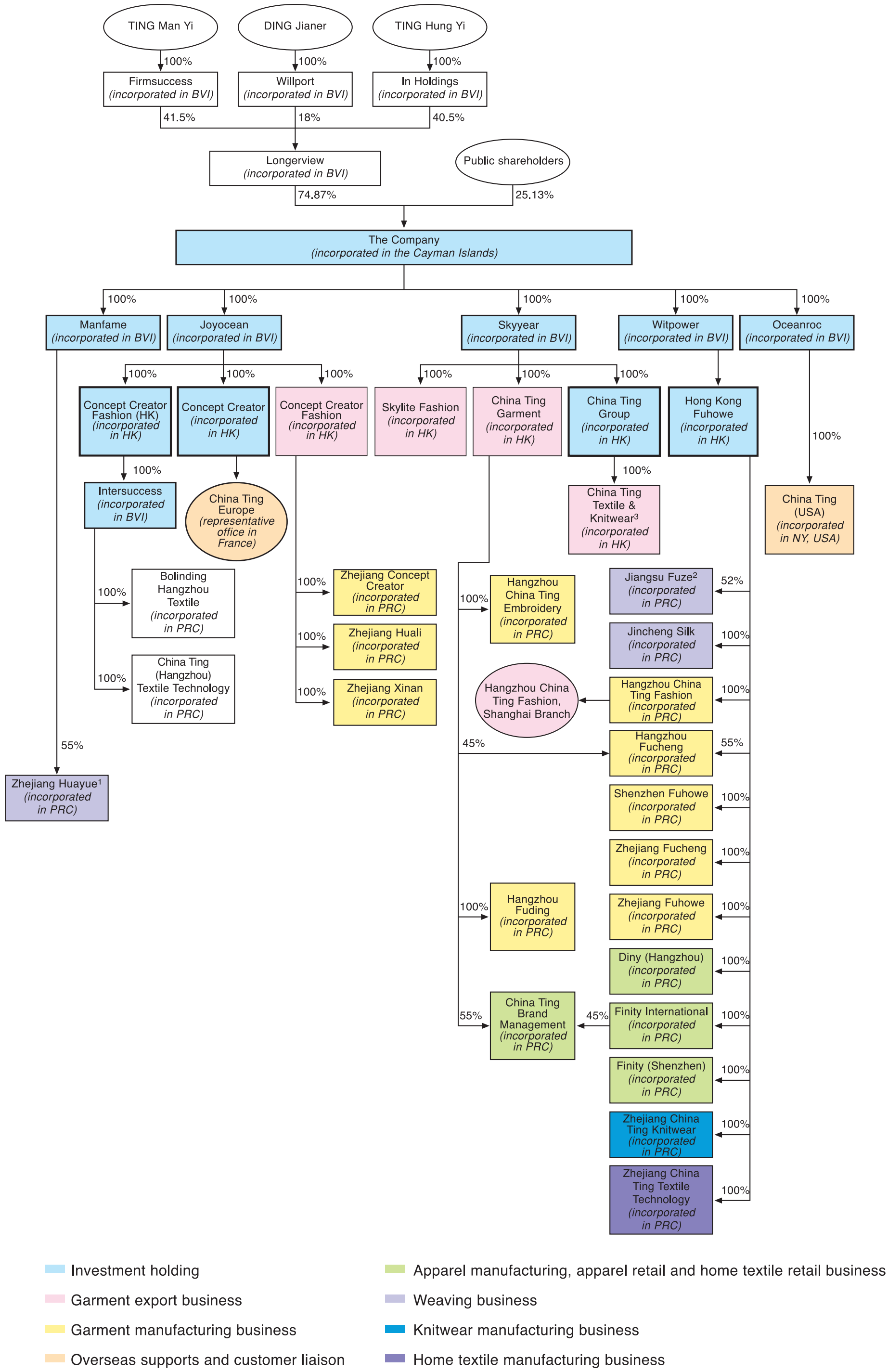
On 18 November 2005, a reorganisation confirmation deed was entered into between Mr. TING Man Yi, Mr. TING Hung Yi, Mr. DING Jianer and the Company confirming that the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels, together with members of the Group, at the beginning and throughout the Track Record Period, were under the common control and management of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer and that such common control and management has never changed. Accordingly, for the purpose of preparing the combined accounts set forth in Appendix I to this prospectus and as required by the applicable financial reporting standards in Hong Kong, the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels have been assumed by other members of the Group during the Track Record Period, and their results, assets and liabilities have been included in the combined accounts of the Group for the Track Record Period.

Controlling Shareholders

The PRC legal advisers to the Group have confirmed that since Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer are not PRC residents, the notices issued by the State Administration of Foreign Exchange on 24 January 2005 and 21 April 2005 are not applicable. The PRC legal advisers further advised that Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer are not required to comply with the notice issued by the State Administration of Foreign Exchange on 21 October 2005 which requires registration of certain offshore investment.

GROUP STRUCTURE

The following diagram sets out the shareholding and corporate structure of the Group immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme):



Notes:

1. The remaining 45% equity interest in Zhejiang Huayue is held by Haiyan Feixiang.

2. The remaining equity interest in Jiangsu Fuze is held by Hangzhou Fuze as to 26.2% and Hangzhou Huaze as to 21.8%, respectively.

3. 1% shareholding interest in China Ting Textile & Knitwear is held by China Ting Garment on trust for China Ting Group.

BUSINESS MODEL

The Group's business can be principally divided into two distinctive, yet related, parts:

- The provision of vertically integrated garment manufacturing solutions for middle to higher-end fashion apparel primarily for women, using predominately silk or silk-blended fabric, on an OEM basis for international fashion brands, chain retailers and department stores, primarily in the United States and increasingly in Europe.

- Manufacturing and retailing of branded fashion apparel, primarily for women, in China.

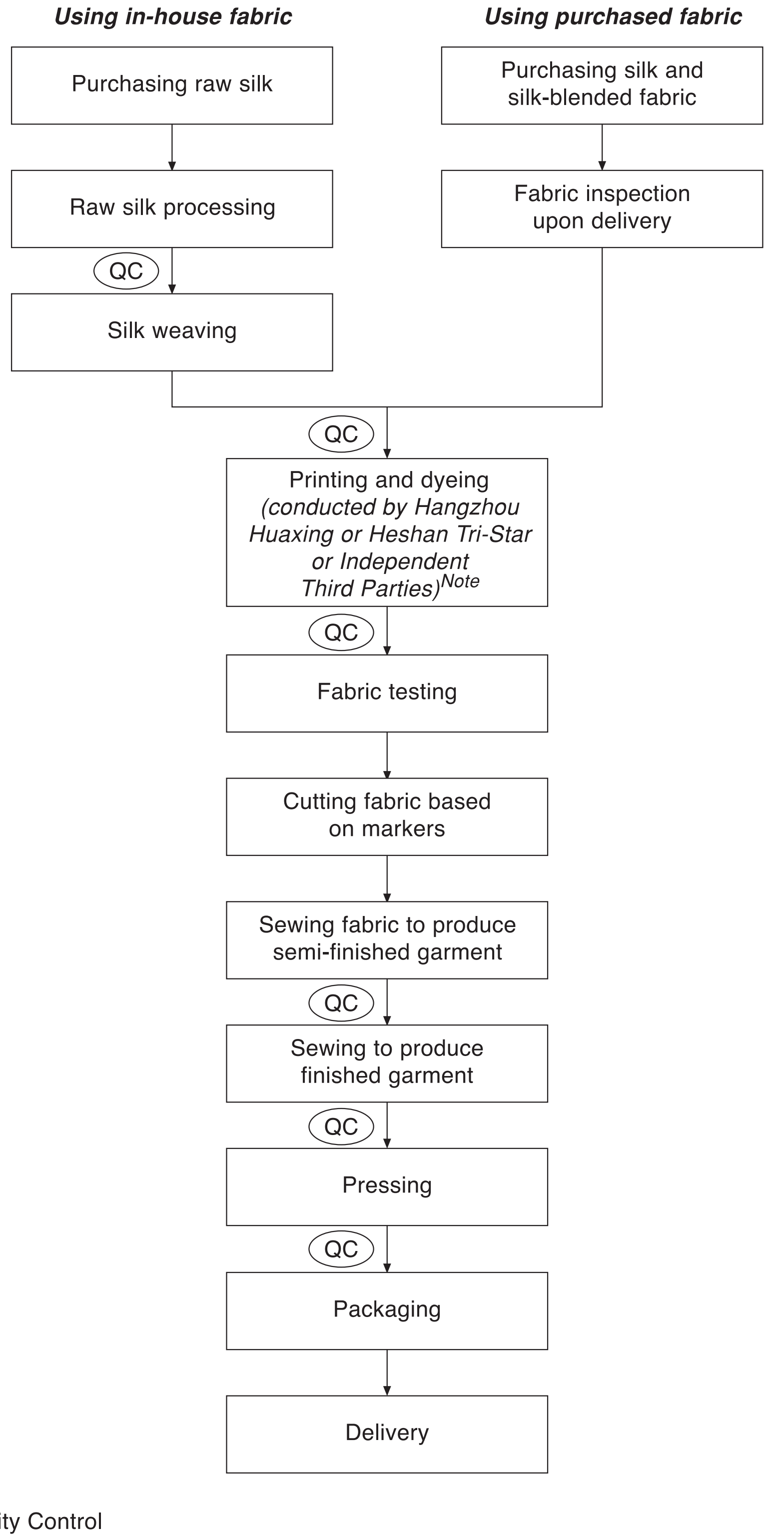
The following table shows a breakdown of the Group's turnover by business segment for each of the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005.

	Year ended 31 December						For the five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
OEM	621,428	87.3	863,242	88.1	1,244,512	88.8	558,817	89.9	763,923	91.7
Retail	90,475	12.7	116,773	11.9	156,953	11.2	63,098	10.1	69,558	8.3
Total Turnover	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

APPAREL AND TEXTILE MANUFACTURE ON AN OEM BASIS

The Group operates an integrated garment manufacturing operation which is capable of undertaking different stages of silk garment manufacturing process including raw silk processing and weaving, fabric design and garment manufacturing process. For the three years ended 31 December 2004 and the five months ended 31 May 2005, approximately 15.1%, 8.5%, 16.3% and 18.5% respectively of the silk and silk-blended fabric used by the Group in its OEM garment manufacturing operations was produced in-house. The Directors believe that the Group's integrated manufacturing operation enables it to control production costs, ensure product quality, enjoy economies of scale and deliver products on a timely basis, thus contributing to the Group's success in winning customers' trust and repeat orders.

The diagram below illustrates the Group's silk and silk-blended apparel manufacturing processes.



Note: Printing and dyeing are not required for silk fabric made from dyed yarns.

Production

OEM production facilities and capacities

As at the Latest Practicable Date, the Group had 14 OEM production facilities in the PRC. These facilities include ten factories in woven apparel and knitwear production, two factories in silk processing and weaving, one factory in home textile production and one factory in jacquard fabric weaving, details of which are summarised in the following table:

Name of facility	Major product	Year of establishment	Location in China	Located in China Ting Industrial Complex	Approximate number of employees as at 30 September 2005	Approximate Gross floor area *(sq.m.)*
OEM manufacturing						
Hangzhou China Ting Fashion	Silk, linen and cotton apparel	2001	Zhejiang	Yes	880	13,082
Hangzhou Fucheng	Silk apparel	1998	Zhejiang[1, 2]	No	300	2,002
Hangzhou Fuding	Silk, linen, cotton and synthetics apparel	2005	Zhejiang	Yes	990	14,970
Shenzhen Fuhowe	Silk, linen, cotton and synthetics apparel	1989	Shenzhen[2]	No	860	7,961
Zhejiang China Ting Knitwear	Knitwear	2001	Zhejiang	Yes	500	8,798
Zhejiang Concept Creator	Silk, cotton, synthetics apparel	2000	Zhejiang	Yes	1,350	14,893
Zhejiang Fucheng	Silk, linen, cotton and synthetics apparel	2002	Zhejiang	Yes	1,000	10,314
Zhejiang Fuhowe	Silk, linen, cotton and synthetics apparel	2001	Zhejiang	Yes	740	7,830
Zhejiang Huali	Women's silk apparel	1989	Zhejiang	Yes	1,130	18,736
Zhejiang Xinan	Silk, linen, cotton and synthetics apparel	2002	Zhejiang	Yes	870	9,393
	Sub-total				8,620	107,979
Silk or other fabric weaving						
Jiangsu Fuze	Jacquard and other fabric	2003	Jiangsu[2]	No	230	8,986
Jincheng Silk	Silk fabric	2003	Zhejiang	Yes	190	8,615
Zhejiang Huayue	Silk fabric	2005	Zhejiang[2]	No	400	26,026
	Sub-total				820	43,627
Home textile fabric weaving						
Zhejiang China Ting Textile Technology	Home textile fabric	2002	Zhejiang	Yes	80	6,462
	Sub-total				80	6,462

Note 1: Hangzhou Fucheng will be relocated after resumption of the subject property where Hangzhou Fucheng is situated.

Note 2: Hangzhou Fucheng is located in Xihu District, Hangzhou City of Zhejiang Province, the PRC. Shenzhen Fuhowe is located in Shenzhen City of Guangdong Province, the PRC. Zhejiang Huayue is located in Haiyan County, Jiaxing City of Zhejiang Province, the PRC. Jiangsu Fuze is located in Sihong County, Suqian City of Jiangsu Province, the PRC.

Note 3: (i) Shenzhen Fuhowe became a subsidiary of the Group in February 2002; (ii) Zhejiang Huali became a subsidiary of the Group in December 2002; (iii) Jiangzu Fuze became a subsidiary of the Group in April 2005.

The utilisation rates of the Group's OEM manufacturing facilities for the three years ended 31 December 2004 and the estimated utilisation rates for the year ending 31 December 2005 are summarised and set out in the following tables. The estimated maximum annual output is calculated by multiplying the number of production equipment by its maximum output per day and the maximum number of working days a year.

For the year ended 31 December 2002

Name of facility	**Approximate output for the year** *('000 pieces/ '000 metres)*	**Estimated maximum output for the year** *('000 pieces/ '000 metres)*	**Approximate utilisation rate for the year**
OEM manufacturing			
Hangzhou China Ting Fashion	N/A	N/A	N/A
Hangzhou Fucheng	1,220	1,250	97.6%
Hangzhou Fuding	N/A	N/A	N/A
Shenzhen Fuhowe	1,130	1,320	85.6%
Zhejiang China Ting Knitwear	N/A	N/A	N/A
Zhejiang Concept Creator	1,640	1,780	92.1%
Zhejiang Fucheng	N/A	N/A	N/A
Zhejiang Fuhowe	N/A	N/A	N/A
Zhejiang Huali	70	70	100%
Zhejiang Xinan	100	280	35.7%
Sub-total	4,160	4,700	88.5%
Silk or other fabric weaving			
Jiangsu Fuze	N/A	N/A	N/A
Jincheng Silk	N/A	N/A	N/A
Zhejiang Huayue	N/A	N/A	N/A
Sub-total	N/A	N/A	N/A
Home textile fabric weaving			
Zhejiang China Ting Textile Technology	N/A	N/A	N/A

Note 1: "pieces" of apparel for OEM manufacturing, and "metres" of fabric for silk or other fabric weaving

Note 2: Where "N/A" is denoted, the corresponding facility either had not commenced production or had not become a subsidiary of the Group or had yet to be established during the relevant period.

For the year ended 31 December 2003

Name of facility	Approximate output for the year (*'000 pieces/ '000 metres*)	Estimated maximum output for the year (*'000 pieces/ '000 metres*)	Approximate utilisation rate for the year
OEM manufacturing			
Hangzhou China Ting Fashion	140	370	37.8%
Hangzhou Fucheng	830	860	96.5%
Hangzhou Fuding	N/A	N/A	N/A
Shenzhen Fuhowe	1,960	2,010	97.5%
Zhejiang China Ting Knitwear	250	450	55.6%
Zhejiang Concept Creator	1,690	1,850	91.4%
Zhejiang Fucheng	560	700	80.0%
Zhejiang Fuhowe	100	320	31.3%
Zhejiang Huali	1,170	1,240	94.4%
Zhejiang Xinan	620	980	63.3%
Sub-total	7,320	8,780	83.4%
Silk or other fabric weaving			
Jiangsu Fuze	N/A	N/A	N/A
Jincheng Silk	210	270	77.8%
Zhejiang Huayue	N/A	N/A	N/A
Sub-total	210	270	77.8%
Home textile fabric weaving			
Zhejiang China Ting Textile Technology	N/A	N/A	N/A

Note 1: "pieces" of apparel for OEM manufacturing, and "metres" of fabric for silk or other fabric weaving

Note 2: Where "N/A" is denoted, the corresponding facility either had not commenced production or had not become a subsidiary of the Group or had yet to be established during the relevant period.

For the year ended 31 December 2004

Name of facility	Approximate output for the year ('000 pieces/ '000 metres)	Estimated maximum output for the year ('000 pieces/ '000 metres)	Approximate utilisation rate for the year
OEM manufacturing			
Hangzhou China Ting Fashion	1,200	1,290	93.0%
Hangzhou Fucheng	510	520	98.1%
Hangzhou Fuding	N/A*	N/A*	N/A*
Shenzhen Fuhowe	2,970	2,980	99.7%
Zhejiang China Ting Knitwear	240	670	35.8%
Zhejiang Concept Creator	2,050	2,060	99.5%
Zhejiang Fucheng	1,160	1,450	80.0%
Zhejiang Fuhowe	830	1,020	81.4%
Zhejiang Huali	1,560	1,650	94.5%
Zhejiang Xinan	910	1,110	82.0%
Sub-total	11,430	12,750	89.6%
Silk or other fabric weaving			
Jiangsu Fuze	N/A*	N/A*	N/A*
Jincheng Silk	2,060	2,230	92.4%
Zhejiang Huayue	N/A	N/A	N/A
Sub-total	2,060	2,230	92.4%
Home textile fabric weaving			
Zhejiang China Ting Textile Technology	840	910	92.3%

Note 1: "pieces" of apparel for OEM manufacturing, and "metres" of fabric for silk or other fabric weaving

Note 2: Where "N/A" is denoted, the corresponding facility either had not commenced production or had not become a subsidiary of the Group or had yet to be established during the relevant period.

For the year ending 31 December 2005

Name of facility	Estimated output for the year *('000 pieces/ '000 metres)*	Estimated maximum output for the year *('000 pieces/ '000 metres)*	Estimated utilisation rate for the year
OEM manufacturing			
Hangzhou China Ting Fashion	1,290	1,300	99.2%
Hangzhou Fucheng	830	870	95.4%
Hangzhou Fuding	370	530	69.8%
Shenzhen Fuhowe	2,100	2,980	70.5%
Zhejiang China Ting Knitwear	280	700	40.0%
Zhejiang Concept Creator	2,420	2,440	99.2%
Zhejiang Fucheng	2,170	2,190	99.1%
Zhejiang Fuhowe	1,810	1,820	99.5%
Zhejiang Huali	1,600	1,680	95.2%
Zhejiang Xinan	1,560	1,660	94.0%
Sub-total	14,430	16,170	89.2%
Silk or other fabric weaving			
Jiangsu Fuze	1,250	2,070	60.4%
Jincheng Silk	2,400	2,600	92.3%
Zhejiang Huayue	1,960	2,250	87.1%
Sub-total	5,610	6,920	81.1%
Home textile fabric weaving			
Zhejiang China Ting Textile Technology	650	910	71.4%

Note 1: "pieces" of apparel for OEM manufacturing, and "metres" of fabric for silk or other fabric weaving

Note 2: The estimated figures for Hangzhou Fucheng have not taken into account the machinery acquired by Hangzhou Fucheng from Hangzhou Chuangxin in November 2005.

In 2003, four new subsidiaries engaging in OEM production commenced their operations. The increase of estimated maximum output during the year 2003 was mainly due to the commencement of production at China Ting Industrial Complex in May 2003 and the increase in the number of production equipment. In 2004, the estimated maximum output for the year 2004 further increased following the full operation of the China Ting Industrial Complex and the increase in the number of production equipment.

Silk or other fabric weaving

As at the Latest Practicable Date, the Group had two silk processing and weaving factories operated by Jincheng Silk and Zhejiang Huayue respectively mainly for its OEM operation. Jincheng Silk commenced production in November 2003. For each of the two years ended 31 December 2004 and the five months ended 31 May 2005, Jincheng Silk produced a total of approximately 0.2 million, 2.1 million and 1.0 million metres of silk fabric respectively.

Approximately 94.8%, 92.2% and 92.1% of such silk fabric by value were supplied to the Group's OEM garment manufacturing operations for the two years ended 31 December 2004 and the five months ended 31 May 2005 respectively.

In June 2005, the Group and Haiyan Feixiang established a joint venture, Zhejiang Huayue, with a view to setting up a silk fabric weaving and garment manufacturing operation. The scope of business of Haiyan Feixiang is the manufacture and processing of silk products, clothing and embroidery. Haiyan Feixiang and the Group made capital contribution of US$1,125,000 and US$1,375,000 representing 45% and 55% of the registered capital in Zhejiang Huayue, respectively. The profit sharing between the parties is in proportion to their capital contribution ratio. In July 2005, Zhejiang Huayue commenced production with the assets including machinery, property and land acquired from Haiyan Feilong at a consideration of RMB25,862,300, which was based on arm's length negotiation with reference to the net asset value of the relevant transferred assets as appraised by an independent valuer in the PRC.

Raw silk, being the raw material for the factories, first undergoes pre-weaving treatment to improve strength and stability. The treated silk is then woven, depending on the fabric requirements, into pure silk fabric or fabric blending silk with other materials such as linen, cotton, wool, lycra and rayon. The silk fabric is inspected and defects would be repaired before printing and dyeing. In the case where silk fabric is made from dyed yarns, no printing or dyeing would be required. Such silk fabric would be inspected before delivery.

The Group also has one fabric weaving factory, Jiangsu Fuze, which produces jacquard and other types of fabric. Jiangsu Fuze is a joint venture established by the Group, Hangzhou Fuze and Hangzhou Huaze. The scope of business of Hangzhou Fuze is the design of clothing and the wholesale of textile products and silk. The scope of business of Hangzhou Huaze is the manufacture and sale of knitwear and silk products. The Group, Hangzhou Fuze and Hangzhou Huaze made capital contribution of US$715,000, US$360,000 and US$300,000, representing 52%, 26.2% and 21.8% of the registered capital in Jiangsu Fuze, respectively. The profit sharing among the parties is in proportion to their capital contribution ratio.

Printing and dyeing

Hangzhou Huaxing and Heshan Tri-Star are the wholly-owned subsidiaries of Interfield in which the Group holds a 40% shareholding. They specialise in printing and dyeing of silk fabric. The Directors consider that Hangzhou Huaxing and Heshan Tri-Star can provide quality services at competitive prices and through its indirect 40% interest in those companies, the Group can monitor their production and quality.

The Group has entered into a supply agreement with each of Hangzhou Huaxing and Heshan Tri-Star for a period from 1 October 2005 to 31 December 2007 whereby each of Hangzhou Huaxing and Heshan Tri-Star has undertaken to members of the Group to provide printing and dyeing services to members of the Group at prevailing market prices from time to time.

Apparel manufacturing

As at the Latest Practicable Date, the Group had ten OEM woven apparel and knitwear manufacturing operations, eight of which were located at the China Ting Industrial Complex, while the remaining two were located in Xihu District of Hangzhou City and Shenzhen respectively. For the three years ended 31 December 2004 and the five months ended 31 May 2005, the Group's OEM woven garment and knitwear manufacturing operations in aggregate produced approximately 4.2 million, 7.3 million, 11.4 million and 6.5 million pieces of apparel respectively. The Group's woven apparel manufacturing process begins with the sourcing of fabric, followed by the cutting of fabric according to specific markers. The cut pieces of fabric are then sewn together to produce finished pieces of apparel which are subsequently pressed, tagged and packaged in accordance with customer specifications.

Sales and marketing

Sales and marketing strategy

The Group aims to develop long term relationships with its OEM customers. The customer-oriented culture of the Group focuses on flexibility and sensitivity to the increasing demands of its customers. To assist its customers in responding to changes in the marketplace, the Group's sales and marketing team aims to offer its customers the following services across the apparel supply chain: (i) design support; (ii) fabric development and (iii) timely delivery. Although not all of the Group's customers require all of these services, the Directors believe that having such service capabilities is important in enabling the Group to cater for the different and changing needs of customers.

The Group's network of sales and marketing offices covers Hong Kong, and other international cities such as Shanghai, Hangzhou, New York and Paris to maintain customer confidence and provide before and after sales service. These offices are responsible for soliciting customer orders, promoting the Group's products and passing information to the Group's factories in Shenzhen and Hangzhou.

The Directors believe that by locating sales offices near the Group's OEM customers, the Group is able to respond to market changes and customers' requirements promptly and to collect market information on the latest fashion and fabric trends and news.

One of the focuses of the OEM sales and marketing team is to gain an understanding of its customer's proposed new seasonal fashion designs and ideas. With this information, the Group's sales and marketing team can then suggest to customers the types of fabric, trim or printing or designs that may match such customers' proposed collection as well as the production budget. Furthermore, the Group's designers provide design input to certain customers. The Directors believe that such services are factors in winning orders as the Group's aim is to meet the specific design and fabric requirements of customers as well as being able to produce garments in an economical and timely manner.

The Group's senior management visits its OEM customers from time to time to build up and maintain customer relationships. Customers are also invited to visit the Group's production facilities to get a better understanding of the Group's research and development capabilities, production methods, quality control mechanisms and staff welfare.

As at 30 September 2005, the Group employed 230 staff in its OEM sales and marketing offices in Hong Kong, Shanghai, Hangzhou, New York and Paris.

Customers and markets

During the Track Record Period, the Group has focused on the U.S. market, the world's largest apparel importing country with increasing emphasis on the market in Europe. The following table shows a breakdown of the Group's turnover by geographic region for each of the three years ended 31 December 2004 and the five months ended 31 May 2004 and 2005:

	Year ended 31 December						For the five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
US	593,797	83.4	809,266	82.6	1,111,184	79.3	505,324	81.3	682,934	81.9
China (including Hong Kong)	104,088	14.6	125,973	12.9	190,682	13.6	70,330	11.3	84,404	10.1
EU	2,486	0.4	13,749	1.4	41,726	3.0	12,070	1.9	44,744	5.4
Others	11,532	1.6	31,027	3.1	57,873	4.1	34,191	5.5	21,399	2.6
Total Turnover	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

The Group's major OEM customers are international fashion brands, retailers and department stores including Express, Macy's, Jones Apparel Group, Liz Claiborne, May Department Stores, Saks Inc., and Zara. The Group has a broad customer base with over 50 active customers in the year ended 31 December 2004. Aggregate sales to the Group's top five customers (all of them are OEM customers) in the three years ended 31 December 2004 and the five months ended 31 May 2005 represented 70.9%, 65.2%, 55.2% and 68.8% of the Group's total annual OEM turnover in those respective periods. For each of the three years ended 31 December 2004 and the five months ended 31 May 2005, sales to the Group's largest customer represented 16.3%, 20.8%, 11.4% and 23.4%, respectively, of the Group's total annual OEM turnover in those periods.

OEM exports are made principally on FOB terms where the Group only arranges for delivery of the products to the port of export, principally in Shanghai or Hong Kong after which the customers are responsible for transporting the products to the importing countries.

None of the Directors, their respective associates, and so far as the Directors are aware, Shareholders who will own more than 5% of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-Allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), had any interest in any of the Group's five largest customers in the Track Record Period.

Merchandising

Merchandisers in the Group's sales and marketing offices are generally responsible for several client-serving functions. Merchandisers will source fabric or work with the Group's designers to develop new fabric samples according to customers' requirements. They will coordinate with the factories to produce garment samples and review cost sheets from such factories with a view to providing quotations and delivery schedules to customers.

Upon procurement of an order, the merchandisers will work with the factories and the customers to ensure product quality. Their work includes liaising with the customers on approvals for fabric and samples, arranging for laboratory testing, monitoring quality and delivery schedules.

Fashion design and fabric design and development

To complement the Group's OEM export manufacturing capabilities and to provide inspirations to customers, as a value-added service, the Group engages a team of designers to design collections of apparel with the objective of promoting customer relationships. The Group's designers also design special apparel collections at the request of customers, catering for the brand image of that customer. The Group's designers attend fashion and fabric fairs from time to time to keep abreast of the latest fashion trends.

The Group's team of designers also works closely with the merchandisers about the latest fabrics in fashion. Such information also serves as an important part of client servicing.

In addition to the Group's designers, the Group has a fabric coordination team in Hangzhou which is responsible for liaising with merchandisers, the designers and the fabric mills to ensure that new fabric is developed in accordance with the specifications provided by customers or the designers.

Pricing policy

Prices for orders are negotiated on a case-by-case basis with each customer. Prices are determined on the basis of a number of factors including the cost of fabric, the complexity of the production process, the size of the order, the timing of delivery and the extent to which the Group will be responsible for the delivery of the products.

Credit control

During the Track Record Period, approximately 88.3% of OEM sales made by the Group were denominated in U.S. dollars and the remainder were mainly settled in Euros and Hong Kong dollars.

Payment for the Group's products is generally made pursuant to letters of credit or by way of telegraphic transfer. The credit terms offered to customers by the Group, which vary depending on the Group's assessment of the creditworthiness of each customer, generally range between zero to 90 days. The Group made provisions for bad and doubtful debts of HK$0.8 million, nil, HK$0.6 million and nil respectively during each of the three years ended 31 December 2004 and for the five months ended 31 May 2005 which include bad and doubtful debts that have been written off during the Track Record Period. The total amount of bad debts owed to the Group by its OEM customers amounted to nil, HK$18.5 million, HK$8.3 million and nil respectively for each of the three years ended 31 December 2004 and the five months ended 31 May 2005.

Products

The Group manufactures on an OEM basis a variety of textiles and apparel using silk and non-silk materials.

Silk and other fabric

Silk fabric includes pure silk fabric as well as silk-blended fabric which is made by blending silk yarns with other yarns such as linen, cotton, wool, lycra and rayon.

In addition to silk fabric and silk-blended fabric, the Group also has capabilities to manufacture a range of jacquard and other fabric made of materials including cotton, linen and rayon yarns. Such fabric is sold to customers for the manufacture of garments as well as other end-products such as bed linen.

Apparel products

The Group manufactures on an OEM basis a wide range of fashion apparel, including blouses, camisoles, pants, jackets, suits, skirts and dresses for women and shirts, shorts and pants for men principally using silk and silk-blended fabric. Non-silk apparel manufactured by the Group is made principally of linen but also of cotton, polyester and rayon.

The following table is a breakdown of the Group's OEM business turnover by silk/silk-blended and non-silk apparel for each of the three years ended 31 December 2004 and the five months ended 31 May 2004 and 2005:

	Year ended 31 December						For the five months ended 31 May			
	2002		2003		2004		2004		2005	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Silk/silk-blended apparel[1]	466,359	75.0	616,533	71.4	909,696	73.1	382,913	68.5	490,671	64.2
Linen/linen-blended apparel[2]	11,181	1.8	123,202	14.3	151,320	12.2	115,297	20.6	117,715	15.4
Others[3]	143,888	23.2	123,507	14.3	183,496	14.7	60,607	10.9	155,537	20.4
Total OEM Business Turnover	621,428	100.0	863,242	100.0	1,244,512	100.0	558,817	100.0	763,923	100.0

Note 1: garments with more than 50% silk content

Note 2: garments with more than 50% linen content

Note 3: other garments mainly including garments made principally of cotton, polyester and wool

Women's wear accounted for approximately 93.4%, 94.5%, 93.3% and 95.4% of the Group's turnover from its OEM business in each of the three years ended 31 December 2004 and for the five months ended 31 May 2005 respectively. The following table is a breakdown of the Group's turnover from its OEM business by apparel product type for each of the three years ended 31 December 2004 and the five months ended 31 May 2004 and 2005:

	Year ended 31 December						For the five months ended 31 May			
	2002		2003		2004		2004		2005	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Women's apparel										
Tops	301,586	48.5	350,038	40.5	501,349	40.3	153,741	27.5	359,094	47.0
Bottoms	158,259	25.5	263,099	30.5	367,528	29.5	278,542	49.8	238,960	31.3
Suits	37,397	6.0	45,768	5.3	60,808	4.9	31,854	5.7	24,438	3.2
Dresses	33,935	5.5	65,444	7.6	97,462	7.8	656	0.1	45,555	6.0
Others	19,952	3.2	31,088	3.6	57,102	4.6	18,787	3.4	20,068	2.6
Jackets	29,370	4.7	57,278	6.6	69,958	5.6	33,722	6.0	38,656	5.1
Sweaters	—	—	3,549	0.4	7,160	0.6	2,076	0.4	1,375	0.2
Men's apparel	21,630	3.5	25,118	3.0	26,785	2.2	16,030	2.9	19,556	2.5
Others	19,299	3.1	21,860	2.5	56,360	4.5	23,409	4.2	16,221	2.1
Total OEM Business Turnover	621,428	100.0	863,242	100.0	1,244,512	100.0	558,817	100.0	763,923	100.0

The Group aims to broaden its product lines, particularly the non-silk lines such as polyester, cotton, linen and rayon and soft piece accessories such as scarves and sashes.

Quality assurance

To enhance customer confidence in the Group and to monitor product quality, the Group has established a quality assurance department which is responsible for implementing quality control procedures in the Group's OEM apparel manufacturing factories in the China Ting Industrial Complex and formulating standard operating procedures ("SOPs") with reference to customers' requirements. The quality assurance department is also responsible for assessing the factories' compliance with the SOPs, providing suggestions for improvements and monitoring implementation of such improvements. As at 30 September 2005, the Group's quality assurance department had 12 staff. The Group intends to extend the SOPs to all factories operated by the Group.

The SOPs involve the following areas:

- Keeping a master file for each style of garment
- Sampling
- Pre-production meetings
- Storage and inspection of fabric, trims and accessories
- Pilot runs, namely, the making of a small quantity of garments covering all colours and sizes

- Control procedures for the cutting room and sewing room
- Fusing guidelines (for the process of fusing interlinings with outer fabric)
- Machine repair and maintenance
- Control procedures for garment washing, trimming, pressing and cleaning
- Final inspection prior to packaging
- Pre-final/final audit
- Fit audit
- Defect analysis
- Needles control
- Testing of inspectors' eyesight

As well as relying on the Group's quality assurance department to ensure quality, some customers send their own inspection team to the Group's factories to conduct inspections and/or audits. In general, any dispute with customers regarding the quality of finished products is resolved by offering a rebate to such customers. During the three years ended 31 December 2004 and the five months ended 31 May 2005, the Group has incurred expense of nil, nil, HK$5.4 million and nil respectively from such rebates. The Directors believe that these sums are negligible and reflect the customers' recognition of the quality of the Group's products.

As at the Latest Practicable Date, seven of the Group's factories held ISO9001 certifications, evidencing that the Group's quality management system meets international standards of quality assurance.

Raw materials

To ensure efficiency and flexibility, each of the Group's OEM production facilities places orders directly with suppliers for raw materials and maintains its own raw material warehouse. Although the Group's OEM production facilities place their own orders for raw materials, such orders are often placed with the same suppliers thus enabling the Group to enjoy collective purchasing advantages.

The major raw materials used in the manufacture of the Group's apparel and textile products on an OEM basis are raw silk (used by the Group to manufacture silk fabric in-house) and other fabric, in particular, silk and silk-blended fabric supplied by third parties. For each of the three years ended 31 December 2004 and the five months ended 31 May 2005, approximately 15.1%, 8.5%, 16.3% and 18.5% respectively of the silk and silk-blended fabric used by the Group was manufactured in-house. The balance of the Group's fabric, including all non-silk fabric, is sourced from various fabric suppliers who are Independent Third Parties, principally in the PRC. Fabric is the Group's largest single cost item in its apparel manufacturing business. For each of the three years ended 31 December 2004 and the five months ended 31 May 2005, the cost of fabric used for the production of the Group's apparel products accounted for approximately 84%, 73.0%, 76% and 76% of the Group's total cost of sales respectively. Below is analysis of the general price movement of silk and silk-blended fabric during the Track Record Period and for the first nine months ended September 2005:

	2002	**2003**	**2004**	**For the first five months of 2005**	**For the first nine months ended September 2005**
	(HK$/kg)	*(HK$/kg)*	*(HK$/kg)*	*(HK$/kg)*	*(HK$/kg)*
Raw Silk[1]	N/A	138.4	156.0	176.7	177.4
	(HK$/metre)	*(HK$/metre)*	*(HK$/metre)*	*(HK$/metre)*	*(HK$/metre)*
Silk-blended fabric[2]	17.1	13.2	13.8	15.3	15.5

Note 1: The prices were calculated by reference to the weighted average of the purchase prices of raw silk purchased by Jincheng Silk during the relevant periods.

Note 2: The prices were calculated by reference to the weighted average of the purchase prices of the type of silk-blended fabric commonly purchased by Zhejiang Huali during the relevant periods.

The other raw materials used by the Group are primarily clothing accessories such as threads, trimmings, interlinings, buttons and zippers.

The Group generally keeps a certain amount of basic raw materials in stock. However, usually, raw materials are purchased after the customer's order is placed and when the precise order quantities have been determined.

Suppliers

The Group's top five suppliers (all of which are fabric suppliers) accounted for 22.0%, 17.9%, 22.5% and 21.4% respectively of the total raw materials purchased by the Group for each of the three years ended 31 December 2004 and the five months ended 31 May 2005. The Group's largest supplier in each of the three years ended 31 December 2004 and the five months ended 31 May 2005 accounted for 10.6%, 7.7%, 8.2% and 7.8% respectively of the total raw materials purchased by the Group.

The Directors believe that with the Group's established position in the industry, its reputation and the order volumes it makes with its suppliers, the Group has established good relationships with its principal suppliers of raw silk and with silk fabric mills. The Group has not experienced any major problems in sourcing raw materials in the past. The Directors believe that there are multiple sources for the raw materials the Group requires (particularly fabric and raw silk).

During each of the three years ended 31 December 2004 and the five months ended 31 May 2005, approximately 62.8%, 74.5%, 82.4% and 87.4% respectively of raw materials sourced from suppliers were denominated in Renminbi and the balances were mainly settled in U.S. dollars or Hong Kong dollars. Payment is mainly made by way of cheque. The credit period, which varies with different suppliers, depending on the type of raw materials supplied and the usual practice agreed between the Group and the respective supplier, generally ranges between zero to 60 days.

None of the Directors, their respective associates, and so far as the Directors are aware, Shareholders who will own more than 5% of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-Allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), had any interests in any of the Group's five largest suppliers in the Track Record Period.

HOME TEXTILE MANUFACTURING AND RETAIL

Home textile fabric weaving on OEM basis

As at the Latest Practicable Date, the Group had one home textile factory operated by Zhejiang China Ting Textile Technology, which commenced production in January 2004. Zhejiang China Ting Textile Technology specialises in the weaving of fabric for home textile products such as bed covers, bed skirts, pillow cases, cushion cases and sofa covers. Zhejiang China Ting Textile Technology has a team of staff responsible for the design and development of different types of home textile fabric. During the year ended 31 December 2004 and the five months ended 31 May 2005, Zhejiang China Ting Textile Technology produced approximately 848,000 metres and approximately 159,000 metres of home textile fabric respectively. The Group started producing home textile finished products in April 2005.

Details of the home textile fabric weaving facilities, please refer to the paragraph headed "Production — OEM production facilities and capacities" under the section headed "Business".

Retail of home textile products

As part of the Group's plan to diversify into the home furnishing textile business in the PRC, Finity International entered into an agreement dated 12 October 2005 with Burlington Industries LLC, the licensor, under which Finity International has been granted an exclusive right to sell and distribute, and the non-exclusive right to manufacture, home textile products in the PRC bearing certain licensed marks of *BURLINGTON HOUSE*. Such home textile products include bed sheets, pillow cases, duvet covers, towels, bath robes and other interior furnishing accessory items. Under the agreement, Finity International shall pay to the licensor quarterly royalty payments based on 6% of annual total sales and shall open at least five retail stores for the sale of *BURLINGTON HOUSE* products by December 2006 and an additional ten retail stores by December 2007. The agreement will expire on 31 December 2010.

The Group aims to diversify its business further into home textile production and retail sales. In addition to the Group's existing home textile production facility of Zhejiang China Ting Textile Technology, the Directors intend to construct a new dyeing, printing and finishing production plant for home textile products adjacent to the China Ting Industrial Complex which will provide an estimated annual production capacity of 23.0 million metres of home textile fabric.

MANUFACTURE AND RETAIL OF BRANDED APPAREL IN THE PRC

During the Track Record Period, the Group retailed a range of apparel products in the PRC which were principally made of non-silk materials through its three in-house brands, *FINITY*, *ÉLANIE* and *Dbni* (formerly under the brands, *diny* and *dbn!*), and two licensed brands, *MAX STUDIO* and *SPRINGFIELD*. Other than *SPRINGFIELD* which focuses on men's apparel, the Group's brands have been targeted at women. Each brand has its own distinct theme, sells at varying retail prices and targets different customer groups. The table below shows a breakdown of the Group's turnover attributable to the five retail brands for the three years ended 31 December 2004 and the five months ended 31 May 2004 and 2005:

	Year ended 31 December						For the five months ended 31 May			
	2002		2003		2004		2004		2005	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
In-house brands										
FINITY	77,360	85.5	85,634	73.3	87,591	55.8	34,567	54.8	36,321	52.2
ÉLANIE	—	—	3,126	2.7	11,765	7.5	5,843	9.3	7,152	10.3
Dbni (formerly under the brands, *diny* and *dbn!*)	13,115	14.5	22,424	19.2	31,573	20.1	13,693	21.7	14,140	20.3
Licensed brands										
MAX STUDIO	—	—	5,589	4.8	24,178	15.4	8,995	14.2	9,242	13.3
SPRINGFIELD	—	—	—	—	1,846	1.2	—	—	2,703	3.9
	90,475	100.0	116,773	100.0	156,953	100.0	63,098	100.0	69,558	100.0

In October 2005 the Group's retail of men's apparel under the brand *SPRINGFIELD* was discontinued and the Group began to retail men's apparel under its own brand *RIVERSTONE* in mid October 2005 through its retail network in China.

The Group currently retails apparel products under *FINITY, ÉLANIE*, *Dbni*, *RIVERSTONE* and *MAX STUDIO* brands.

In-house brands

FINITY

FINITY was launched in the PRC in September 1998. It is targeted at professional, fashion conscious career women aged 35 to 50 and its product line is principally smart-casual clothing. *FINITY*'s main offerings are skirts, knitwear, jackets, suits and trousers. The prices of these products generally range from RMB500 (equivalent to approximately HK$481) to RMB1,500 (equivalent to approximately HK$1,442).

ÉLANIE

ÉLANIE was launched in the PRC market in August 2003. It is targeted at women in business aged 30 to 50 and aims to present a luxurious but discreet style with an emphasis on clear lines, delicate details and soft colours. Its product line is principally suits and office wear such as shirts, skirts, jackets, suits, trousers, overtops, and overcoats. The prices of these products generally range from RMB1,000 (equivalent to approximately HK$962) to RMB3,000 (equivalent to approximately HK$2,885).

The Group has applied for trademark registration of the brand *ÉLANIE RIESE* in September 2005 and plans to use the new brand in place of *ÉLANIE* in the PRC in early 2006.

Dbni

Dbni (formerly under the brands, *diny* and *dbn!*). *diny* was launched in the PRC market in May 2002). *Dbni* is a young brand for the energetic, up-and-coming modern women aged 25 to 35. It aims to project a style of being fashionable, casual, romantic and yet simple. Its product line is principally casual wear with a sporty look and feel. Its main offerings are casual tops, trousers, knitwear, jackets and skirts. The prices of these products generally range from RMB300 (equivalent to approximately HK$288) to RMB700 (equivalent to approximately HK$673).

RIVERSTONE

The Group began to retail men's apparel under the brand *RIVERSTONE* in mid October 2005. *RIVERSTONE* is targeted at urban men aged between 25 and 45. The brand focuses on trendy and casual wear for men aged between 25 and 35 and smart casual office wear for men aged between 35 and 45. The *RIVERSTONE* product line includes shirts, jackets, knitwear and trousers. The price of these products generally ranges from RMB400 (equivalent to approximately HK$385) to RMB1,200 (equivalent to approximately HK$1,154). Currently, China Ting Brand Management is operating the retail network for *RIVERSTONE* apparel items. The Group was advised by its PRC legal advisers that China Ting Brand Management is entitled to operate retail business according to the scope of business stated in the business licence.

Licensed brands

MAX STUDIO

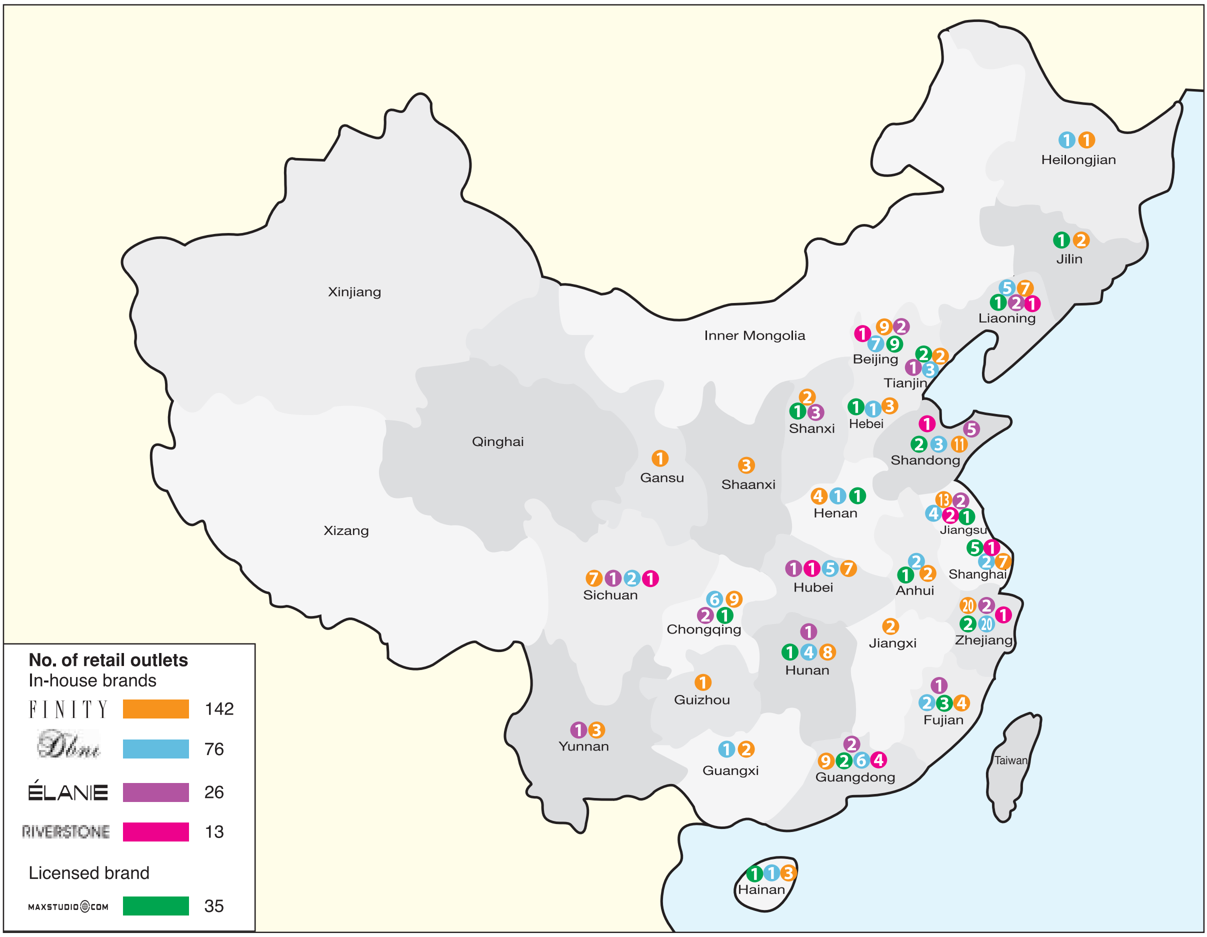
MAX STUDIO is a brand name founded in 1979 by designer Leon Max. It was launched by the Group in the PRC in August 2003. The apparel bearing the brand *MAX STUDIO* focuses on simple clean lines and modern classic styles. The appearance it aims to present is trendy and appealing, targeting women aged 25 to 35. Its product lines are principally knitwear, neck jumpers, dresses, suits with skirts, jackets, tops and coats. The prices of these products generally range from RMB1,000 (equivalent to approximately HK$962) to RMB3,000 (equivalent to approximately HK$2,885). According to the licence agreement and the supplemental agreement entered into between the Group and the licensor dated 3 June 2003 and 14 July 2005 respectively, the Group has an exclusive right to retail and appoint franchisees to retail products of *MAX STUDIO* in the PRC and the non-exclusive right to produce such products in the PRC. Subject to the minimum guaranteed amount of royalties payable to the licensor, the calculation of license fee is based on an agreed percentage on the total sales volume during the relevant period. The Group has paid license fees in the amount of HK$0.9 million, HK$3.1 million and HK$2.7 million for the two years ended 31 December 2004 and for the five months ended 31 May 2005, respectively, to the licensor. The Group has agreed to deliver to the licensor samples of each unit of the *MAX STUDIO* products and not to commence sale of such products until it has received written approval from the licensor of their design and standard of workmanship. The licensor has agreed to support the Group in its efforts to promote the sales of the products and to protect the brand *MAX STUDIO* from infringement in the PRC. The licence agreement will expire on 31 December 2006. The Group has the right to renew the licence upon satisfaction of certain performance targets.

SPRINGFIELD

The Group began selling its licensed *SPRINGFIELD* branded apparel in September 2004 through China Ting Brand Management. The retail network for the *SPRINGFIELD* branded apparel was operated by China Ting Brand Management. According to the Group's PRC legal advisers, China Ting Brand Management may be deemed to have conducted business beyond the scope of its business licence for its operation of the *SPRINGFIELD* retail business as it commenced its retail business without obtaining approval for the change in the business scope in accordance with 《外商投資商業領域管理辦法》(the Measures on the Administration of Foreign-Invested Commercial Enterprises) issued by the Ministry of Commerce on 16 April 2004. Details of such measures are summarised in the section headed "Industry overview — PRC regulations in relation to retail business" in this prospectus. The Group's PRC legal advisers have advised that China Ting Brand Management may be subject to a fine ranging from RMB10,000 (equivalent to approximately HK$9,615) to RMB100,000 (equivalent to approximately HK$96,154) imposed by the relevant registration authority. In an extreme case the business licence of China Ting Brand Management may be revoked. Following discussions with the relevant franchisor, the Directors considered that termination of the retail business relating to *SPRINGFIELD* operated by China Ting Brand Management was the most appropriate course of action in the then prevailing circumstances. The Group entered into a termination agreement dated 18 October 2005 with the franchisor setting out the details of the termination arrangements, including the return of relevant apparel items to the franchisor at a 30% discount to the original purchase cost. The retail business relating to *SPRINGFIELD* branded apparel was therefore terminated in October 2005. Having considered all the circumstances, the Directors considered that the loss that the Group may incur as a result of the termination is insignificant.

Retail network

As at 31 October 2005, the Group's retail business in China involved the sale of branded apparel through a network of 292 retail outlets comprising 143 Concessions and four Free-standing Stores directly operated by the Group and 145 retail outlets operated by franchisees through franchise arrangements, spanning over 26 provinces and centrally governed municipalities. The map below shows the locations of the Group's retail outlets in China as at 31 October 2005:



The Group's retail outlets are operated in two different modes, namely either directly operated by the Group or franchised to franchisees. As at 31 October 2005, 143 Concessions and four Free-standing Stores in China were directly operated by the Group while 145 retail outlets, which may take the form of Concessions or Free-standing Stores, were operated by franchisees pursuant to various franchise arrangements. Each Concession and Free-standing Store only offers one brand of apparel and accessories. Concessions are in-store retail outlets mostly located within department stores, whereas Free-standing Stores are individual shops leased by the Group or franchisees and are generally located in shopping streets or shopping malls. Concession agreements entered into between the Group and department stores usually specify that the Group will be responsible for the design, decoration and fitting out of the counters at its own cost subject to the approval of the department stores. Payments to the department store by each Concession operated by the Group are made by way of sales commission at percentages generally ranging from 15% to 30%.

Free-standing Stores operated by the Group are leased from Independent Third Parties. Details of the terms of such leases are set out in Appendix IV to this prospectus.

As at 31 October 2005, the Group's retail network in the PRC comprised the following:

	Concessions operated by the Group	Free-standing Stores operated by the Group	Concessions/ Free-standing Stores operated by franchisees	Total
In-house brands				
FINITY	56	2	84	142
Dbni (formerly under the brands, diny and *dbn!*)	41	—	35	76
ÉLANIE	16	—	10	26
RIVERSTONE	12	1	0	13
Licensed brand				
MAX STUDIO	18	1	16	35
Total	143	4	145	292

The following table shows the breakdown of the Group's retail sales between Free-standing Stores and Concessions operated by the Group and sales to franchisees for each of the three years ended 31 December 2004 and for the five months ended 31 May 2004 and 2005:

	Year ended 31 December						For the five months ended 31 May			
	2002		2003		2004		2004		2005	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Concessions operated by the Group	68,943	76.2	77,683	66.5	112,827	71.9	48,572	77.0	52,215	75.1
Free-standing Stores operated by the Group	2,994	3.3	1,790	1.5	2,130	1.4	952	1.5	1,401	2.0
Sale to franchisees	18,538	20.5	37,300	32.0	41,996	26.7	13,574	21.5	15,942	22.9
Total Retail Turnover	90,475	100.0	116,773	100.0	156,953	100.0	63,098	100.0	69,558	100.0

Franchised outlets may take the form of Concessions or Free-standing Stores. Standard form franchise agreements adopted by the Group have been entered into with the majority of the franchisees. The franchise agreements for *FINITY*, *ÉLANIE* and *Dbni* are generally for a term of one year. The franchise agreements for *MAX STUDIO* are generally for a term of either one year or three years.

The Group considers a number of factors in determining the price of its retail products sold to the franchisees, including the quantity of products purchased by the franchisees, the cost of production, the anticipated popularity of the products, and the Group's business relationship with the franchisees.

The franchisees are required to establish and operate the outlets in accordance with the terms of the franchise agreement to ensure a uniform theme, design and layout. According to the standard form franchise agreements adopted by the Group, each franchisee can only sell the Group's merchandise on an exclusive basis in the outlets with the specified geographical areas and must adhere to the retail prices set by the Group from time to time. Franchisees are not permitted to make any unauthorised discount without prior approval from the Group. During each fashion season, franchisees of *FINITY*, *ÉLANIE* and *Dbni* generally have the option to return an agreed percentage of the merchandise purchased in exchange for other merchandise of the same brand.

The Group provides training and guidance to the franchisees to ensure that they offer the required quality of service. The Group also provides complementary promotional materials, such as catalogues and posters, to franchisees. The Group also advertises in fashion magazines and organises promotional activities. The franchisees may also carry out publicity activities in their local vicinity at their own cost with the Group's consent. The Group's five largest franchisees accounted for approximately 9.2%, 10.6%, 10.1% and 9.1% respectively of its total retail turnover in each of the three years ended 31 December 2004 and the five months ended 31 May 2005. The Group's largest franchisee accounted for approximately 4.0%, 3.3%, 6.1% and 6.3% respectively of its total retail turnover in each of the three years ended 31 December 2004 and the five months ended 31 May 2005.

None of the Directors, their respective associates or, so far as the Directors are aware, Shareholders who will own more than 5% of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-Allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), had any interests in any of the five largest franchisees in the Track Record Period.

Retail apparel production

A majority of the Group's retail fashion apparel is manufactured by the Group's factories. The balance of the apparel and all of the accessories are outsourced to Independent Third Parties located mainly within the PRC. For the three years ended 31 December 2004 and the five months ended 31 May 2005, the Group's branded apparel production cost as a percentage of such production cost together with the cost of purchase of outsourced branded apparel was 75.9%, 77.0%, 70.6% and 65.7% respectively.

As at the Latest Practicable Date, the Group had four factories, operated by Finity International, Finity (Shenzhen), Diny (Hangzhou) and China Ting Brand Management for the manufacturing of the Group's retail apparel for sale in the PRC. As at the Latest Practicable Date, the Group had a team of over 15 in-house design staff to design its retail products. The Group also engages overseas designer on a freelance basis to provide design inspiration to its in-house brands.

The designs for *MAX STUDIO* products are however provided by the licensor. Details of the Group's retail manufacturing facilities for its retail operations are set out in the following table.

Name of facility	Major product	Year of establishment	Location in China	Located in China Ting Industrial Complex *(Note)*	Approximate number of employees as at 30 September 2005	Gross floor area *(sq.m.)*
China Ting Brand Management	Woven apparel	2003	Zhejiang	No	60	1,840
Diny (Hangzhou)	Woven apparel	2001	Zhejiang	Yes	400	2,721
Finity International	Woven apparel	2001	Zhejiang	Yes	950	8,642
Finity (Shenzhen)	Woven apparel	1998	Shenzhen	No	400	4,330
	Sub-total				1,810	17,533

Note: The production facility of China Ting Brand Management is located in Linping of Zhejiang Province, the PRC outside the China Ting Industrial Complex. The production facility of Finity (Shenzhen) is located in Shenzhen City of Guangdong Province, the PRC.

The utilisation rates of the Group's retail manufacturing facilities for the three years ended 31 December 2004 and the estimated utilisation rate for the year ending 31 December 2005 are summarised in the following tables. The estimated maximum annual output is calculated by multiplying the number of production equipment by its maximum output per day and the maximum number of working days a year.

For the year ended 31 December 2002

Name of facility	Approximate output *('000 pieces)*	Estimated maximum output *('000 pieces)*	Approximate utilisation rate
China Ting Brand Management	N/A	N/A	N/A
Diny (Hangzhou)	N/A	N/A	N/A
Finity International	N/A	N/A	N/A
Finity (Shenzhen)	370	430	86.0%
Sub-total	370	430	86.0%

Note: Where "N/A" is denoted, the corresponding facility either had not commenced production or had not become a subsidiary of the Group or had yet to be established during the relevant period.

For the year ended 31 December 2003

Name of facility	Approximate output *('000 pieces)*	Estimated maximum output *('000 pieces)*	Approximate utilisation rate
China Ting Brand Management	N/A	N/A	N/A
Diny (Hangzhou)	60	140	42.9%
Finity International	140	160	87.5%
Finity (Shenzhen)	350	400	87.5%
Sub-total	550	700	78.6%

Note: Where "N/A" is denoted, the corresponding facility either had not commenced production or had not become a subsidiary of the Group or had yet to be established during the relevant period.

For the year ended 31 December 2004

Name of facility	Approximate output *('000 pieces)*	Estimated maximum output *('000 pieces)*	Approximate utilisation rate
China Ting Brand Management	N/A	N/A	N/A
Diny (Hangzhou)	230	290	79.3%
Finity International	290	440	65.9%
Finity (Shenzhen)	50	60	83.3%
Sub-total	570	790	72.2%

Note: Where "N/A" is denoted, the corresponding facility either had not commenced production or had not become a subsidiary of the Group or had yet to be established during the relevant period.

For the year ending 31 December 2005

Name of facility	Estimated output *('000 pieces)*	Estimated maximum output *('000 pieces)*	Estimated utilisation rate
China Ting Brand Management	30	40	75.0%
Diny (Hangzhou)	260	290	89.7%
Finity International	320	440	72.7%
Finity (Shenzhen)	90	110	81.8%
Sub-total	700	880	79.5%

Below is a table setting out the number of sub-contractors engaged by the Group for retail manufacturing and the key products supplied by the sub-contractors.

	For the year ended 31 December 2002	For the year ended 31 December 2003	For the year ended 31 December 2004	For the five months ended 31 May 2005
Total number of sub-contractors engaged by the Group for retail manufacturing	3	12	12	14
Sub-contractors engaged in				
— Apparel	2	7	9	10
— Accessories	1	5	3	4

Given the high utilisation rate of the Group's production facilities and after considering the transportation cost, the Group considers it would be more cost-efficient to outsource part of its production of non-silk apparel (which the Directors believe, requires a relatively lower level of technology and skill) to local sub-contractors. The Group generally pays an agreed percentage of the sub-contracting charges upon placing each order and the remaining balance is usually settled within one month after receipt of the products.

Design and brand management

In-house brands

Design

The Group's in-house brands, namely, *FINITY*, *ÉLANIE*, *Dbni* and *RIVERSTONE*, has its own team of designers to keep abreast of the latest international fashion developments and trends in fabric and adapts them to fit the tastes of PRC consumers and the philosophy of individual brands. To keep the Group updated on international fashion trends, the Group has also engaged outside designers to provide inspiration on the Group's designs. Most of the Group's designers have academic qualifications related to the field of art or design. The design team undertakes the following functions:

i. Design development process

The design process begins with design development and design selection through research, filtering, creation and critique. At this stage, designers will evaluate the global and local fashion trends. They will then assimilate the trends and develop ideas and creations for the upcoming collection.

ii. Sampling process

After the design development process, the accepted designs are sampled and prototypes are created.

iii. Selection process

After completion of the sampling process, the samples will then be displayed in exhibitions held by the Group twice a year in Hangzhou. The franchisees and the shop managers of retail outlets directly operated by the Group will be invited to the exhibitions at which they will place their orders for the coming fashion season. The shop managers and franchisees will also provide input towards the design of the merchandise displayed to reflect the demand and fashion trends observed by them in the local community. After the exhibition, the designers will make necessary adjustments to their collections and determine the size for bulk production based on the orders received.

Licensed brand

The designs for *MAX STUDIO* are provided by the licensor. The Group starts the sampling process after its receipt of the designs from *MAX STUDIO* for the coming season. The samples have to be scrutinised and approved by the licensor before bulk production.

Brand management

The Group's brand management teams are responsible for identifying poorly performing retail outlets and products and formulating plans for store relocation or merchandise restock. The brand management team will also work with the design teams to assist them in identifying fast-selling and popular items.

Marketing and advertising

During each of the three years ended 31 December 2004 and the five months ended 31 May 2005, the Group's marketing and advertising expenses for its branded retail merchandise amounted to 1.5%, 1.7%, 1.9% and 3.1% respectively of the total retail sales of the Group. The Directors expect to increase the Group's marketing and advertising expenses in the coming years to approximately 2.5% of the Group's total retail sales.

To promote the Group's branded apparel, it has engaged in the following marketing and advertising activities:

Media advertising

The Group runs print advertising campaigns in the PRC editions of well-known fashion magazines to maintain and increase public awareness of its in-house and licensed brands. The Directors believe that media advertising is the most effective and direct way of building the brands and provides a good channel to reinforce the image of its brands.

Event marketing

From time to time the Group holds fashion shows and participates in exhibitions in major cities in the PRC. The Group also stages fashion shows for its franchisees at its fashion auditorium in the China Ting Industrial Complex in Hangzhou.

Outdoor advertising

The Group also runs advertising campaigns on various alternative advertising media such as banners in shopping malls.

Customer loyalty VIP programme

The Group also runs a VIP programme for its customers as an incentive for continued spending on a particular brand. These VIP customers will be invited to promotional sales and fashion shows from time to time.

Cash control and credit risk

Sales made by the Group's retail outlets are settled by credit card or in cash.

Free-standing Stores operated by the Group

During each of the three years ended 31 December 2004 and the five months ended 31 May 2005, credit card sales at Free-standing Stores operated by the Group amounted to approximately HK$0.3 million, HK$0.3 million, HK$0.3 million and HK$0.5 million respectively, representing approximately 10.0%, 16.7%, 14.3% and 35.7% of the total turnover at Free-standing Stores operated by the Group respectively. During each of the three years ended 31 December 2004 and the five months ended 31 May 2005, cash sales at Free-standing Stores operated by the Group amounted to approximately HK$2.7 million, HK$1.5 million, HK$1.8 million and HK$0.9 million respectively, representing approximately 90.0%, 83.3%, 85.7% and 64.3% of the total turnover at Free-standing Stores operated by the Group respectively.

The manager of each Free-standing Store has strict guidelines to follow for daily cash handling. According to these guidelines, an internal stock count is performed regularly together with a reconciliation to sales proceeds which proceeds are then deposited into the designated Group's bank account. A monthly report is submitted to the brand managers of the relevant brand.

Concessions operated by the Group

In the case of Concessions, payments are made directly to the relevant department store where the Concession is located. Generally, the department store will reconcile its accounts with the sales records of the Concession on a monthly basis, and settlement with the department store is effected within an agreed period, generally within 45 days, after the end of each month. The department store will deduct its commission at the time of settlement.

For the three years ended 31 December 2004 and the five months ended 31 May 2005, there was no bad debts owing to Concessions operated by the Group.

Franchised outlets

As the merchandise at franchised outlets is purchased by the relevant franchisees from the Group and it is the Group's policy that payment for such purchases has to be made in full before delivery of the merchandise, there is generally no cash control issue or credit risk in respect of the Group's franchised outlets.

Distribution

Apparel for *FINITY*, *Dbni*, *RIVERSTONE* and *MAX STUDIO* are principally produced in Hangzhou and is distributed via the centralised distribution centre at the China Ting Industrial Complex in Hangzhou. As the apparel products of *ÉLANIE* are produced in Shenzhen, the products are distributed directly from Shenzhen. Garments are generally packed and price tags are fixed onto the garments before distribution to the Group's retail outlets or franchisees. The Group has installed an electronic resource planning (ERP) system to keep track of inventory and merchandise information. This helps to speed up stock replenishment of each retail outlet directly operated by the Group and thus reduces inventory in the distribution centre.

Inventory management and systems

Stock taking is conducted for the retail outlets directly operated by the Group. Stock movements and transactions are recorded in the electronic resource planning (ERP) system with details including the date, batch number, style, quantity, size and price. Stock take reports are copied to the Group's accounts department and submitted to the management for review of inventory levels in order to determine the focus of sales efforts and whether to make inventory provisions.

The Group's electronic resource planning (ERP) system is designed to provide more comprehensive order processing, production and management information for the manufacturing, marketing and distribution functions of the Group's business. In addition to the ERP system, the Group also has in place a bar-coding system for monitoring stock flow, inventory level and product prices.

Quality control

The Group maintains a quality control team to carry out quality control checks on the garments produced. With respect to apparel produced by the Group internally, the Group runs quality controls and checks during the production process in a similar manner as for the Group's OEM garment manufacturing operations, details of which are set out in the paragraph headed "Business — Apparel and Textile Manufacture on an OEM basis — Quality assurance" in this prospectus.

The Group also carries out quality control on merchandise outsourced to third party manufacturers by carrying out inspection on-site. It is part of the Group's policy to outsource manufacturing to reputable third party manufacturers.

As a result of the quality control procedures adopted by the Group both within its manufacturing facilities and its retail operations, the amount of goods returned by customers as a result of defects for the Track Record Period was only approximately 1.4% of annual total retail sales of the Group.

Raw materials

The major raw material used in the manufacture of the Group's retail merchandise is fabric, which accounted for approximately 75.5%, 84.5%, 77.0% and 78.2% of the total raw material costs of the Group's retail merchandise manufacturing operation for each of the three years ended 31 December 2004 and the five months ended 31 May 2005 respectively.

Fabric is mainly sourced in the PRC, with the rest being sourced from overseas countries including Italy, Korea and Japan. The balance of raw material costs was made up of other raw materials such as linings, zippers and buttons.

Suppliers

The top five raw material suppliers for the Group's retail merchandise manufacturing operation together accounted for 11.0%, 4.9%, 21.8% and 14.2% respectively of the total raw material purchases of the Group's retail merchandise manufacturing operation for the three years ended 31 December 2004 and the five months ended 31 May 2005. The Group's largest raw material supplier for the Group's retail merchandise manufacturing operation accounted for 3.6%, 1.3%, 6.1% and 4.6% respectively of the total raw material costs of the Group's retail merchandise manufacturing operation for the three years ended 31 December 2004 and the five months ended 31 May 2005.

None of the Directors, their respective associates, and so far as the Directors are aware, Shareholders who will own more than 5% of the Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-Allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed, and any options that may be granted under the Share Option Scheme), had any interests in any of the five largest suppliers of the Group for its retail operations in the Track Record Period.

INSURANCE

The Group maintains insurance for, among other things, the assets in its production facilities. During the Track Record Period, the Group did not make any material insurance claim. The Directors believe that the insurance coverage taken out by the Group over its assets, properties and products is adequate and sufficient for its operations.

INTELLECTUAL PROPERTY RIGHTS

The Group's intellectual property rights are, so far as its retail business is concerned, registered trademarks of its retail brands and the licence of its licensed brands and, so far as its OEM business is concerned, the corporate image of "China Ting Group".

For the trademark of *FINITY*, Hong Kong Fuhowe acquired from Finity Acquisition Corp., a corporation established in New York, all rights, title, benefits and interests in and to the *FINITY* trademark in the PRC and Hong Kong for a consideration of US$4 million pursuant to an agreement dated 7 June 2004. As the Group intends to expand its retail business, the Directors considered that the valuation was reasonable. The Group has also applied for trademark registration for *Dbni*, *ÉLANIE* and *RIVERSTONE* in the PRC. The brand *MAX STUDIO* is used in accordance with the licence agreement (as varied and supplemented) with the third party licensor, which currently restricts the Group's usage to the PRC only.

The Company recognises the importance of protecting and enforcing the Group's trademarks. As at the Latest Practicable Date, apart from entering into franchise agreements with franchisees and authorising such franchisees to sell its branded retail merchandise, the Group had not given any consent to any other third party for the use of any of its trademarks.

The Directors are not aware of any material infringement of the Group's trademarks during the Track Record Period and the Group has taken and will take reasonable measures to prevent infringement of any of its trademarks.

For further details about the Group's intellectual property rights, please refer to the paragraph headed "Intellectual property" in Appendix VI to this prospectus.

COMPETITION

The Group's business is divided into two main arms: (i) the provision of vertically integrated garment manufacturing solutions for middle to high-end fashion apparel primarily for women, using predominately silk or silk-blended fabric, on an OEM basis for international fashion brands, chain retailers and department stores, primarily in the United States and increasingly in Europe; and (ii) manufacturing and retailing of branded fashion apparel, primarily for women, in China. Competition in both of these arms in recent years has become increasingly intense.

In respect of the OEM business, competition is characterised by pricing pressure and demand for both quality and timeliness of product delivery. The Group's key competitors are other large-scale silk and woven apparel manufacturers in the PRC which operate with a similar business model to the Group. Often they have also developed a certain degree of vertical integration.

The Directors believe that the Group's principal competitive strengths in its OEM business are as follows:

- established customer relationships;
- product quality;
- effective cost control;
- value-added services including design input through fabric development and fashion design;
- flexibility and speed in responding to customers' demand; and
- reliability and timeliness in delivering quality products.

In respect of the Group's PRC retail business, key competition comes from the new local and international brands as well as existing brands available in the PRC market which target the same type of customers as the Group's customers. To stay competitive in the retail fashion market, a strong brand image and responsiveness to changes in fashion trends are essential. Furthermore, during the Track Record Period, as part of the Group's network restructuring, to increase efficiency and to centralise the Group's distribution network, the Group has closed a few stores in certain secondary cities in the PRC that the Group considered to be underperforming. A map showing the locations of the Group's retail outlets in the PRC as at 31 October 2005, after the network restructuring, is set forth in the sub-section headed "Retail network" in this section of the prospectus.

The Directors believe that the Group's principal competitive strengths in its PRC retail business are as follows:

- well-established brand image;
- good understanding of the retail fashion industry and fashion trends in the PRC;
- strong fashion design capabilities; and
- an extensive retail network.

Although the Group faces competition as described above, given the Group's competitive strengths as set out above and in the subsection headed "Principal strengths" of this prospectus, the Directors believe that the Group is well positioned to continue to succeed in the apparel manufacturing and retail arena.

AWARDS AND CERTIFICATIONS

The Group has obtained various awards and recognition for its outstanding performance and corporate management. Set out below is the highlight of the awards and certifications in respect of the Group's business or products:

Awards/certificates	Member of the Group	Year(s)	Issuing organisation
Strategic Business Partner Award — for outstanding performance in innovative product development, service and flexibility, production quality, on-time delivery and mill evaluations	Concept Creator Fashion	2005	May Department Stores Company/May Department Stores International
Outstanding Performance Award — for outstanding performance based on production quality, complete shipping, volume, on-time delivery, claims, factory evaluations, and compliance with applicable laws	Concept Creator Fashion	1998, 2001, 2002, 2004	May Department Stores Company/May Department Stores International
Vendor of the Year — in recognition of outstanding partnership with Saks Department Store Group and Private Brand and Label Development	Concept Creator Fashion	2003	Saks Incorporated
Five Star Award — in recognition of Continuous Support and Outstanding Service in the Development of Federated Department Stores' Private Brands and Labels	China Ting Garment	2004	Macy's Merchandising Group
Five Star Award — in recognition of Continuous Support and Outstanding Service in the Development of Federated Department Stores' Private Brands and Labels	China Ting Garment	2003	Federated Merchandising Group

SOCIAL RESPONSIBILITY

Some of the Group's larger customers face public demand to ensure that no labour exploitation is involved in their production. They often require the Group to comply with social responsibility standards in the production of their products. Although details of these standards are different, their basic principles generally cover labour laws, facility conditions, health and safety and the environment. On-site compliance audits are conducted by independent audit agencies or audit teams of the Group's customers from time to time to ensure the Group's ongoing compliance with these social responsibility standards.

TAXATION

Under the Income Tax Law of the People's Republic of China Concerning Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) (the "Income Tax Law") promulgated on 9 April 1991 and the Detailed Implementing Rules for the Income Tax Law of Foreign Investment Enterprises and Foreign Enterprises (中華人民共和國外商投資企業所得稅法細則) (the "Income Tax Rules") promulgated on 30 June 1991, a foreign investment enterprise will be liable for enterprise income tax.

According to the Income Tax Law and Income Tax Rules, a foreign investment enterprise (regardless of it taking the form of a joint venture or wholly foreign owned enterprise) is subject to a state income tax imposed at the rate of 30% on its world-wide net income. In addition, the local government levies a local income tax of 3% of taxable income, resulting in an effective tax rate of 33%. For a foreign investment enterprise of a production nature established in coastal economic open zones or Special Economic Zones, the enterprise income tax shall be levied at the reduced rate of 26.4% or 15.0% and local authorities have the right to grant favourable tax treatment of local income tax. Any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a 50% reduction in the third to fifth years (兩免三減半). Each of the operating subsidiaries of the Group which had been incorporated in the PRC is entitled to apply for preferential tax treatment in the form of reduced tax rates or tax holidays provided by the PRC government or its local agencies or bureau.

WELFARE CONTRIBUTION

On 14 January 1999, the State Council of PRC promulgated《社會保險費徵繳暫行條例》(the Provisional Regulations for Collection of Social Funds) ("the Social Insurance Regulations"). On 24 March 2002, the State Council of PRC amended and promulgated《住房公積金管理條例》(the Regulations for Administration of Housing Funds) ("the Housing Funds Regulations"). Governments or authorities in the locality in which the Group operates have also issued local policies and regulations relating to social insurances and housing funds. The Group has made contributions to pension funds, medical insurance, work-related injury insurance and unemployment insurance (collectively, "Social Insurance Funds"), and housing funds for its employees in compliance with local policies and regulations. As the operations of the Group cover a number of provinces in the PRC, the Group has obtained confirmations from 杭州市余杭區社會保險辦公室 (Hangzhou Yuhang District Social Insurance Office); 杭州市余杭區住房公積金管理中心 (Hangzhou Yuhang District Housing Funds Administration Centre); 杭州市社會保險服務局 (Hangzhou Social Insurance Service Bureau); 杭州市住房公積金管理中心 (Hangzhou Housing Funds Administration Centre); 深圳市社會保險基金管理中心南山管理處 (Shenzhen Social Insurance Funds Administration

Centre, Nanshan Office); 深圳市社保局南山分局 (Shenzhen Social Insurance Bureau, Nanshan Office); 江蘇省泗洪縣社會勞動保險管理處 (Jiangsu Sihong County Social Labour Insurance Administration Office); 江蘇省宿遷市住房公積金管理中心泗洪管理部 (Jiangsu Suqian City Housing Funds Administration Centre, Sihong Office); 浙江省海鹽縣社會保險管理中心 (Zhejiang Haiyan County Social Insurance Administration Centre); 浙江省海鹽縣住房資金管理中心 (Zhejiang Haiyan County Housing Funds Administration Centre). Each company of the Group established in the PRC has obtained confirmations from the relevant competent local labour bureaus and housing funds authorities, which are delegated to implement the relevant national and local labour laws and regulations, that it had made the requisite social insurance funds and housing funds contributions, which are in compliance with the requirements of both the national and the local laws and regulations. The PRC legal advisers to the Group have confirmed that the confirmations issued by the above authorities are appropriate and in full compliance with the applicable national and local laws and regulations.

The contributions of the Group to the various Social Insurance Funds during each of the three years ended 31 December 2004 and the five months ended 31 May 2005 amounted to HK$4.0 million, HK$7.8 million, HK$8.3 million and HK$7.2 million respectively.

REGULATORY MATTERS

The Group has obtained all the necessary licences and approvals that are material to the conduct of its operations.

Environmental protection regulations

In accordance with the《中華人民共和國環境保護法》(Environmental Protection Law of PRC) adopted by the Standing Committee of the NPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate any losses or damages suffered as a result of such environmental pollution.

Most members of the Group has been granted the necessary permit by the relevant PRC environmental protection authority for the treatment and discharge of waste water produced during the manufacture of its products. The Group members who have not been granted such permits are Bolinding Hangzhou Textile, China Ting (Hangzhou) Textile Technology and Hangzhou China Ting Embroidery, who have not yet applied for permits because they have not yet commenced production, and Jiangsu Fuze. The Group expects that the requisite approval will be obtained within six months after the commencement of production of Bolinding Hangzhou Textile, China Ting (Hangzhou) Textile Technology and Hangzhou China Ting Embroidery. For Jiangsu Fuze, the relevant local environmental protection department has issued a confirmation letter on 14 November 2005 that as at the date of issue of such confirmation letter, Jiangsu Fuze was not required to obtain the permit for the treatment and discharge of waste water.

The business of the Group is subject to applicable PRC national and local environmental laws and regulations. As at the Latest Practicable Date, the Group has not received any notice of environmental non-compliance.

Legal proceedings

As at the Latest Practicable Date, none of the Group companies was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against any of the Group companies.

TRADE RESTRICTIONS AND QUOTA

During the period when the global apparel trade was regulated by the MFA and the ATC prior to 1 January 2005, silk and silk-blended apparel was subject to relatively limited quotas, particularly in the U.S., compared to apparel manufactured using other types of fabric, such as cotton.

On 8 November 2005, the U.S. and the Chinese government reached an agreement to manage the growth rates of Chinese textile and apparel to the U.S. at 10% to 15% in 2006, 12.5% to 16% in 2007, and 15% to 17% in 2008, covering 11 categories of apparel and 10 categories of textiles ("Imposed Safeguard Categories"). For the first five months ended 31 May 2005, the Group's exports to the U.S. which fall within the Imposed Safeguard Categories amounted to approximately HK$19.4 million, representing approximately 2.3% of the Group's total turnover in the same period.

With respect to the EU, an agreement (the "China-EU Agreement") was reached between the EU and China on 10 June 2005 to limit the growth of the EU's textile and clothing imports from China following the removal of quotas under the ATC on 1 January 2005. This agreement is by reference, principally, to product type rather than fabric type. The China-EU Agreement applies until the end of 2007 to ten categories of products ("Restricted

Products"), some of which are manufactured by the Group for export to the EU. However, for the five months ended 31 May 2005, the Group's exports to the EU which fall within the Restricted Products amounted to approximately HK$0.67 million, representing only approximately 0.1% of the Group's total turnover in the same period and only approximately 1.5% of the Group's sales to the EU. Following discussions between the EU and China regarding the treatment of Chinese imports to the EU that have exceeded the limits allowed for 2005, on 14 September 2005, an EU regulation ("the Regulation") came into effect which provided for the release of 50% of the Chinese imports blocked by the EU customs authorities. The remaining 50% will be "borrowed" from the Chinese textile and garment quotas agreed for 2006. Notwithstanding the Regulation, the Group's products which fall within the classes of Restricted Products will still be subject to the restrictions imposed by the China-EU Agreement as varied by the Regulation.

Further, the voluntary export restraints on silk apparel introduced by the PRC government in early 2005 are relatively limited. Currently among silk and silk-blended apparel, an RMB0.2 per piece voluntary export restraint on women's silk blouses is the only export restriction imposed by the PRC government on silk apparel products since January 2005. For this export duty, the Group incurred a total of HK$1.0 million during the five months ended 31 May 2005.

Historically and currently therefore, apparel produced using silk and silk-blended fabric has been and is subject to relatively limited trade restrictions compared to apparel manufactured using other types of fabric such as cotton, particularly in the United States.

CONNECTED PERSONS OF THE COMPANY

The following sets forth the connected persons of the Company with which members of the Group currently have, and are expected to have, transactions following the Listing:—

Zhejiang Huading Group

Zhejiang Huading Group is owned as to 52% by Mr. DING Jianer, 12% by Yuhang Huaming, 30% by Mr. DING Xinger, 3% by Mr. FU Xiao Bo and as to the remaining 3% by Mr. YE Ai Min. Mr. DING Jianer is one of the executive Directors. Mr. DING Xinger is an elder brother of Mr. DING Jianer, Mr. TING Man Yi and Mr. TING Hung Yi, all being executive Directors. Both Mr. DING Jianer and Mr. DING Xinger are connected persons of the Company as defined under rule 14A.11(1) and 14A.11(4)(b) of the Listing Rules, respectively. Mr. DING Jianer and Mr. DING Xinger collectively hold 82% of the equity interests of Zhejiang Huading Group. Therefore, Zhejiang Huading Group is an associate of a connected person of the Company as defined under rule 1.01 of the Listing Rules. The business, assets and liabilities of Zhejiang Huading Group were assumed by other members of the Group during the Track Record Period. Further information on the Reorganisation involving Zhejiang Huading Group is set out in the section headed "Business — History and development and basis of the Reorganisation" in this prospectus.

Yuhang Huaming

Yuhang Huaming is owned by Mr. DING Minger as to 58%. Mr. DING Minger is the eldest brother of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi, all being executive Directors. Mr. DING Minger is also a director of one of the subsidiaries of the Company. As such, Mr. DING Minger is a connected person of the Company as defined under the Listing Rules. Yuhang Huaming is therefore an associate of a connected person of the Company as defined under rule 1.01 of the Listing Rules.

Hangzhou Chuangxin

Hangzhou Chuangxin is owned as to 80% by Zhejiang Huading Group and as to 20% by Ms. ZHANG Mao Mei who is the sister-in-law of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi, all being executive Directors. As Zhejiang Huading Group is owned by Mr. DING Jianer, being an executive Director, as to 52%, Hangzhou Chuangxin is an associate of a connected person of the Company as defined under rule 1.01 of the Listing Rules. The business, assets and liabilities of Hangzhou Chuangxin were assumed by Hangzhou Fucheng during the Track Record Period. Further information on the Reorganisation involving Hangzhou Chuangxin is set out in the section headed "Business — History and development and basis of the Reorganisation" in this prospectus.

Hangzhou Fuze and Hangzhou Huaze

Hangzhou Fuze is owned by two individuals, namely Mr. FEI Bin Song and Mr. QIU Jian Ping. Mr. FEI Bin Song has been nominated a director of Jiangsu Fuze by virtue of Hangzhou Fuze's interest in this joint venture. Save as disclosed in this prospectus, Mr. FEI Bin Song and Mr. QIU Jian Ping have no further relationships with the Group. The principal business of Hangzhou Fuze is production of silk fabric.

Hangzhou Huaze is owned by two individuals, namely, Ms. QIU Li Juan and Mr. LU Yong Gen. Ms. QIU Li Juan has been nominated as a director of Jiangsu Fuze by virtue of Hangzhou Huaze's interest in this joint venture. Save as disclosed in this prospectus, Ms. QIU Li Juan and Mr. LU Yong Gen have no further relationships with the Group. The principal business of Hangzhou Huaze is production of velour.

Jiangsu Fuze is owned as to 52% by Hong Kong Fuhowe, 26.2% by Hangzhou Fuze and as to the remaining 21.8% by Hangzhou Huaze. As each of Hangzhou Fuze and Hangzhou Huaze is a substantial shareholder of Jiangsu Fuze which is a subsidiary of the Company, each of Hangzhou Fuze and Hangzhou Huaze is a connected person of the Company as defined under rule 14A.11(1) of the Listing Rules.

Huasheng Accessories

Huasheng Accessories is a company established in the PRC with limited liability. Huasheng Accessories is owned as to 25% by Hong Kong Fuhowe and as to 75% by Ms. ZHOU Shi Min, who is the spouse of Mr. DING Jianer, an executive Director, and thus, a connected person as defined under rule 14A.11(4) of the Listing Rules. Therefore, Huasheng Accessories is an associate of a connected person of the Company pursuant to rule 1.01 of the Listing Rules.

Zhejiang Huayue

Zhejiang Huayue is owned by Haiyan Feixiang and Manfame as to 45% and 55% respectively. As Haiyan Feixiang is a substantial shareholder of Zhejiang Huayue which is a subsidiary of the Company, Haiyan Feixiang is a connected person of the Company as defined under rule 14A.11(1) of the Listing Rules. Haiyan Feixiang is owned by five individuals, namely, Ms. LIU Lian Ying, Ms. SUN Yun Zhen, Ms. YANG Shui Zhen, Mr. CHEN Ai Feng and Mr. SUN Xian Ming as to 1.33%, 0.93%, 10%, 47.27% and 40.47% respectively. Ms. LIU Lian Ying and Ms. SUN Yun Zhen have been nominated as directors of Zhejiang Huayue by virtue of 45% equity interest held by Haiyan Feixiang in Zhejiang Huayue. As such, apart from its equity interest in Zhejiang Huayue, Haiyan Feixiang is considered to have other relationship with Zhejiang Huayue. Accordingly, Zhejiang Huayue is a connected person of the Company pursuant to rule 14A.11(4) of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the Directors anticipate that the following transactions will constitute exempt continuing connected transactions of the Company:—

Lease of part of a factory building owned by Hangzhou Chuangxin to Hangzhou Fucheng

The relevant factory building is located at Gudun Road, Xihu District, Hangzhou City, Zhejiang Province, the PRC. Hangzhou Chuangxin is the registered owner of the factory building. A portion of the factory building with a gross floor area of approximately 2,001.95 sq.m. is leased to Hangzhou Fucheng for its production.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Hangzhou Chuangxin and Hangzhou Fucheng, Hangzhou Chuangxin has agreed to lease to Hangzhou Fucheng the relevant portion of the factory building for a period from 1 October 2005 to 31 December 2007, subject to early termination when the PRC government resumes the land for re-development purpose. The annual rental for the relevant portion of the factory building is fixed at RMB240,000 (equivalent to approximately HK$230,769) during the term of the lease agreement, which will be payable on a monthly basis by Hangzhou Fucheng to Hangzhou Chuangxin.

The Directors confirm that members of the Group did not pay any rent to Hangzhou Chuangxin during the Track Record Period since Hangzhou Chuangxin was part of the Group before completion of the Reorganisation. The Directors further confirm that discussions with the PRC government is taking place and it is less likely that Hangzhou Fucheng will be required to re-locate before the resumption. In any event, if Hangzhou Fucheng is required to vacate the factory building, the lease agreement will be terminated, and there will be no continuing connected transactions in this regard.

The independent property valuer of the Company, CB Richard Ellis Limited ("CBRE") has confirmed that the current rental payable under the above lease agreement is comparable to the current market rental. The Directors confirm that the amount agreed under such lease agreement is fair and reasonable, and was negotiated on an arm's length basis and on normal commercial terms.

Lease of part of a factory building owned by Huasheng Accessories to China Ting Brand Management

The relevant factory building is located at No. 153, Xinsi Road, Yuhang Economic Development District, Hangzhou City, Zhejiang Province, the PRC. Huasheng Accessories is the registered owner of the factory building. A portion of the factory building with a gross floor area of approximately 1,840 sq.m. is used by China Ting Brand Management for its production.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Huasheng Accessories and China Ting Brand Management, Huasheng Accessories has agreed to lease to China Ting Brand Management the relevant portion of the factory building for a period from 1 October 2005 to 31 December 2007. The annual rental for the relevant portion of the factory building is fixed at RMB242,880 (equivalent to approximately HK$233,538) during the term of the lease agreement, which will be payable on a monthly basis by China Ting Brand Management to Huasheng Accessories.

The Directors confirm that members of the Group did not pay any rent to Huasheng Accessories during the Track Record Period as the lease agreement only commenced on 1 October 2005.

The lease agreement has an option to renew by China Ting Brand Management for another period of three years, commencing from the expiry date of the existing term, at the prevailing market rental at time of renewal.

CBRE has confirmed that the current rental payable under the above lease agreement is comparable to the current market rental. The Directors confirm that the amount agreed under such lease agreement is fair and reasonable, and was negotiated on an arm's length basis and on normal commercial terms.

Implications under the Listing Rules

As Hangzhou Chuangxin and Huasheng Accessories are connected persons of the Company, the above lease agreements will constitute continuing connected transactions of the Company under rule 14A.14 of the Listing Rules.

On the basis that the amount of annual rental payable by members of the Group under each of the above lease agreements with Hangzhou Chuangxin and Huasheng Accessories is expected to be less than 0.1% of the percentage ratios (other than the profits ratio and the equity capital ratio), each of the above transactions falls under the de minimis provision set forth in rule 14A.33(3) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements set forth under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the Directors anticipate that the following transactions will constitute non-exempt continuing connected transactions of the Company which will be subject to the reporting and announcement requirements under the Listing Rules:—

Lease of factory building, office tower, office premises and staff quarters owned by Zhejiang Huading Group to members of the Group

Members of the Group have entered into the following four lease agreements with Zhejiang Huading Group for the factory building, office tower, office premises and staff quarters currently used by them:—

Lease of a factory building owned by Zhejiang Huading Group to Hangzhou Fuding

The factory building with a total gross floor area of approximately 10,326.14 sq.m. is located within the China Ting Industrial Complex. The factory building is currently used by Hangzhou Fuding for its production. Zhejiang Huading Group is the registered owner of the land and the relevant factory building.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Zhejiang Huading Group and Hangzhou Fuding, Zhejiang Huading Group has agreed to lease to Hangzhou Fuding the relevant factory building for a period from 1 October 2005 to 31 December 2007. The annual rental for the factory building is fixed at RMB1,363,050 (equivalent to approximately HK$1,310,625) during the term of the lease agreement, which will be payable on a monthly basis by Hangzhou Fuding to Zhejiang Huading Group.

The Directors confirm that members of the Group did not pay any rent to Zhejiang Huading Group during the Track Record Period as Zhejiang Huading Group was part of the Group before completion of the Reorganisation.

The lease agreement has an option to renew by Hangzhou Fuding for another period of three years, subject to full compliance with the applicable requirements under the Listing Rules then in force, commencing from the expiry date of the existing term, at the prevailing market rental at the time of renewal.

An asset acquisition agreement was entered into between Hangzhou Fuding and Zhejiang Huading Group on 18 November 2005 for the acquisition of the factory building, together with other ancillary facilities, at an aggregate cash consideration of RMB12.3 million (equivalent to approximately HK$11.8 million). If the acquisition by Hangzhou Fuding of this factory building is completed, this lease agreement will be terminated and hence, there will be no continuing connected transactions in this regard.

Lease of an office tower owned by Zhejiang Huading Group to Hong Kong Fuhowe

The office tower is situated within China Ting Industrial Complex and is currently used by members of the Group and other companies. Zhejiang Huading Group is the registered owner of the land and the office tower. The total gross floor area of the office tower is approximately 11,059.72 sq.m., of which approximately 10,436.07 sq.m. is currently occupied by members of the Group as their headquarters, show rooms and sample rooms. The office tower also includes a theatre for the Group to organise fashion shows and buyers' visits on a regular basis. The Directors consider that it would be beneficial to the Group to continue to use the office tower after the Listing.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Zhejiang Huading Group and Hong Kong Fuhowe, Zhejiang Huading Group has agreed to lease to Hong Kong Fuhowe the relevant portion of the office tower for a period from 1 October 2005 to 31 December 2007. The annual rental for the relevant portion of the office tower is fixed at RMB3,757,000 (equivalent to approximately HK$3,612,500) (including management fee) during the term of the lease agreement, which will be payable on a monthly basis by Hong Kong Fuhowe to Zhejiang Huading Group.

The Directors confirm that members of the Group did not pay any rent to Zhejiang Huading Group during the Track Record Period since Zhejiang Huading Group was part of the Group before completion of the Reorganisation.

The lease agreement has an option to renew by Hong Kong Fuhowe for another period of three years, commencing from the expiry date of the existing term, subject to full compliance with the applicable requirements under the Listing Rules then in force, at the prevailing market rental at the time of renewal.

Lease of office premises in Shanghai owned by Zhejiang Huading Group to Hangzhou China Ting Fashion

The office premises are situated at Rooms A and D, 19th Floor, Catic Tower, No. 212 Jiangning Road, Jing'an District, Shanghai City, the PRC with a total gross floor area of approximately 766.88 sq.m. The registered owner of the office premises is Zhejiang Huading Group. The office premises are currently used by

Hangzhou China Ting Fashion as its representative office in Shanghai. As the office premises are the only business presence of the Group in Shanghai, the Directors consider that it would be beneficial to the Group to continue to maintain such office in Shanghai after the Listing.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Zhejiang Huading Group and Hangzhou China Ting Fashion, Zhejiang Huading Group has agreed to lease to Hangzhou China Ting Fashion the relevant office premises for a period from 1 October 2005 to 31 December 2007. The annual rental for the office premises is fixed at RMB1,322,000 (equivalent to approximately HK$1,271,154) (including management fee) during the term of the lease agreement, which will be payable on a monthly basis by Hangzhou China Ting Fashion to Zhejiang Huading Group.

The Directors confirm that members of the Group did not pay any rent to Zhejiang Huading Group during the Track Record Period since Zhejiang Huading Group was part of the Group before the Reorganisation.

The lease agreement has an option to renew by Hangzhou China Ting Fashion for another period of three years, commencing from the expiry date of the existing term, subject to full compliance with the applicable requirements under the Listing Rules then in force, at the prevailing market rental at the time of renewal.

Lease of staff quarters owned by Zhejiang Huading Group to Hong Kong Fuhowe

The staff quarters comprise 16 six-storey buildings for general staff, one six-storey building for senior staff, one four-storey guest house and the ancillary buildings and facilities, with a total gross floor area of approximately 52,044.53 sq.m. The staff quarters can house approximately 7,000 general staff, all of whom are currently working at the factories within the China Ting Industrial Complex. The Directors consider that it would be beneficial to the Group to continue to use the staff quarters as the Group's staff accommodation.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Zhejiang Huading Group and Hong Kong Fuhowe, Zhejiang Huading Group has agreed to lease to Hong Kong Fuhowe the staff quarters for a period from 1 October 2005 to 31 December 2007. The aggregate annual rental for the staff quarters is fixed at RMB7,500,000 (equivalent to approximately HK$7,211,538) (including the management fee) during the term of the lease agreement, which will be payable on a monthly basis by Hong Kong Fuhowe to Zhejiang Huading Group.

The Directors confirm that members of the Group did not pay any rent to Zhejiang Huading Group during the Track Record Period since Zhejiang Huading Group was part of the Group before the Reorganisation.

The lease agreement has an option to renew by Hong Kong Fuhowe for another period of three years, commencing from the expiry date of the existing term, subject to full compliance with the applicable requirements under the Listing Rules then in force, at the prevailing market rental at the time of renewal.

Lease of factory building and staff quarters owned by Yuhang Huaming to members of the Group

The Group has entered into the following two lease agreements with Yuhang Huaming for the factory building and staff quarters currently used by members of the Group outside the China Ting Industrial Complex:—

Lease of part of the factory building and the staff quarters owned by Yuhang Huaming to Zhejiang Huali

The relevant factory building and staff quarters are located at Zhenxing Road East and Hehua Road South, Yuhang Economic Development District, Hangzhou City, Zhejiang Province, the PRC, respectively. Yuhang Huaming is the registered owner of the factory building and the staff quarters. A portion of each of the factory building and the staff quarters with a total gross floor area of approximately 6,414 sq.m. is currently occupied by Zhejiang Huali for its production and accommodation for its staff, respectively.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Yuhang Huaming and Zhejiang Huali, Yuhang Huaming has agreed to lease to Zhejiang Huali the relevant portion of the factory building and staff quarters for a period from 1 October 2005 to 31 December 2007. The annual rental for the relevant portion of the factory building and staff quarters is fixed at RMB846,610 (equivalent to approximately HK$814,048) during the term of the lease agreement, which will be payable on a monthly basis by Zhejiang Huali to Yuhang Huaming.

The Directors confirm that members of the Group did not pay any rent to Yuhang Huaming during the Track Record Period since the lease of the factory building and staff quarters owned by Yuhang Huaming only commenced on 1 October 2005.

The lease agreement has an option to renew by Zhejiang Huali for another period of three years, commencing from the expiry date of the existing term, subject to full compliance with the applicable requirements under the Listing Rules then in force, at the prevailing market rental at the time of renewal.

Lease of part of the factory building and the staff quarters owned by Yuhang Huaming to Hangzhou Fuding

The relevant factory building and staff quarters are located at Zhenxing Road East and Hehua Road South, Yuhang Economic Development District, Hangzhou City, Zhejiang Province, the PRC, respectively. Yuhang Huaming is the registered owner of the factory building and the staff quarters. A portion of each of the factory building and the staff quarters with a total gross floor area of approximately 4,644 sq.m. is currently occupied by Hangzhou Fuding for its production and accommodation for its staff, respectively.

Pursuant to a lease agreement dated 9 September 2005 and entered into between Yuhang Huaming and Hangzhou Fuding, Yuhang Huaming has agreed to lease to Hangzhou Fuding the relevant portion of the factory building and staff quarters for a period from 1 October 2005 to 31 December 2007. The annual rental for the relevant portion of the factory building and staff quarters is fixed at RMB613,020 (equivalent to approximately HK$589,442) during the term of the lease agreement, which will be payable on a monthly basis by Hangzhou Fuding to Yuhang Huaming.

The Directors confirm that members of the Group did not pay any rent to Yuhang Huaming during the Track Record Period as the lease only commenced on 1 October 2005.

The lease agreement has an option to renew by Hangzhou Fuding for another period of three years, commencing from the expiry date of the existing term, subject to full compliance with the applicable requirements under the Listing Rules then in force, at the prevailing market rental at the time of renewal.

The principal business of the Group is manufacturing of silk and silk blended apparel on an OEM basis and manufacturing and sales of branded fashion apparel in the PRC. Most members of the Group engaging in manufacturing activities have their own factory buildings, which are principally located within the China Ting Industrial Complex. As most of the properties leased from connected persons of the Company are office premises and staff quarters, which are not directly related to the manufacturing activities of the Group, the Directors are of the view that the relevant leased properties are not crucial to the Group's operation and business. The Directors also believe that the lease arrangements do not require the Group to incur additional capital expenditure to acquire the ownership of such properties. As such, the Directors consider that entering into lease agreements allows the Group to continue to use the leased properties without incurring substantial capital expenditure, thus maintaining flexibility.

In respect of each of the above six lease agreements, CBRE has confirmed that the current rental payable thereunder is comparable to the current market rental. The Directors confirm that the amount agreed under each of such six lease agreements is fair and reasonable, and was negotiated on an arm's length basis and on normal commercial terms. The agreed annual rental payable under the lease agreements will constitute the annual caps for the continuing connected transactions with Zhejiang Huading Group and Yuhang Huaming for each of the three years ending 31 December 2007.

Purchase of silk fabric from Hangzhou Fuze

Hangzhou Fuze is one of the suppliers of silk fabric to members of the Group. Hangzhou Fuze has supplied silk fabric to the Group since 2003. During each of the two years ended 31 December 2004, the aggregate purchase from Hangzhou Fuze by members of the Group amounted to RMB0.4 million (equivalent to approximately HK$0.4 million) and RMB0.3 million (equivalent to approximately HK$0.3 million), respectively.

A supply contract dated 1 November 2005 was entered into between Hangzhou Fuze and members of the Group for a period from 1 October 2005 to 31 December 2007, whereby Hangzhou Fuze has undertaken to supply to members of the Group the required silk fabric at such prices which are not higher than the prices offered to independent third parties after taking into consideration the prevailing market rates for providing similar products from time to time.

Taking into consideration all the relevant factors, the Directors estimate that the amount of silk fabric which will be purchased from Hangzhou Fuze will reach approximately RMB5.2 million (equivalent to approximately HK$5.0 million), RMB6.0 million (equivalent to approximately HK$5.8 million) and RMB6.9 million (equivalent to approximately HK$6.6 million) for each of the three years ending 31 December 2007 respectively. These estimates are based on the expected growth of the production and sales of the Group and the expected increase in the production capacity of the Group. These estimates will constitute the annual caps for this transaction for the three years ending 31 December 2007. The annual cap for the year ending 31 December 2005 is based on the actual amount purchased by the Group from Hangzhou Fuze during the period from 1 January 2005 to 31 August 2005 and the confirmed orders received by the Group for the remaining months in 2005.

The purchase of silk fabric from Hangzhou Fuze increases significantly during the second half of 2005 on the grounds that: (i) Hangzhou Fuze is specialized in the production of quality silk fabric which is supplied to the Group at competitive prices and (ii) there is a growing demand for silk fabric in the production process of the Group commencing in 2005. The Directors consider that it is difficult to source the comparable quality silk fabric at this price level from other independent third parties. The Group therefore prefers purchasing silk fabric from Hangzhou Fuze to other independent third parties. During the period from June 2005 to August 2005, aggregate purchases from Hangzhou Fuze amounted to RMB4.0 million (equivalent to approximately HK$3.8 million). After taking into account the sales forecast for the period from September 2005 to December 2005, the Directors consider that an additional purchase of silk fabric in the amount of approximately RMB1.2 million (equivalent to approximately HK$1.2 million) for the customers' orders on hand is necessary.

For the three years ended 31 December 2004, the Group recorded a compound annual growth rate of approximately 40.3%. As silk fabric is recurring cost item for the Group's business, the Directors consider that it is reasonable to estimate the future purchase amount of silk fabric to be based on the Group's growth prospect. For the sake of prudence, an annual growth rate of approximately 15% in the purchase amount is used in determining the annual caps for this transaction for the two years ending 31 December 2007.

Purchase of velour from Hangzhou Huaze

The Directors consider that Hangzhou Huaze can provide quality velour as required by the Group at competitive prices. Hangzhou Huaze has supplied velour to members of the Group since 2003. During each of the two years ended 31 December 2004 and the five months ended 31 May 2005, the aggregate purchase from Hangzhou Huaze by members of the Group amounted to RMB3.4 million (equivalent to approximately HK$3.3 million), RMB3.0 million (equivalent to approximately HK$2.9 million) and RMB1.5 million (equivalent to approximately HK$1.4 million) respectively. During the period from June 2005 to September 2005, the Group made a total purchase of RMB3.1 million (equivalent to approximately HK$3.0 million) from Hangzhou Huaze.

A supply contract dated 1 November 2005 has been entered into between Hangzhou Huaze and members of the Group for a period from 1 October 2005 to 31 December 2007, whereby Hangzhou Huaze has undertaken to supply to members of the

Group the required velour at such prices which are not higher than the prices offered to independent third parties after taking into consideration the prevailing market rates for providing similar products from time to time.

Taking into consideration all the relevant factors, the Directors estimate that the amount of velour which will be purchased from Hangzhou Huaze will reach approximately RMB6.7 million (equivalent to approximately HK$6.4 million), RMB7.7 million (equivalent to approximately HK$7.4 million) and RMB8.8 million (equivalent to approximately HK$8.5 million) for each of the three years ending 31 December 2007 respectively. These estimates are determined on the bases of the historical turnover for the past years, the expected growth in the production and the sales of the Group and the expected increase in the production capacity of the Group. These estimates will constitute the annual caps for this transaction for the three years ending 31 December 2007. The annual cap for the year ending 31 December 2005 is based on the actual amount purchased by the Group from Hangzhou Huaze during the period from 1 January 2005 to 31 August 2005 and the confirmed orders received by the Group for the remaining months in 2005.

For the three years ended 31 December 2004, the Group recorded a compound annual growth rate of approximately 40.3%. As velour is a recurring item for the Group's business, the Directors consider that it is reasonable to estimate the future purchase amount of velour according to the Group's growth prospect. For the sake of prudence, an annual growth rate of approximately 15% in the purchase amount is used in determining the annual caps for this transaction for the two years ending 31 December 2007.

Purchase of plastic bags and hangers from Huasheng Accessories

Huasheng Accessories started its business in September 2004. The production facilities of Huasheng Accessories are adjacent to the China Ting Industrial Complex. The principal business of Huasheng Accessories is to produce plastic bags, hangers and other garment packaging materials. Members of the Group started sourcing plastic bags and hangers from Huasheng Accessories in September 2004. During the year ended 31 December 2004 and the five months ended 31 May 2005, sales of Huasheng Accessories made to the Group accounted for 88.8% and 71.4% of its total sales, respectively, with the remaining made up of sales to other independent parties. The Directors consider that the quality of the products of Huasheng Accessories satisfy the requirements of the Group. Purchasing from Huasheng Accessories by members of the Group with operations at the China Ting Industrial Complex will also save transportation costs, which is beneficial to the business of the Group.

During the year ended 31 December 2004 and the five months ended 31 May 2005, aggregate purchases from Huasheng Accessories by members of the Group amounted to RMB0.9 million (equivalent to HK$0.8 million) and RMB3.8 million (equivalent to HK$3.6 million) respectively.

A supply contract dated 1 November 2005 has been entered into between Huasheng Accessories and members of the Group for a period from 1 October 2005 to 31 December 2007, whereby Huasheng Accessories has undertaken to supply to members of the Group the required plastic bags and hangers at such prices which are not higher than the prices offered to independent third parties after taking into consideration the prevailing market rates for providing similar products from time to time.

Taking into consideration all the relevant factors, the Directors estimate that the amount of purchase of plastic bags and hangers which will be purchased from Huasheng Accessories would reach approximately RMB9.5 million (equivalent to approximately HK$9.1 million), RMB11.0 million (equivalent to approximately HK$10.6 million) and RMB12.6 million (equivalent to approximately HK$12.1 million) for each of the three years ending 31 December 2007 respectively. These estimates are determined on the bases of the historical turnover for the past years, the expected growth in the production and the sales of the Group and the expected increase in the production capacity of the Group. These estimates will constitute the annual caps for this transaction for the three years ending 31 December 2007. The annual cap for the year ending 31 December 2005 is based on the actual amount purchased by the Group from Huasheng Accessories during the period from 1 January 2005 to 31 August 2005 and the confirmed orders received by the Group for the remaining months in 2005.

For the three years ended 31 December 2004, the Group recorded a compound annual growth rate of approximately 40.3%. As plastic bags and hangers are recurring items for the Group's business, the Directors consider that it is reasonable to estimate the future purchase amount of plastic bags and hangers according to the Group's growth prospect. For the sake of prudence, an annual growth rate of approximately 15% in the purchase amount is used in determining the annual caps for this transaction for the two years ending 31 December 2007.

Implications under the Listing Rules

As the above four lease agreements were entered into with Zhejiang Huading Group, the Stock Exchange has aggregated them and treated them as if they were one transaction, pursuant to rule 14A.25 of the Listing Rules.

As the other two lease agreements were entered into with Yuhang Huaming, the Stock Exchange has aggregated the two lease agreements and treated them as if they were one transaction pursuant to rule 14A.25 of the Listing Rules.

Each of (i) the aggregate amount of the annual rental payable under the four lease agreements with Zhejiang Huading Group; (ii) the aggregate amount of the annual rental under the two lease agreements with Yuhang Huaming; (iii) the annual amount payable for the purchase of silk fabric from Hangzhou Fuze; (iv) the annual amount payable for the purchase of velour from Hangzhou Huaze; and (v) the annual amount payable for the purchase of plastic bags and hangers from Huasheng Accessories will exceed HK$1 million and be less than 2.5% of the percentage ratios (other than the profits ratio and the equity capital ratio). Hence, each of these transactions will be exempt from independent Shareholders' approval requirements under rule 14A.34 of the Listing Rules and will only be subject to the reporting and announcement requirements applicable to non-exempt continuing connected transactions under rules 14A.45 to 14A.47 of the Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under the Listing Rules, particulars of which are set forth under "Waiver from the Stock Exchange" below.

Following the Listing, the Directors anticipate that the following transaction will constitute non-exempt continuing connected transaction of the Company which will be subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

Purchase of silk fabric from Zhejiang Huayue

Haiyan Feilong was engaged in the production of silk fabric, and has supplied silk fabric to the then members of the Group since 1995. During the Track Record Period, Haiyan Feilong was one of the major suppliers of the Group. The Directors consider that Haiyan Feilong would be one of the preferred suppliers of silk fabric because of the established business relationship.

During the Track Record Period, the aggregate purchase from Haiyan Feilong by members of the Group amounted to approximately RMB48.8 million (equivalent to approximately HK$46.9 million), RMB43.9 million (equivalent to approximately HK$42.2 million), RMB60.8 million (equivalent to approximately HK$58.5 million) and RMB13.1 million (equivalent to approximately HK$12.6 million), respectively. During the month ended 30 June 2005, the aggregate purchase from Haiyan Feilong by members of the Group amounted to approximately RMB4.0 million (equivalent to approximately HK$3.8 million). Zhejiang Huayue acquired certain assets of Haiyan Feilong, and starting from 1 July 2005, the Group has sourced some of its silk fabric from Zhejiang Huayue.

As Zhejiang Huayue started its business with the assets acquired from Haiyan Feilong and that the Group has 55% equity interest in Zhejiang Huayue, the Directors expect Zhejiang Huayue to continue to be one of the preferred suppliers of silk fabric in replacement of Haiyan Feilong, satisfying the quality requirements of the Group.

In light of the above, the Directors estimate that the amount of silk fabric the Group will purchase from Zhejiang Huayue will be substantially the same as the amount the Group purchased from Haiyan Feilong, with such increase as may be required by the expansion of the business of the Group.

Due to the fact that Zhejiang Huayue can provide to the Group with quality silk fabric at very competitive prices and the further expansion of the business of the Group, the Group made a total purchase of RMB28.4 million (equivalent to approximately HK$27.3 million) from Zhejiang Huayue during the two-month period ended 30 September 2005.

A supply contract dated 1 November 2005 was entered into between Zhejiang Huayue and members of the Group for a period from 1 October 2005 to 31 December 2007, whereby Zhejiang Huayue has undertaken to supply to members of the Group the required silk fabric at such prices which are not higher than the prices offered to independent third parties after taking into consideration the prevailing market rates for providing similar products from time to time.

Taking into consideration all the relevant factors, the Directors estimate that the amount of silk fabric which will be purchased from Zhejiang Huayue will reach approximately RMB64.4 million (equivalent to approximately HK$61.9 million), RMB93.6 million (equivalent to approximately HK$90.0 million) and RMB107.7 million (equivalent to approximately HK$103.6 million) for each of the three years ending 31

December 2007 respectively. These estimates are based on the bases of the historical turnover for the past years, the expected growth in the production and sales of the Group and the expected increase in the production capacity of the Group. These estimates will constitute the annual caps for this transaction for the three years ending 31 December 2007. The annual cap for the year ending 31 December 2005 is based on the actual amount purchased by the Group from Zhejiang Huayue during the period from 1 July 2005 to 31 August 2005 and the confirmed orders received by the Group for the remaining months in 2005. For the three years ended 31 December 2004, the Group recorded a compound annual growth rate of approximately 40.3%. As silk fabric is a recurring item for the Group's business, the Directors consider that it is reasonable to estimate the future purchase amount of silk fabric based on the Group's growth prospect. For the sake of prudence, an annual growth rate of approximately 15% in the purchase amount is used in determining the annual caps for this transaction for the two years ending 31 December 2007.

Implications under the Listing Rules

The annual amount payable for the purchase of silk fabric from Zhejiang Huayue will exceed HK$10 million and be more than 2.5% but less than 25% of the percentage ratios (other than the profits ratio and the equity capital ratio). Hence, pursuant to rule 14A.35 of the Listing Rules, the above supply contract will be subject to the reporting, announcement and independent shareholders' approval requirements applicable to non-exempt continuing connected transactions under rules 14A.45 to 14A.54 of the Listing Rules. The Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under the Listing Rules, particulars of which are set forth under "Waiver from the Stock Exchange" below.

WAIVER FROM THE STOCK EXCHANGE

Upon the Listing, each of the above transactions will constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

As the non-exempt continuing connected transactions described above are and will be entered into in the ordinary course of business, the Directors consider that compliance with the announcement and/or independent shareholders' approval requirements would be impracticable and unduly burdensome, which may also involve unnecessary administrative costs without providing coherent and systematic information to the Shareholders.

In this regard, pursuant to rule 14A.42(3) of the Listing Rules, the Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the announcement requirements under rule 14A.35(3) of the Listing Rules and/or independent shareholders' approval requirements under rule 14A.35(4) of the Listing Rules that would have been otherwise applicable to the non-exempt continuing connected transactions described above, subject to the aggregate value of each of the non-exempt continuing connected transactions for each financial year not exceeding the relevant annual cap set forth below:—

Non-exempt continuing connected transactions	Annual caps for the year ending 31 December		
	2005	**2006**	**2007**
	(HK$ million)	*(HK$ million)*	*(HK$ million)*
Lease of the factory building, office tower, office premises and staff quarters by Zhejiang Huading Group	3.4[1]	13.4	13.4
Lease of factory building and staff quarters by Yuhang Huaming	0.4[1]	1.4	1.4
Purchase of silk fabric from Hangzhou Fuze	5.0	5.8	6.6
Purchase of velour from Hangzhou Huaze	6.4	7.4	8.5
Purchase of plastic bags and hangers from Huasheng Accessories	9.1	10.6	12.1
Purchase of silk fabric from Zhejiang Huayue	61.9[2]	90.0[3]	103.6

Notes:

1. This annual cap is based on the aggregate rental for the period from 1 October 2005 to 31 December 2005.

2. This annual cap is based on the estimated amount of purchase for the period from 1 July 2005 to 31 December 2005.

3. This annual cap is based on the aggregate amount of purchase from Haiyan Feilong for the period from 1 January 2005 to 30 June 2005 and purchase from Zhejiang Huayue for the period from 1 July 2005 to 31 December 2005, which amounted to HK$78.3 million, plus approximately 15% annual growth.

The Company has complied with the requirements set forth in rule 14A.42(3) of the Listing Rules and, pursuant to rule 14A.42(3) of the Listing Rules, the Company will comply with the requirements specified under rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors, including the independent non-executive Directors, are of the opinion that all transactions described above have been conducted, and will be carried out, in the ordinary course of business of the Group and on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Shareholders as a whole.

CONFIRMATION FROM THE SPONSOR

The Sponsor has reviewed the relevant documentation, information and historical data provided by the Company and has participated in the due diligence and discussions among the Company and its advisers (including legal advisers, reporting accountants and independent property valuer), and has also considered representations and confirmations from the Company and the Directors, to satisfy itself of the reliability of the information provided in relation to the non-exempt continuing connected transactions described in this prospectus. Based on the above, the Sponsor is of the view that: (i) the non-exempt continuing connected transactions for which waivers are sought have been entered into in the ordinary and usual course of business of the Company on normal commercial terms which are no less favourable than those available from/to Independent Third Parties and are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) that the proposed annual caps for the non-exempt continuing connected transactions are reasonable.

EXECUTIVE DIRECTORS

Mr. TING Man Yi, aged 49, is the Chairman of the Group and an executive Director. Mr. TING started the business of the Group in December 1992 with the establishment of Concept Creator. Mr. TING has considerable experience in silk fabric trading business and silk garment manufacturing business. Before establishing the business of the Group, Mr. TING worked for Hangzhou Silk Industrial Company* (杭州市絲綢工業公司) during the period between 1981 and 1986. Mr. TING is currently responsible for overall strategic planning of the Group, overseeing the manufacturing business of the Group in Hangzhou and the planning and implementation of major new investments and projects of the Group. Mr. TING is the elder brother of Mr. TING Hung Yi and Mr. DING Jianer and the younger brother of Ms. DING Yinger.

Mr. TING Hung Yi, aged 45, is an executive Director and Chief Executive Officer of the Group. Mr. TING joined the Group in May 2002 and has since then been principally responsible for the strategic development of the Group's OEM and retail business. Prior to joining the Group, Mr. TING was the general manager of a trading company in Hong Kong between 1991 and 2002. Mr. TING graduated from Zhejiang Sci-Tech University (浙江理工大學), formerly known as Zhejiang Institute of Silk Textiles* (浙江絲綢工學院), in 1987 and had over 16 years of experience in the operation of garment exporting business. Mr. TING is the younger brother of Mr. TING Man Yi, Mr. DING Jianer and Ms. DING Yinger. Mr. TING is also the brother-in-law of Mr. CHEN Jun.

Mr. DING Jianer, aged 46, is an executive Director. Mr. DING joined the Group in October 1996 when he was first involved in the management and business operation of Shenzhen Fuhowe. Mr. DING has considerable experience in the silk garment manufacturing business, with focus on different areas ranging from the operations of weaving plants, sales and marketing to printing and dyeing. Mr. DING is responsible for overseeing the manufacturing business of the Group in Shenzhen. Mr. DING is the younger brother of Mr. TING Man Yi and Ms. DING Yinger and the elder brother of Mr. TING Hung Yi.

Mr. WONG Sin Yung, aged 50, is an executive Director and the company secretary of the Company. Mr. WONG joined the Group in January 2004 and is responsible for the financial, accounting and company secretarial matters of the Group. Mr. WONG is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. WONG obtained a Master's Degree in Business Administration from the University of Hong Kong in 1999 and a Master of Arts Degree in Human Resource Management from Macquarie University, Australia in 1996. Mr. WONG has over 25 years of working experience in a number of areas including corporate financial management, accounting, auditing, corporate administration, project consulting and civil aviation finance. Mr. WONG has no family relationship with any of the other Directors and senior management staff of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. CHENG Chi Pang, aged 48, was appointed independent non-executive Director in November 2005. Dr. CHENG obtained a Bachelor's Degree in Business in 1992, a Master's Degree in Business Administration in 1998 and an Honorary Doctorate Degree of Philosophy in Business Management in 2003. Dr. CHENG is an associate member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. CHENG is a Certified Public Accountant practising in Hong Kong and has over 25 years of experience in accounting and business advisory as well as financial management. Dr. CHENG joined the New World Group in 1992 and was chief executive and group financial controller of NWS Holdings Limited ("NWSH"), the shares of which are listed on the Main Board of the Stock Exchange. He is now an adviser to NWSH and the chairman of the Supervisory Board of The Macao Water Supply Company Limited. Prior to joining the New World Group, he was a senior manager of an international accounting firm. Dr. CHENG is currently a non-executive director of Wai Kee Holdings Limited and Build King Holdings Limited both of whose shares are listed on the Stock Exchange.

Mr. WONG Chi Keung, aged 50, was appointed independent non-executive Director in November 2005. Mr. WONG obtained a Master's Degree in Business Administration from the University of Adelaide in Australia in 1986. Mr. WONG is a fellow of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia. Mr. WONG is also an associate of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. WONG is also a responsible officer licensed to advise on securities and corporate finance activities for Legend Capital Partners, Inc. under the SFO. Mr. WONG was an executive director of Guangzhou Investment Company Limited, a company listed on the Stock Exchange between 1992 and 2004 during which he held various posts at the company including its deputy general manager, group financial controller and company secretary. Mr. WONG is an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Special Steel Holdings Company Limited, China Treasure (Greater China) Investments Limited, FU JI Food and Catering Services Holdings Limited, Great Wall Automobile Holding Company Limited, International Entertainment Corporation, PacMOS Technology Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of which are listed on the Stock Exchange. Mr. WONG has over 26 years of experience in finance, accounting and management.

Mr. LEUNG Man Kit, aged 52, was appointed independent non-executive Director in November 2005. Mr. LEUNG obtained a Bachelor's Degree in Social Science from the University of Hong Kong in 1977. Mr. LEUNG has over 20 years of experience in project finance and corporate finance. Mr. LEUNG held senior positions with Peregrine Capital (China) Limited, Crosby Securities (HK) Limited and Swiss Bank Corporation, Hong Kong Branch. Mr. LEUNG was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P. Mr. LEUNG is an independent non-executive director and audit committee member of NetEase, a NASDAQ listed company. Mr. LEUNG is also an independent non-executive director and audit committee member of Junefield Department Store Group Limited and Anhui Expressway Company Limited. Both of them are listed on the Stock Exchange.

CORPORATE MANAGEMENT TEAM

Export and OEM business

Mr. CHEUNG Ting Yin Peter, aged 42, is a vice president of the Group and the managing director of Concept Creator Fashion. Mr. CHEUNG joined the Group in January 2000. Mr. CHEUNG is experienced in the garment and textile industry and oversees the Group's sales and marketing team. Mr. CHEUNG obtained a Bachelor of Arts (*cum laude*)

Degree from the University of Washington in 1987, and a Master's Degree in Business Administration from Simon Fraser University in 1990. Mr. CHEUNG was made a member of the Golden Key National Honor Society and Phi Beta Kappa in 1986 and 1988 respectively.

Ms. LI Yuet Mui, Xera, aged 46, is a vice president of the Group and the managing director of China Ting Garment. Ms. LI joined China Ting Garment in May 2002 and is responsible for the strategic development of the company, focusing on its sales, marketing and overall management. Ms. LI has over 22 years of experience in the garment industry. Prior to joining the Group, Ms. LI worked at a number of established companies in the garment industry.

Ms. LO Man Yi, aged 48, is the managing director of China Ting Textile & Knitwear and is responsible for its overall management and merchandising operation, as well as the coordination and operation of the Group's design and development division. Ms. LO is a director of China Ting Garment where she is responsible for business development. Ms. LO is also an executive vice president of China Ting (USA), where she is responsible for overseeing the administration and operation and implementation of the marketing strategy of its apparel and home textile business. Ms. LO joined the Group in August 2004. Ms. LO obtained a Higher Diploma in Fashion and Clothing Technology from Hong Kong Polytechnic University in 1981. Ms. LO has over 20 years of merchandising experience in the garment industry.

Mr. PAU Wai Keung, Simon, aged 46, is the managing director of Skylite Fashion. Mr. PAU joined the Group in June 2002 and has since been responsible for the sales, marketing and overall management of Skylite Fashion. Mr. PAU started working in the garment industry in 1977 and has gained over 20 years of experience in the garment exporting business. Prior to joining the Group, Mr. PAU had gained substantial experience in sales, marketing and management from a number of established garment trading companies and buying offices in Hong Kong.

Mr. LEUNG Che Hung, aged 40, is a director of Hangzhou China Ting Fashion and the general manager of its Shanghai office. Mr. LEUNG joined the Group in May 2000, and has since then been responsible for the sales, marketing and overall management of the office. Mr. LEUNG has considerable experience in the garment and textile industry.

Ms. NG Sharon Angela, aged 57, is a director of Concept Creator with the responsibility for the Group's overall European operations and development. Ms. NG has over 20 years of experience in the textile and service sectors, specialising in market development, sales and corporate management, during which she had gained over 14 years of experience in the fashion industry. Ms. NG joined the Group in June 2002.

Mr. Paul Alan COHEN, aged 59, is a senior vice president for business development of China Ting (USA). Mr. COHEN is experienced in the garment trading industry. Mr. COHEN joined the Group in May 2002 and has since then been responsible for the day-to-day operations of China Ting (USA).

Weaving and apparel production management

Mr. YE Ai Min, aged 45, is a vice president of the Group and the managing director of Hangzhou China Ting Fashion and is responsible for overseeing the Group's production management. Mr. YE joined the Group in August 1993 and has taken up various positions including being the general manager of Shenzhen Fuhowe and Hangzhou China Ting Fashion, respectively, and is experienced in apparel production management and product quality control. Mr. YE graduated from Zhejiang Medical University* (浙江醫科大學) in 1983 with a Bachelor's Degree in medicine. Mr. YE has more than ten years of experience in the management of garment manufacturing enterprises.

Mr. FU Xiao Bo, aged 43, is a vice president of the Group overseeing its export business in Shanghai and Hangzhou. Mr. FU joined the Group in May 1997 and has taken up various responsibilities including product development and the post of the general manager of the Group's representative office in Shanghai. Mr. FU has considerable experience in business development, client management, fabrication and production techniques. Mr. FU graduated from Zhejiang Sci-Tech University (浙江理工大學), formerly known as Zhejiang Institute of Silk Textiles* (浙江絲綢工學院), in 1984 with a Bachelor's Degree.

Ms. JIN Xiao Ying, aged 50, is a vice president of the Group and the managing director of Zhejiang Huali, being in charge of the Group's product quality control operations. Ms. JIN joined the Group in May 1999, and has been the general manager of Zhejiang Huali. Ms. JIN has considerable experience in the management of apparel manufacturing, production management and product quality control. Ms. JIN completed her tertiary education in 1988.

Mr. CHENG Si Min, aged 53, is a vice president of the Group and the general manager of Jincheng Silk, overseeing its weaving operation, new fabric product development and technique development. Mr. CHENG joined the Group in October 2003. Mr. CHENG has substantial experience in managing silk weaving, printing and dyeing enterprises. Mr. CHENG has taken up various management positions and is experienced in the management of woven fabric development, weaving enterprises, formulation of production techniques and product quality control. Mr. CHENG was the managing director and general manager of Hangzhou Jincheng. Mr. CHENG graduated from the the Department of Electrical and Mechanical Engineering of Zhejiang University (浙江大學) in 1980, specialising in automation of industrial electrical equipment.

Retail and brand management

Mr. LIU Gang, aged 44, is the managing director of China Ting Brand Management and the director for art and design of the Group. Mr. LIU joined the Group in August 1998. Mr. LIU is responsible for the design, promotion and management of the Group's various in-house brand names. Since joining the Group, Mr. LIU has assisted the Group in introducing the *FINITY, Dbni, ÉLANIE, MAX STUDIO* and *RIVERSTONE* brands to the PRC market. Mr. LIU graduated from Zhejiang Sci-Tech University (浙江理工大學), formerly known as Zhejiang Institute of Silk Textiles* (浙江絲綢工學院), in 1987.

Mr. CHEN Jun, aged 44, is the general manager of Finity International, in charge of the manufacturing, sales, promotion and marketing of the Group's branded apparel retail business in the PRC. Mr. CHEN joined the Group in February 1999 and has been the general manager of Finity International and Diny (Hangzhou) since December 2001. Mr. CHEN has been involved in the market promotion and development for sale of branded apparel in the PRC, and has gained substantial work experience. Mr. CHEN graduated from Zhejiang Radio and Television University (浙江廣播電視大學) in 1983. Mr. CHEN is the brother-in-law of Mr. TING Hung Yi, an executive Director.

Mr. HE Yi Min, aged 38, is the general manager of Finity (Shenzhen). Mr. HE joined the Group in April 1998 and has been the general manager of Finity Shenzhen since March 2003. Mr. HE is currently in charge of the retail operations of the *ÉLANIE* brand. Mr. HE has over seven years of experience in garment manufacturing and retail sales of fashion. Mr. HE obtained a Bachelor's Degree in education from Zhejiang Normal University (浙江師範大學) in 1990.

Accounting, finance and administration

Mr. FANG Long, aged 50, is a vice president of the Group, being responsible for the Group's administration and public relations. Mr. FANG joined the Group in August 2000 and had been the deputy general manager of Finity Shenzhen until March 2003. Mr. FANG is currently in charge of administration and corporate management of the China Ting Industrial Complex of the Group, as well as the management of the offices, production facilities and properties within the China Ting Industrial Complex. Mr. FANG completed undergraduate studies at Jiangxi University (江西大學) in 1989.

Mr. MAO Jian Hua, aged 51, is the Financial Controller and Chief Accountant of the Group. Mr. MAO joined the Group in December 2003 and is responsible for the overall accounting and budgetary control for the Group's OEM production in the PRC. Mr. MAO is a holder of the Certificate of Certified Public Valuer of the PRC* (中華人民共和國註冊資產評估師證書) as well as a member of the Chinese Institute of Certified Public Accountants* (中國註冊會計師協會). Mr. MAO is experienced in financial management and accounting. Mr. MAO has over 16 years of work experience in financial management and accounting.

Ms. DING Yinger, aged 56, is the General Manager (Finance) of the Group in the PRC. Ms. DING joined the Group in March 2002 and is responsible for the management of funds for the Group and the financial management and control of the Group's retail business in the PRC. Ms. DING has considerable experience in financial management. Ms. DING is the elder sister of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer.

Mr. NG Cheuk Him, aged 30, is the senior finance manager of the Group. Prior to joining the Group in August 2005, Mr. NG worked as a finance manager of a confectionery manufacturer in the PRC. Mr. NG had worked as an audit manager at an international accounting firm in Beijing. Mr. NG is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. NG obtained a Bachelor's Degree in Accountancy from the Hong Kong Polytechnic University in 1997.

Mr. CHENG Ho Lung, Raymond, aged 28, is the accounting manager of the Group and the qualified accountant of the Group. Mr. CHENG joined the Group in May 2005. Mr. CHENG graduated with a Bachelor's Degree in Business Administration (Accounting) from the Hong Kong University of Science and Technology in 1999. Mr. CHENG is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Prior to joining the Group, Mr. CHENG worked for an international accounting firm in Hong Kong as an audit manager.

* *For identification purposes only*

COMPANY SECRETARY

Mr. WONG Sin Yung, aged 50, is an executive Director, the company secretary and one of the authorised representatives of the Company. His biography is set out in the paragraph headed "Executive Directors" in this section of this prospectus.

STAFF

As at 30 September 2005, the Group had a total of 11,315 full-time employees (including 11,233 employees in the PRC and the remaining 82 located overseas, such as Hong Kong and the U.S.). The Group's senior management team comprises of 23 members which oversees the Group's various operations. The following table shows a breakdown of employees of the Group by functions, exclusive of the Group's senior management team.

Departments	OEM	Retail	Weaving and Others	Total
Production	7,595	717	816	9,128
Sample maker	400	122	8	530
Sales and Marketing	203	649	27	879
Administration and Human Resources	187	111	13	311
Accounting and Finance	29	14	9	52
Others	341	34	40	415
Total	8,755	1,647	913	11,315

THE GROUP'S RELATIONSHIP WITH STAFF

The Group recognises the importance of good relationships with its employees. The remuneration payable to employees includes salaries, other allowances and bonuses. The Group also provides training to its staff to enhance technical and product knowledge as well as knowledge of industry quality standards.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has a good working relationship with its employees.

SHARE OPTION SCHEME

The Company has conditionally adopted, conditional upon the Listing, the Share Option Scheme for the benefit of its employees in Hong Kong and, to the extent permissible under the relevant laws and regulations, in such other places that it has business presence. As at the Latest Practicable Date, no option was granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Pre-IPO Share Option Deed and Share Option Scheme" in Appendix VI to this prospectus.

PRE-IPO SHARE OPTION DEED

The Company has entered into the Pre-IPO Share Option Deed, the principal terms of the Pre-IPO Share Option Deed are summarised in the section headed "Pre-IPO Share Option Deed and Share Option Scheme" in Appendix VI to this prospectus.

BENEFITS

The Group has participated in a mandatory provident fund scheme ("MPF") for its staff based in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group contributes 5% of its employees' relevant income per month as required by the Mandatory Provident Fund Schemes Ordinance subject to a maximum of HK$1,000 per employee.

The pension costs of the Group in relation to MPF for each of the three financial years ended 31 December 2004 and the five months ended 31 May 2005 amounted to HK$0.4 million, HK$0.7 million, HK$0.8 million and HK$0.4 million respectively.

The Group has made contributions to pension funds, medical insurance, work-related injury insurance and unemployment insurance (collectively, "Social Insurance Funds"), and housing funds for its employees in compliance with local policies and regulations in the PRC. Each member of the Group established in the PRC has obtained confirmations from the relevant competent local labour bureaus and housing funds authorities, which are delegated to implement the relevant national and local labour laws and regulations, that it had made the requisite social insurance funds and housing funds contributions, which are in compliance with the requirements of both the national and the local laws and regulations. The PRC legal advisers to the Group have confirmed that the confirmations issued by the above authorities are appropriate and in full compliance with the applicable national and local laws and regulations. For further details about the relevant local labour bureaus and housing funds authorities, please refer to the sub-section headed "Welfare contribution" in the section headed "Business" of this prospectus.

The Group has employed one full-time staff in France and three full-time staff in the United States. The Group has contributed medical insurance for the staff employed in the United States, the amount of which is based on the annual income level of the relevant staff, and has contributed social security, health and retirement insurance for its staff in France, the total amount of which is also based on the annual income level of the relevant staff.

Social insurance

As at Latest Practicable Date, the Group had made contributions to the Social Insurance Funds for its employees in compliance with local policies and regulations.

Housing fund

As at Latest Practicable Date, the Group had made contributions to housing funds for its employees in compliance with local policies and regulations.

The Company's legal advisers as to the PRC law confirmed that the Group has made contributions to social insurance fund and housing fund in compliance with the local and national laws and regulations.

CORPORATE GOVERNANCE

Further information about the Company's corporate governance and management committees is set out in the section headed "Corporate Governance" of this prospectus.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

In each of the three financial years ended 31 December 2004 and the five months ended 31 May 2005, the total remuneration (comprising fees, salaries and allowances, discretionary bonuses and pension scheme contributions) and benefits in kind of the Directors was HK$2.7 million, HK$3.5 million, HK$4.1 million and HK$1.6 million respectively and the total remuneration of the senior management was approximately HK$4.3 million, HK$6.0 million, HK$8.0 million and HK$3.9 million respectively. The aggregate remuneration and benefits in kind payable to the Directors for the year ending 31 December 2005 is estimated to be approximately HK$4.6 million.

Further information about the service contracts entered into between the Company and the Directors is set out in the section headed "Further information about Directors, senior management and staff — Particulars of service agreements" in Appendix VI to this prospectus.

STAFF COSTS

As stated in the accountants' report set out in Appendix I to the prospectus, the staff costs of the Group (excluding Directors' and senior management's emoluments, which are set out in the paragraph headed "Directors' and Senior Management's Remuneration" above) in each of the three financial years ended 31 December 2004 and the five months ended 31 May 2005 were HK$79.3 million, HK$125.2 million, HK$173.4 million and HK$86.2 million respectively.

COMPLIANCE ADVISER

The Company is expected to appoint Kingsway Capital Limited, as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(3) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the Listing Date and ends on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

In accordance with the requirements of the Listing Rules, the Company has established the Audit Committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules and appointed a qualified accountant to oversee the financial reporting procedures and internal controls of the Group so as to ensure compliance with the Listing Rules.

To further enhance the Group's corporate governance and its transparency, the Company has also established the Nomination Committee and the Remuneration Committee. The Group has also implemented a compliance manual which covers areas such as ongoing compliance obligations of the Company and the Directors, business operations of the Group, financial management systems, human resources management systems, internal control systems, quality assurance and property management systems.

Audit Committee

The Company established the Audit Committee on 18 November 2005 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include the review and supervision of the financial reporting processes and internal control systems of the Group. The Audit Committee shall comprise at least three members with the majority being the independent non-executive Directors. Currently Dr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit, all being independent non-executive Directors, are members of the Audit Committee with Dr. CHENG Chi Pang being the chairman.

Nomination Committee

The Company established the Nomination Committee on 18 November 2005 with written terms of reference. The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee has three members comprising Mr. TING Hung Yi, Dr. CHENG Chi Pang and Mr. LEUNG Man Kit, two of whom are independent non-executive Directors. The chairman of the Nomination Committee is Mr. TING Hung Yi.

Remuneration Committee

The Company established the Remuneration Committee on 18 November 2005 with written terms of reference. The primary duties of the Remuneration Committee include reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The Remuneration Committee has three members comprising Mr. TING Hung Yi, Dr. CHENG Chi Pang and Mr. WONG Chi Keung, two of whom are independent non-executive Directors. The chairman of the Remuneration Committee is Mr. TING Hung Yi.

SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

Number of Shares comprised in the authorised share capital:

(Shares)		*(HK$)*
10,000,000,000	Shares	1,000,000,000

Assuming that the Over-allotment Option is not exercised (without taking into account any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), the Company's share capital immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid:

(Shares)		*HK$*
100,000,000	Shares in issue at the date of this prospectus	10,000,000
1,390,000,000	Shares to be issued pursuant to the Capitalisation Issue	139,000,000
500,000,000	Shares to be issued under the Global Offering	50,000,000
1,990,000,000	**Total**	199,000,000

Assuming that the Over-allotment Option is exercised in full (without taking into account any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), the Company's share capital immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid:

(Shares)		*HK$*
100,000,000	Shares in issue at the date of this prospectus	10,000,000
1,390,000,000	Shares to be issued pursuant to the Capitalisation Issue	139,000,000
575,000,000	Shares to be issued under the Global Offering	57,500,000
2,065,000,000	**Total**	206,500,000

Ranking

The Offer Shares will rank pari passu in all respects with all other Shares in issue as mentioned in this prospectus, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus, save for entitlement under the Capitalisation Issue.

Pre-IPO Share Option Deed and Share Option Scheme

The Company has entered into the Pre-IPO Share Option Deed with Ms. LI, Yuet Mui, Xera ("Ms. LI") on 18 November 2005 under which Ms. LI has been conditionally granted the option prior to the Listing Date to subscribe for up to 10,000,000 Shares. The principal terms of the Pre-IPO Share Option Deed are set forth under "Pre-IPO Share Option Deed and Share Option Scheme" in Appendix VI to this prospectus.

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set forth under "Pre-IPO Share Option Deed and Share Option Scheme" in Appendix VI to this prospectus.

ISSUING MANDATE

The Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the total nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue, excluding Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option; and

- the total amount of the share capital of the Company repurchased by the Company (if any) pursuant to the Repurchase Mandate (as defined below).

The Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire:

- on the conclusion of the Company's next annual general meeting; or

- upon the expiration of the period within which the Company is required by law or its Articles to hold its next annual general meeting; or

- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further information on the Issuing Mandate is set out under "Further information about the Company — Written resolutions of the sole Shareholder passed on 1 November 2005 and 18 November 2005".

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue, excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option.

The Repurchase Mandate relates only to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant requirements under the Listing Rules is set forth under "Repurchase by the Company of its own securities" in Appendix VI to this prospectus.

The Repurchase Mandate will expire:

- on the conclusion of the Company's next annual general meeting; or
- upon the expiration of the period within which the Company is required by law or its Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further information on the Repurchase Mandate is set out under "Further information about the Company — Written resolutions of the sole Shareholder passed on 1 November 2005 and 18 November 2005" and "Further information about the Company — Repurchase by the Company of its own securities" in Appendix VI to this prospectus.

CONTROLLING SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be taken up under the Global Offering and the Shares which may fall to be issued upon the exercise of the Over-allotment Option and the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), the following persons are the Controlling Shareholders:

Names	Number of Shares directly held	Number of Shares indirectly held	Approximate percentage of the Shares in issue effectively held
Longerview *(Notes 1, 2 and 3)*	1,490,000,000		74.87
Mr. TING Man Yi *(Note 1)*		618,350,000	31.07
Firmsuccess *(Note 1)*		618,350,000	31.07
Mr. TING Hung Yi *(Note 2)*		603,450,000	30.32
In Holdings *(Note 2)*		603,450,000	30.32
Mr. DING Jianer *(Notes 3 and 4)*		268,200,000	13.48
Willport *(Notes 3 and 4)*		268,200,000	13.48

Notes:

1. Mr. TING Man Yi is an executive Director and holds the entire issued capital of Firmsuccess which in turn holds 41.5% of the issued share capital of Longerview. Hence, Longerview is an associate of Mr. TING Man Yi under the Listing Rules. Longerview holds 1,490,000,000 Shares, representing approximately 74.87% of the Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be taken up under the Global Offering and the Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme).

   Under the SFO, Mr. TING Man Yi is deemed to be interested in the 1,490,000,000 Shares held by Longerview. Mr. TING Man Yi is an elder brother of Mr. TING Hung Yi and Mr. DING Jianer, both of them being executive Directors.

2. Mr. TING Hung Yi is an executive Director and holds the entire issued share capital of In Holdings which in turn holds 40.5% of the issued share capital of Longerview. Hence, Longerview is an associate of Mr. TING Hung Yi under the Listing Rules. Longerview holds 1,490,000,000 Shares, representing approximately 74.87% of the Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares that may be taken up under the Global Offering and the Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option and the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme).

   Under the SFO, Mr. TING Hung Yi is deemed to be interested in the 1,490,000,000 Shares held by Longerview. Mr. TING Hung Yi is the younger brother of Mr. TING Man Yi and Mr. DING Jianer, both of them being executive Directors.

3. Mr. DING Jianer is an executive Director and holds the entire issued share capital of Willport which in turn holds 18.0% of the issued share capital of Longerview. As Willport is not holding more than 30% of the issued share capital of Longerview, Longerview is not an associate of Mr. DING Jianer under the Listing Rules. Nonetheless, because of the shareholders' agreement set forth in note (4) below and the fact that Mr. DING Jianer is an executive Director and a younger brother of Mr. TING Man Yi and an

elder brother of Mr. TING Hung Yi, Mr. DING Jianer, together with Willport, are considered to be part of the group of persons comprising the Controlling Shareholders. Under the SFO, Mr. DING Jianer is deemed to be interested in the 1,490,000,000 Shares held by Longerview.

4. Pursuant to a shareholders' agreement dated 18 November 2005 and entered into between the Controlling Shareholders, each of the Controlling Shareholders (other than Longerview) has agreed to enter into pre-emptive arrangements in respect of their shareholding in Longerview.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be taken up under the Global Offering or may fall to be issued upon the exercise of the Over-allotment Option and the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), save as the Controlling Shareholders, there are no other substantial shareholders of the Company.

UNDERTAKINGS GIVEN BY THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders has, jointly and severally, undertaken with the Stock Exchange and the Company that each of them shall not and shall procure that the relevant registered holder(s) shall not:

— in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "First Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and

— in the period of six-months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders cease to be controlling shareholders of the Company, i.e. they cease to control 30% or more of the voting right at general meetings of the Company.

Each of the Controlling Shareholders has, jointly and severally, undertaken with the Stock Exchange and the Company that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:

— when he or it pledges or charges any securities beneficially owned by him or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

— when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of matters referred in above by any of the Controlling Shareholders and disclose such matters by way of a press announcement which is to be published on newspapers or otherwise in full compliance with the requirements under the Listing Rules as soon as possible.

CONTROLLING SHAREHOLDERS

Mr. TING Man Yi, Mr. TING Hung Yi, Mr. DING Jianer, Firmsuccess, In Holdings, Willport and Longerview are the Controlling Shareholders.

Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, all executive Directors, through Firmsuccess, In Holdings and Willport, respectively, holds the entire issued share capital of Longerview which in turn holds, as at the date of this prospectus, 1,490,000,000 Shares, representing approximately 74.87% of the Shares in issue on the Listing Date assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme.

If the Over-allotment Option is exercised in full, the Controlling Shareholders will hold 1,490,000,000 Shares, representing approximately 72.15% of the Shares in issue following completion of the Global Offering and the Capitalisation Issue.

DEED OF NON-COMPETITION

The Controlling Shareholders have entered into a deed of non-competition in favour of the Company, pursuant to which each of the Controlling Shareholders has undertaken severally, not jointly and severally, to the Company (for itself and for the benefit of its subsidiaries) to procure that he/it shall not, and shall procure that his/its associates shall not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, be interested or engaged in or acquire or hold (in each case whether acting as an investor, a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business carried on by any member of the Group from time to time which include, but without limitation to, raw silk processing and weaving and the manufacturing, design, development, marketing, distribution and sale of men's and ladies' fashion and apparel items and home textile products (collectively, the "Restricted Business").

This non-competition undertaking does not apply to any of the Controlling Shareholders in respect of:

(a) holding or being interested in any shares or other securities in any company which conducts or is engaged in any Restricted Business, provided that in the case of such shares, they are listed on a recognised stock exchange and the total number of shares held by the Controlling Shareholders and their associates or in which they are together interested does not amount to more than 10% of the issued shares of that class of the company in question, and provided that the Controlling Shareholders and their respective associates, whether acting jointly or severally, are not entitled to appoint a majority of the members of the board of directors of the company and that at all times there is another holder of such shares holding (together, where appropriate, with its associates) more shares in the company than the Controlling Shareholders and their respective associates;

(b) engaging in or discharging any duty, service or act for, in the absolute opinion of all the independent non-executive Directors, the benefit of any member of the Group; or

(c) engaging or participating in any business which does not conflict with, in the absolute opinion of all the independent non-executive Directors, the interest of the Group.

In addition, each of the Controlling Shareholders and/or his or its associates shall not be restricted from holding or retaining any investment or business in competition, directly or indirectly, with the Restricted Business and undertakes the Restricted Business on the Listing Date, provided that such investment or business shall first have been offered to the Company for acquisition or participation at a fair market value to be determined by an independent valuer and have subsequently been declined by all the independent non-executive Directors and a reasonable time shall be offered to the independent non-executive Directors for considering such option.

In addition, if a new investment or business opportunity is offered by a third party to any of the Controlling Shareholders or his or its associates, the relevant Controlling Shareholders shall, and shall procure that his or its associates shall, forthwith notify the Company, and the Company shall then inform all the independent non-executive Directors, and propose that such investment or business opportunity is to be offered to the Company. The terms on which the investment or business offered to the Company shall not be less favourable than those offered to relevant covenantors and/or his/its associates.

For the purpose of facilitating the Company and/or the independent non-executive Directors to consider such offer, all the Controlling Shareholders undertake that they shall provide all such information as the Company and/or all the independent non-executive Directors shall require in relation to the relevant investment or business.

Each of the Controlling Shareholders also represented and warranted that, apart from the disclosure made in this section and the section headed "Connected transactions" in this prospectus, neither it/he nor any of its/his associates is currently engaging, directly or indirectly, in the Restricted Business other than through the Group.

As each of the Controlling Shareholders has given non-competition undertaking in favour of the Group and that none of the Controlling Shareholders has interests in other businesses that compete or are likely to compete with the business of the Group, the Directors (including all the independent non-executive Directors) are of the view that the Group is capable of carrying on its business independently of the Controlling Shareholders (including their respective associates) following the Listing.

HANGZHOU CHUANGXIN

Hangzhou Chuangxin is owned as to 80% by Zhejiang Huading Group and as to 20% by Ms. ZHANG Mao Mei who is the spouse of Mr. DING Xinger and the sister-in-law of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi. Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi are executive Directors. Hangzhou Chuangxin was engaged in the business of silk fabric weaving supplying most of its products for other members of the Group.

The production activities of Hangzhou Chuangxin were carried out at its factory building located at Gudun Road, Xihu District, Hangzhou City, Zhejiang Province, the PRC. Part of the factory building is leased to Hangzhou Fucheng, particulars of which are set forth in the section headed "Exempt continuing connected transactions" in this prospectus.

The production facilities of Hangzhou Chuangxin commenced their operation in 1993 and most of such facilities are not equipped with the latest production technology. In addition, the land and the related factory building currently owned and used by Hangzhou Chuangxin (and partly leased to Hangzhou Fucheng) are subject to a resumption notice issued by the relevant PRC government for re-development. The Directors confirm that discussions with the PRC government are taking place and it is less likely for the land and the related factory building to be resumed by the PRC government before the end of 2005.

Pursuant to an asset acquisition agreement dated 18 November 2005 and entered into between Hangzhou Fucheng and Hangzhou Chuangxin, all assets and liabilities (other than the land and the related factory building which are to be resumed by the PRC government and certain assets and liabilities to which the legal title cannot be passed) of Hangzhou Chuangxin were sold to Hangzhou Fucheng at a cash consideration of RMB0.5 million (equivalent to approximately HK$0.5 million) as part of the Reorganisation. The silk weaving business of Hangzhou Chuangxin has ceased, and the Directors confirm that the cessation of business of Hangzhou Chuangxin has not resulted in any material impact on the source of silk fabric as the Group may source the same from Independent Third Parties.

INDEBTEDNESS

Borrowings and bank facilities

As at 30 September 2005, the Group had outstanding borrowings of HK$188.4 million (including HK$77.6 million, HK$95.9 million and HK$14.9 million of Renminbi, U.S. dollars and HK dollar loans respectively), which comprise secured bank loans of HK$69.4 million, guaranteed bank loans of HK$107.5 million and unsecured bank loans of HK$11.5 million. Of this amount, HK$173.2 million was repayable within one year. Over the Track Record Period, the Group's short term debt repayable within one year increased from HK$86.9 million as at 31 December 2002, to HK$186.7 million as at 31 December 2003 and to HK$200.7 million as at 31 December 2004. However the Group's short term debt repayable decreased to HK$163.3 million as at 31 May 2005. Much of this debt was incurred to finance the Group's expansion and particularly the construction and ramping up of the China Ting Industrial Complex.

Collateral

As at 30 September 2005, the bank borrowings of the Group were secured by the following:

1. personal guarantee provided by Mr. TING Man Yi in respect of the banking facilities of Concept Creator Fashion;

2. joint guarantees provided by Mr. TING Hung Yi, Mr. TING Man Yi, Mr. DING Jianer, Concept Creator Fashion and Hong Kong Fuhowe in respect of the banking facilities of China Ting Garment;

3. joint guarantees provided by Mr. TING Hung Yi, Mr. TING Man Yi, Mr DING Jianer and China Ting Garment in respect of the banking facilities of Hong Kong Fuhowe;

4. joint guarantees provided by Mr. TING Hung Yi and Mr. TING Man Yi in respect of the banking facilities of China Ting Textile & Knitwear;

5. certain buildings, leasehold land and land use rights and certain bank deposits of the Group with an aggregate net book value of approximately HK$73.0 million; and

6. corporate guarantees provided by Zhejiang Huading Group.

The security provided by the Directors and Zhejiang Huading Group to secure the Group's bank borrowings will be released and replaced by the corporate guarantee to be provided by the Company upon Listing. The personal guarantees provided by the Directors and their associates will be released and replaced by the corporate guarantee to be provided by the Company upon Listing.

The relevant banks have agreed in principle that all the above guarantees will be released upon Listing subject to, amongst other things, the fulfilment of the following conditions:

1. the Shares being listed on the Stock Exchange on or before 31 March 2006;

2. the Company having executed a guarantee in favour of the relevant bank as replacement;

3. the relevant Group company being a wholly owned subsidiary of the Company; and

4. the relevant bank being satisfied with the financial position and credit record of the relevant Group company and the Company.

As at 30 September 2005, the Group had total banking facilities of approximately HK$281 million for loan financing, utilised banking facilities amounted to HK$188.4 million at that day.

The total debt to total assets ratio was 11.4%, 19.0%, 18.1% and 13.4% for the three years ended 31 December 2002, 2003 and 2004 and for the five months ended 31 May 2005.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2005.

Disclaimer

Save as disclosed above, as at the close of business on 30 September 2005, the Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities.

Foreign exchange

During the three years ended 31 December 2004 and the five months ended 31 May 2005, approximately 83.4%, 82.6%, 79.3% and 81.9% of the Group's sales were denominated in U.S. dollars. The remaining sales were denominated in Euros, Renminbi and Hong Kong dollars. The majority of the Group's cost of sales and capital expenditures were denominated in Renminbi, U.S. dollars and Hong Kong dollars. Accordingly, the Directors are of the view that, to a certain extent, the Group has been and will continue to be exposed to foreign currency exchange risk. However, the exchange rate of U.S. dollars and Renminbi has been relatively stable in recent years. Furthermore, the Group did not experience any material operating difficulties in or effects of liquidity during periods of the fluctuations in currency exchange rates in the past. As such, the Directors do not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems for the Group. Accordingly, the Group has not implemented any formal policies to tackle its foreign exchange exposure. During the Track Record Period, the Group did not enter into any arrangements to hedge its foreign exchange exposure.

No material changes

Save for as described in the paragraph headed "Indebtedness — Borrowings and bank facilities", the Directors have confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Group since 30 September 2005.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to a disclosure under rule 13.13 to rule 13.19 of the Listing Rules.

SELECTED COMBINED FINANCIAL AND OPERATING DATA

The Group's selected combined financial data set forth below has been extracted from the combined financial information of the Group as of 31 December 2002, 2003 and 2004 and 31 May 2005, and for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2004 and 2005, all of which is set forth in the Accountants' Report included as Appendix I to this prospectus (the "Financial Information"). As more fully described in Appendix I, the Financial Information was prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

Investors should read these selected combined financial data together with Appendix I to this prospectus and the discussion under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Selected Income Statements

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$000	*HK$000*	*HK$000*	*HK$000* *(unaudited)*	*HK$000*
Turnover *(Note)*	711,903	980,015	1,401,465	621,915	833,481
Cost of sales	(527,024)	(702,082)	(967,807)	(419,719)	(506,545)
Gross profit	184,879	277,933	433,658	202,196	326,936
Other revenue	744	902	6,505	1,595	652
Other gains, net	24,283	19,918	26,637	5,972	5,474
Selling, marketing and distribution costs	(60,448)	(80,600)	(108,716)	(38,796)	(41,072)
Administrative expenses	(51,243)	(107,018)	(114,930)	(43,485)	(47,038)
Operating profit	98,215	111,135	243,154	127,482	244,952
Finance costs	(1,142)	(6,974)	(10,191)	(4,380)	(3,264)
Share of profit of associates	3,317	3,669	10,391	4,013	5,803
Profit before income tax	100,390	107,830	243,354	127,115	247,491
Income tax expense	(6,050)	(12,799)	(30,186)	(15,194)	(36,151)
Profit for the year/period	94,340	95,031	213,168	111,921	211,340
Attributable to:					
Company's equity holders	87,033	85,272	192,803	100,833	198,563
Minority interests	7,307	9,759	20,365	11,088	12,777
	94,340	95,031	213,168	111,921	211,340
Dividend	—	—	—	—	15,150

Note: Turnover comprises the fair value for the sale of goods and services net of rebates, discounts, returns, value-added tax and after eliminated sales within the Group.

Selected Balance Sheets

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
ASSETS				
Non-current Assets				
Property, plant and equipment	182,418	304,244	274,714	288,156
Investment properties	3,120	3,040	4,310	4,670
Leasehold land and land use rights	16,258	23,487	43,622	46,253
Interest in associates	2,377	30,533	45,117	56,324
Intangible assets	—	—	29,655	29,768
Deferred tax assets	320	1,195	1,173	1,806
Total non-current assets	204,493	362,499	398,591	426,977
Current assets				
Inventories	83,491	139,692	187,665	173,161
Due from related companies	156,727	186,926	159,874	49,668
Due from associates	—	—	4,238	—
Due from directors	56,583	41,178	28,468	33,741
Trade and bills receivable	135,332	143,770	188,583	174,200
Other receivables, deposits and prepayments	71,610	83,150	52,620	40,610
Tax recoverable	730	1,924	1,332	2,671
Pledged bank deposits	—	1,744	17,850	10,480
Term deposits with initial term of over three months	—	—	1,692	940
Cash and cash equivalents	51,448	73,388	137,936	373,007
Total current assets	555,921	671,772	780,258	858,478
Total assets	760,414	1,034,271	1,178,849	1,285,455
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	3,028	3,028	3,038	3,038
Retained earnings	123,324	203,672	389,379	560,739
Other reserves	107,281	41,187	48,231	61,313
	233,633	247,887	440,648	625,090
Minority interests	11,124	88,834	95,515	98,973
Total equity	244,757	336,721	536,163	724,063

	At 31 December			At 31 May
	2002	2003	2004	2005
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
LIABILITIES				
Non-current liabilities				
Borrowings	—	9,425	13,231	9,311
Deferred tax liabilities	266	160	108	109
Total non-current liabilities	266	9,585	13,339	9,420
Current liabilities				
Trade and bills payable	169,035	215,639	176,164	221,629
Other payables and accruals	94,757	82,948	93,144	82,860
Borrowings	86,858	186,690	200,660	163,255
Due to related companies	—	30	—	711
Due to associates	—	2,489	—	2,173
Due to directors	159,492	187,367	142,321	41,740
Current tax payable	5,249	12,802	17,058	39,604
Total current liabilities	515,391	687,965	629,347	551,972
Total liabilities	515,657	697,550	642,686	561,392
Total equity and liabilities	760,414	1,034,271	1,178,849	1,285,455
Net current assets/(liabilities)	40,530	(16,193)	150,911	306,506
Total assets less current liabilities	245,023	346,306	549,502	733,483

	Year ended 31 December			Five months ended 31 May	
	2002	2003	2004	2004	2005
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* **(unaudited)**	*(HK$'000)*
Selected Cash Flow Statement data					
Net cash inflow from operating activities	89,747	77,361	128,462	122,206	321,086
Net cash outflow from investing activities	(151,847)	(167,445)	(81,144)	(37,176)	(14,973)
Net cash inflows/(outflows) from financing activities	62,072	113,044	17,786	15,161	(72,026)

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

Investors should read the following discussion and analysis in conjunction with the combined financial information of the Group as of 31 December 2002, 2003 and 2004 and 31 May 2005 and for the years ended 31 December 2002, 2003 and 2004, and the five months ended 31 May 2004 and 2005, all of which is set forth in the accountants' report included as Appendix I to this prospectus (the "Financial Information"). Except for the Financial Information, the remainder of the Group's financial information presented in this section has been extracted or derived from its unaudited management accounts or other records. Investors should read the whole of the accountants' report and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in "Risk Factors", "Business" and elsewhere in this prospectus.

OVERVIEW

The Group is a vertically integrated and large scale garment manufacturer, exporter and retailer based in China.

The Group's financial results over the Track Record Period have been most significantly impacted by the following factors:

Increased turnover over the Track Record Period, driven by increasing sales of OEM garments to large customers in the United States

The Group's sales increased rapidly over the Track Record Period, doubling from HK$711.9 million in the year ended 31 December 2002 to HK$1,401.5 million in the year ended 31 December 2004. This increase was largely a result of the Group's success in attracting larger orders from its existing large U.S. OEM customers and its expansion of capacity as a result of the successful construction and ramping up of the China Ting Industrial Complex. The Group's OEM sales to its U.S. customers have continued to constitute a substantial majority of its total turnover throughout the Track Record Period. In the three years ended 31 December 2004 and the five months ended 31 May 2005, the Group's OEM sales constituted 87.3%, 88.1%, 88.8% and 91.7% respectively of the Group's total sales during those periods.

A few, very large customers over the Track Record Period

The Group's key customer base for OEM sales was highly concentrated over the Track Record Period. The Group's OEM sales to its five largest customers constituted 61.9%, 57.4%, 49.1% and 63.1% respectively of its total sales in the three years ended 31 December 2004 and the five months ended 31 May 2005; the Group's OEM sales to its three largest customers constituted 40.3%, 43.6%, 30.0% and 46.7% respectively of its total sales in the three years ended 31 December 2004 and the five months ended 31 May 2005; and the Group's largest customer constituted 14.2%, 18.3%, 10.1% and 21.4% respectively of its total sales in the three years ended 31 December 2004 and the five months ended 31 May 2005. However, the Group's top customers often changed from period to period due to either reduced sales or increased sales by other customers. For example, the Group's top customer in terms of sales in 2002 reduced its purchases in 2003 and became the Group's fourth largest customer in that year, while the Group's top customer in terms of sales in 2003 reduced its purchases in 2004 and became the Group's third largest customer in that year.

The Group's higher margin retail business in the PRC continued to grow despite intense competition in the PRC market and restructuring

The Group's revenue from retail of fashion apparel in the PRC grew from HK$90.5 million in the year ended 31 December 2002 to HK$157.0 million in the year ended 31 December 2004. This increase reflected the growth and increasing diversity of the Group's retail network in the PRC. Over the Track Record Period the Group added a number of new retail stores and three new brands (*ÉLANIE*, and licensed brands *MAX STUDIO* and *SPRINGFIELD*) to its existing network of *FINITY* and *Dbni* (formerly under the brands, *diny* and *dbn!*) stores. However the Group's revenue from its retail business contributed 12.7%, 11.9%, 11.2% and 8.3% respectively of the Group's total turnover in the three years ended 31 December 2004 and the five months ended 31 May 2005. This decrease is mainly due to the fact that sales from the Group's OEM business grew more quickly than its retail sales. The Group's expansion of its retail sales during the Track Record Period was limited by intense competition in the PRC retail fashion market and also by the Group's own restructuring of its retail network in 2004. This restructuring aimed at increasing efficiency and centralising the Group's distribution network, and resulted in the Group closing a few stores in more secondary cities in the PRC that it considered to be underperforming.

Yet in spite of its relatively small impact to the Group's total sales, the Group's retail business maintained a significantly higher gross profit margin throughout the Track Record Period than did the Group's OEM business.

	Year ended 31 December						For the five months ended 31 May			
	2002		2003		2004		2004		2005	
	OEM	Retail	OEM	Retail	OEM	Retail	OEM	Retail	OEM	Retail
Turnover (HK$'000)	621,428	90,475	863,242	116,773	1,244,512	156,953	558,817	63,098	763,923	69,558
Gross Profit (HK$'000)	143,930	40,949	235,765	42,168	347,269	86,389	167,224	34,972	285,463	41,473
Segment Results (excluding unallocated gains)[1] (HK$'000)	45,495	28,437	65,720	25,497	175,065	41,452	100,508	21,002	225,194	14,284
Gross profit margins (%)	23.2	45.3	27.3	36.1	27.9	55.0	29.9	55.4	37.4	59.6
Operating Profit Margin (%) (excluding unallocated gains)[1]	7.3	31.4	7.6	21.8	14.1	26.4	18.0	33.3	29.5	20.5

Note 1: Total unallocated gains represent net other gains which set out in note 25 of the Accountant's report set forth in Appendix I to this prospectus.

Note 2: The decrease in gross profit margin of retail business in 2003 was mainly due to the outbreak of SARS.

The Group's results were affected by changes in fashion trends in the United States and to a lesser extent the PRC and Europe, particularly as these related to silk and silk-blended apparel

In the three years ended 31 December 2004 and the five months ended 31 May 2005, the Group earned 75.0%, 71.4%, 73.1% and 64.2% of its total sales from the OEM sale of silk and silk-blended apparel. 98.6%, 96.2% and 93.5% of these sales were made to OEM customers in the United States in the three years ended 31 December 2004. As a result, the Group's business has been particularly sensitive to changes in fashion trends, particularly with regards to women's silk apparel in the United States. One particular trend that had a substantial impact on the Group over the Track Record Period was the large popularity of the silk camisole (a short sleeveless garment for women) in the United States. The Directors believe that the popularity of this item among American women starting in the second half of 2004 directly led to a significant increase in sales to its U.S. OEM customers. Furthermore, the Directors believe that the increased popularity of silk camisoles and other such women's shirts allowed the Group's OEM gross profit margins to increase in 2005 and 2004. This is because silk camisoles and other such shirts use lower amounts of raw materials, which allows for higher profit margins.

Financial Presentation

The Group's combined statements of income, cash flow and equity included elsewhere in this prospectus and the related financial information included in this section present the results of operations of the companies now comprising the Group and its associates as if the current group structure had been in existence throughout the period from 1 January 2002 through 31 May 2005 or since their respective dates of incorporation/establishment or acquisition whichever is the shorter period.

The Group's combined balance sheets as at 31 December 2002, 2003 and 2004 and as at 31 May 2005 have been prepared to present the assets and liabilities of the Group as if the current group structure had been in existence as at those dates. All significant intra-group transactions and balances have been eliminated on combination.

Description of Certain Income Statement Items

Revenue

The Group generates revenue mainly from the production of mid to high-end fashion apparel, using predominantly silk or silk-blended fabrics, on an OEM basis for international fashion brands, chain retailers and department stores primarily in the United States and increasingly in Europe. The Group also generates revenue through the retailing of branded fashion apparel, primarily for women, in the PRC and through the production and sale of fabric to other clothing manufacturers on an OEM basis. For the Group's OEM and fabric sales businesses, its production capacity is the principal limitation on the number of sales it can make each year. For the Group's retail business, the number of stores is the principal limitation on the number of sales the Group can make each year.

The Group's OEM sales are recognised after the garments or fabric have been delivered to the customer, the customer has accepted the products and the likelihood of collecting the receivables seems reasonably assured to the Group. The Group's retail sales are recognised when the Group sells a product to the customer. Retail sales are made in cash, by credit card or otherwise collected by department stores on behalf of the Group. It is the Group's policy to sell its retail products to the end customers with a right of return.

The following table shows a breakdown of the Group's turnover by business segment and by geographical location for each of the three years ended 31 December 2002, 2003 and 2004 and for the five months ended 31 May 2004 and 2005:

	Year ended 31 December						Five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	(HK$'000)	%	*(HK$'000)*	%	*(HK$'000)*	%	*(HK$'000)*	%	*(HK$'000)*	%
OEM	621,428	87.3	863,242	88.1	1,244,512	88.8	558,817	89.9	763,923	91.7
Retail	90,475	12.7	116,773	11.9	156,953	11.2	63,098	10.1	69,558	8.3
Total Revenue	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

	Year ended 31 December						Five months ended 31 May			
	2002		**2003**		**2004**		**2004**		**2005**	
	(HK$'000)	%	*(HK$'000)*	%	*(HK$'000)*	%	*(HK$'000)*	%	*(HK$'000)*	%
U.S.	593,797	83.4	809,266	82.6	1,111,184	79.3	505,324	81.3	682,934	81.9
China (including Hong Kong)	104,088	14.6	125,973	12.9	190,682	13.6	70,330	11.3	84,404	10.1
EU	2,486	0.4	13,749	1.4	41,726	3.0	12,070	1.9	44,744	5.4
Others	11,532	1.6	31,027	3.1	57,873	4.1	34,191	5.5	21,399	2.6
Total Turnover	711,903	100.0	980,015	100.0	1,401,465	100.0	621,915	100.0	833,481	100.0

Cost of sales

During the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2004 and 2005, cost of sales has accounted for 74.0%, 71.6%, 69.1%, 67.5% and 60.8% of total revenue.

Taxation

In Hong Kong, the Group is subject to the statutory income tax rate, which were 16%, 17.5%, 17.5% and 17.5% for the three years ended 31 December 2004 and the five months ended 31 May 2005 respectively. In the PRC, the Group is subject to enterprise income tax at a rate of 33.0%, which comprises 30.0% attributable to national enterprise income tax and 3.0% attributable to local income tax. However, in accordance with relevant tax holidays, the Group's subsidiaries that were established in the PRC as wholly owned foreign enterprises or sino-foreign joint ventures are entitled to full exemption from enterprise income tax for the first two years and 50% reduction in national enterprise income tax for the next three years, commencing from the first profitable year. Accordingly, the Group's PRC subsidiaries are subject to enterprise income tax rates varying from 0.0% to 33.0%. The Group's aggregate effective tax rate for the three years ended 31 December 2004 and for the five months ended 31 May 2005 was 6.0%, 11.9%, 12.4% and 14.6% respectively.

Critical accounting policies and practices

The discussion and analysis of the Group's financial condition and results of operations is based on the combined financial statements of the Group. The Group's significant accounting policies are set forth in Note 3 to the Group's combined financial statements. The Group's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of its combined financial statements. The Group bases its estimates on historical experience, the experience of other companies in the industry and on various other assumptions that it believes to be reasonable, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities and the Group's financial results. The Group's management evaluates its estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions and conditions.

The selection of critical accounting policies, the judgment and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Group's combined financial statements.

RESULTS OF OPERATIONS

The following table shows the line items of the Group's income statement expressed as a percentage of turnover for the years ended 31 December 2002, 2003 and 2004 and for the five months ended 31 May 2004 and 2005:

	For the year ended 31 December			For the five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	%	%	%	%	%
Revenue	100.0	100.0	100.0	100.0	100.0
Cost of sales	(74.0)	(71.6)	(69.1)	(67.5)	(60.8)
Gross profit	26.0	28.4	30.9	32.5	39.2
Other revenues	0.1	0.1	0.5	0.3	0.1
Other gains	3.4	2.0	1.9	0.9	0.7
Selling, marketing and distribution expenses	(8.5)	(8.3)	(7.7)	(6.2)	(4.9)
Administrative expenses	(7.2)	(10.9)	(8.2)	(7.0)	(5.7)
Operating profit	13.8	11.3	17.4	20.5	29.4
Finance costs	(0.2)	(0.7)	(0.7)	(0.7)	(0.4)
Share of profit of associates	0.5	0.4	0.7	0.6	0.7
Profit before tax	14.1	11.0	17.4	20.4	29.7
Income tax expense	(0.8)	(1.3)	(2.2)	(2.4)	(4.3)
Profit for the year/period	13.3	9.7	15.2	18.0	25.4
Attributable to:					
Company's equity holders	12.3	8.7	13.7	16.2	23.8
Minority interests	1.0	1.0	1.5	1.8	1.6
	13.3	9.7	15.2	18.0	25.4

Five months ended 31 May 2005 compared to five months ended 31 May 2004

Revenue

From the five months ended 31 May 2004 to the five months ended 31 May 2005, the Group's total annual revenue increased by HK$211.6 million, or 34.0%, from HK$621.9 million to HK$833.5 million. This increase was driven by a HK$205.1 million, or 36.7%, increase in revenue from OEM sales of garments. The increase in revenue from OEM garment sales to third parties reflected a HK$177.6 million increase in OEM sales to customers in the United States, particularly to the Group's top three customers. One major factor in the Group's increased revenues was its increase in OEM sales of silk camisoles, which the Directors believe became increasingly popular in the United States and the EU starting in late 2004 and led to increased demand for those products from the Group's customers. However, the Group's overall sales of silk and silk-blended apparel and linen and linen-blended dropped from 68.5% and 20.6% of total OEM garment sales to third parties in the five months ended 31 May 2004 to 64.2% and 15.4% in the five months ended 31 May 2005, while its sales of other garments rose from 10.9% respectively of total sales in the five months ended 31 May 2004 to 20.4% respectively.

The Group's revenue from retail sales of branded fashion apparel grew by HK$6.5 million, or 10.2%, reflecting higher sales at the Group's existing retail stores in the PRC. However the growth in the Group's retail revenue was somewhat offset by the Group's closure of a few *FINITY* and *Dbni* (formerly under the brands, *diny* and *dbn!*) stores that the Group considered to be underperforming.

Cost of sales

The Group's cost of sales increased by HK$86.8 million, or 20.7%, from HK$419.7 million in the five months ended 31 May 2004 to HK$506.5 million in the five months ended 31 May 2005. This was primarily due to a HK$71.1 million, or 22.6% increase in the cost of raw material consumed. The Group's raw material costs consist mostly of silk and silk-blended fabric that the Group uses to manufacture its garments. The Group was able to keep the increase in its production cost lower than the increase in its sales because the Group's OEM sales volume in the first five months ended 31 May 2005 featured a larger proportion of camisoles and other light shirts. These products are moderately priced, but use lower amounts of fabric than other products (like jackets), and therefore have lower unit costs. This was the main reason why the Group's cost of sales as a percentage of total sales decreased from 67.5% in the five months ended 31 May 2004 to 60.8% in the five months ended 31 May 2005. The Group's cost of sales also reflected a HK$5.4 million, or 13.4% increase in direct labour costs. This increase was due to the fact that the Group hired more workers for the China Ting Industrial Complex. Additionally, the Group's manufacturing overhead costs increased by HK$10.3 million, or 15.8% due mainly to higher depreciation costs on its production facilities and better and benefits paid to workers.

Gross profit

As a result of the factors discussed above, the Group's gross profit increased by HK$124.7 million, or 61.7%, from HK$202.2 million in the five months ended 31 May 2004 to HK$326.9 million the five months ended 31 May 2005, and the Group's gross profit margin increased from 32.5% in the five months ended 31 May 2004 to 39.2% in the five months ended 31 May 2005.

Other revenue

The Group's other revenue mainly consists of interest revenue and rental income. The Group's other revenue decreased by HK$0.9 million, or 56.3%, from HK$1.6 million in the five months ended 31 May 2004 to HK$0.7 million in the five months ended 31 May 2005. This was mainly represented by a HK$0.9 million decrease in interest income.

Other gains, net

The Group's other gains, net decreased from HK$5.9 million in the five months ended 31 May 2004 to HK$5.5 million in the five months ended 31 May 2005. The decrease was mainly represented by a HK$2.2 million decrease in government subsidies and export tax, which was due to the fact that in 2005 the government paid the Group a subsidy after 31 May, later than it had in 2004.

Selling, marketing and distribution costs

The Group's selling, marketing and distribution costs mainly consist of its sales teams' wages and benefits, sales office setup and renovation, transportation expenses to deliver finished products to customers, quota expenses, sales office expenses and depreciation, product quality refunds, advertising, commissions to third party sales agents and various other costs associated with sales. The Group's selling, marketing and distribution costs increased by HK$2.3 million, or 5.9%, from HK$38.8 million in the five months ended 31 May 2004 to HK$41.1 million in the five months ended 31 May 2005. The increase was mainly due to increase in wages and salaries and office expenses, which was due to the fact that the Group hired more persons to supplement its OEM and wholesale and retail sales teams. The increase was partly offset by a decrease in commissions to third parties that had acted to sell the Group's products to a customer.

Administrative expenses

The Group's administrative expenses mainly consist of its administrative staff's wages and benefits, administrative fixed asset depreciation, administrative office setup and renovation, travel expenses, various other administrative expenses, bank expenses and charges for decreased value of the Group's inventory. The Group's administrative expenses increased by HK$3.5 million, or 8.0%, from HK$43.5 million in the five months ended 31 May 2004 to HK$47.0 million in the five months ended 31 May 2005. This increase was primarily due to a HK$1.5 million increase in charges for decreased value of the Group's inventory due to an increase in the Group's retail stores and inventory, leading to greater amounts of inventory written off.

Operating profit

As a result of the factors discussed above, the Group's profit from operating activities increased by HK$117.5 million, or 92.2%, from HK$127.5 million in the five months ended 31 May 2004 to HK$245.0 million in the five months ended 31 May 2005, and the Group's operating margin (profit from operations expressed as a percentage of total revenue) increased from 20.5% in the five months ended 31 May 2004 to 29.4% in the five months ended 31 May 2005.

Finance costs

The Group's finance costs consist primarily of interest expenses associated with the Group's loans. The Group's finance costs decreased by HK$1.1 million, or 25.0%, from HK$4.4 million in the five months ended 31 May 2004 to HK$3.3 million in the five months ended 31 May 2005. This reflected the fact that the Group had substantially increased its borrowings at the end of 2003 and early 2004 in connection with expenses associated with ramping up the China Ting Industrial Complex. However, the Group paid back a portion of this in the first half of 2005, leading to lower interest payments in that period.

Share of profit of associates

The Group's share of profit of associates reflects the Group's share of the results of the associates in which it holds equity, after accounting for income tax. The Group's share of profit of associates increased by HK$1.8 million, or 45.0%, from HK$4.0 million in the five months ended 31 May 2004 to HK$5.8 million in the five months ended 31 May 2005. This was due to an increase in the net profit of the Group's associates.

Profit before tax

As a result of the factors discussed above, the Group's profit before tax increased by HK$120.4 million, or 94.7%, from HK$127.1 million in the five months ended 31 May 2004 to HK$247.5 million in the five months ended 31 May 2005.

Income tax

The Group's income tax increased by HK$21.0 million, or 138.2%, from HK$15.2 million in the five months ended 31 May 2004 to HK$36.2 million in the five months ended 31 May 2005. The Group's income tax therefore grew at a substantially faster rate than its profit before tax, and its effective tax rate increased from 12.0% in the five months ended 31 May 2004 to 14.6% in the five months ended 31 May 2005. The increase in tax expense was primarily due to a HK$21.7 million, or 283.2% increase in the Group's Hong Kong profits tax. This rate of increase was substantially higher than the rate of increase in the Group's profit before tax, which was due to the fact that the profit before tax at the Group's Hong Kong subsidiaries (including mainly Concept Creator and China Ting Garment) increased at a substantially higher rate than did the Group's other subsidiaries as a result of the increase in sales. By contrast, the Group's PRC enterprise income tax increased by HK$0.6 million, or 9.4%, which was substantially lower than the increase in the Group's profit before tax. A number of the Group's subsidiaries had been eligible for a tax holiday scheme whereby the first two years after their first profitable year they are granted tax free status, and for the subsequent three years they are then taxed at 50% of the otherwise applicable tax rate. The increase in the Group's PRC enterprise income tax expenses reflected the fact that two of the

Group's PRC subsidiaries had their tax rates increased from zero to 50% of the otherwise applicable enterprise income tax rate for the first five months ended 31 May 2005. However the rate of increase of the Group's PRC enterprise income tax was much slower than the rate of increase of the Group's profit before tax because three of the Group's PRC subsidiaries did not achieve a profit in the first five months ended 31 May 2005. As a result of these factors, the Group's aggregate effective tax rate increased from 12.0% in the five months ended 31 May 2004 to 14.6% in the five months ended 31 May 2005.

Profit for the period

As a result of the factors discussed above, the Group's net profit increased by HK$99.4 million, or 88.8%, from HK$111.9 million in the five months ended 31 May 2004 to HK$211.3 million in the five months ended 31 May 2005, and the Group's net profit (before deducting minority interests) margin increased from 18.0% in the five months ended 31 May 2004 to 25.4% in the five months ended 31 May 2005.

Profit attributable to minority interests

Profit attributable to minority interests consists of profit due to minority interests. These minority interests only have an interest in the Group's PRC subsidiaries. Profit attributable to minority interests increased by HK$1.7 million, or 15.3%, from HK$11.1 million in the five months ended 31 May 2004 to HK$12.8 million in the five months ended 31 May 2005. This was primarily due to the increase in the net profit of the Group's PRC subsidiaries.

Profit attributable to equity holders

As a result of the factors discussed above, profit attributable to equity holders increased by HK$97.8 million, or 97.0%, from HK$100.8 million in the five months ended 31 May 2004 to HK$198.6 million in the five months ended 31 May 2005.

Year ended 31 December 2004 compared to year ended 31 December 2003

Revenue

From the year ended 31 December 2003 to the year ended 31 December 2004, the Group's total annual revenue increased by HK$421.5 million, or 43.0%, from HK$980.0 million to HK$1,401.5 million. This increase was mainly due to a HK$381.3 million, or 44.2% increase in revenue from OEM sales of garments, including a HK$301.9 million increase in sales to the United States. The Group's increase in OEM sales of garments mainly reflected large increases in sales to four of the Group's U.S. customers, partly offset by a substantial decrease in sales to a customer that had been the Group's top customer in terms of sales in 2003. Sales to the Group's top five OEM customers constituted 55.2% of total OEM sales and 49.1% of total sales respectively in the year ended 31 December 2004, down from 65.2% of total OEM sales and 57.4% of total sales respectively in the year ended 31 December 2003. The substantial majority of the Group's OEM sales continued to be of silk and silk-blended apparel, which constituted 73.1% of OEM sales in the year ended 31 December 2004, up from 71.4% of OEM sales in the year ended 31 December 2003. This reflected an increase in popularity of silk camisoles starting in the second half of 2004, which led to greater sales to the Group's OEM customers. However the Group also saw large increases in sales of other types of women's shirts and pants.

The Group's increase in sales in the year ended 31 December 2004 also reflected a HK$40.2 million, or 34.4%, increase in revenue from the retail sales of branded fashion apparel. This increase mainly reflected increased sales of HK$18.6 million and HK$8.6 million respectively from the Group's *MAX STUDIO* and *ÉLANIE* stores. These two brands were only introduced to the PRC by the Group in 2003, and the increased sales reflected the fact that in 2004 a number of new stores were opened. Additionally, the Group's *Dbni* (formerly under the brands, *diny* and *dbn!*) stores saw an increase of HK$9.1 million as a result of increased sales (and despite the closure of a number of *Dbni* stores in the second half of 2004). The increase in the Group's wholesale and retail sales of branded apparel was affected by the Group's closure of few stores, most of which were *Dbni* stores.

Cost of sales

The Group's cost of sales increased by HK$265.7 million, or 37.8%, from HK$702.1 million in the year ended 31 December 2003 to HK$967.8 million in the year ended 31 December 2004. This increase was mainly driven by the following increases: the Group's cost of raw material consumed increased by HK$226.4 million, or 44.1%. This was driven primarily by the Group's increased sales, which grew at approximately 43.0%. Additionally, the Group's weighted average purchase price of silk blended fabric (which is the main component of direct materials) in 2004 was higher than it had been in 2003. The Group's direct labour costs also increased by HK$26.1 million, or 45.3% from the year ended 31 December 2003 to the year ended 31 December 2004. This reflected the fact that in 2004 the Group hired more workers to work in the newly completed China Ting Industrial Complex. The Group's manufacturing overhead costs increased by HK$13.2 million, or 10.1% mostly reflecting substantially higher unit transportation expenses and increased depreciation associated with the Group's new facilities at its China Ting Industrial Complex. However, the above increase in production costs were outweighted by the increased popularity of silk camisoles and other such women's shirts which consumed lower amounts of raw materials, resulting the decrease in raw material consumed for unit of apparel. As a result, the Group's cost of sales as a percentage of total sales decreased from 71.6% in the year ended 31 December 2003 to 69.1% in the year ended 31 December 2004.

Gross profit

As a result of the factors discussed above, the Group's gross profit increased by HK$155.8 million, or 56.1%, from HK$277.9 million in the year ended 31 December 2003 to HK$433.7 million the year ended 31 December 2004, and the Group's gross profit margin increased from 28.4% in the year ended 31 December 2003 to 30.9% in the year ended 31 December 2004.

Other revenue

The Group's other revenue increased by HK$5.6 million, or 622.2%, from HK$0.9 million in the year ended 31 December 2003 to HK$6.5 million in the year ended 31 December 2004. This increase was due in part to a HK$5.5 million increase in interest revenue. In 2004, the Group had lent money to a connected person by means of an interest bearing loan, and as a result the Group received interest in 2004.

Other gains, net

The Group's other gains, net increased by HK$6.7 million, or 33.7%, from HK$19.9 million in the year ended 31 December 2003 to HK$26.6 million in the year ended 31 December 2004. The increase mainly represented the increase in government subsidies of HK$1.3 million and negative goodwill of HK$2.9 million.

Selling, marketing and distribution costs

The Group's selling, marketing and distribution costs increased by HK$28.1 million, or 34.9%, from HK$80.6 million in the year ended 31 December 2003 to HK$108.7 million in the year ended 31 December 2004. This increase was primarily due to the following factors: a HK$16.1 million increase in the Group's sales team's wage and benefit expenses, reflecting an enlarged sales force for the Group's new *MAX STUDIO* and *ÉLANIE* stores and also increases in the Group's OEM sales team in 2004; a HK$5.4 million increase in product quality refund expense (that was ultimately paid to the Group's second largest customer in terms of sales for 2004); a HK$6.7 million increase in transportation costs as a result of higher sales and higher unit transportation expenses in 2004. These increased costs were partly offset by a HK$4.5 million decrease in quota costs resulting from the international cancellation of quota requirements on certain apparel and a HK$4.2 million decrease in commissions to third party sales agents relating to the Group ending its relationship with a third party sales agent that had acted to sell the Group's products to a customer and instead began selling its products to the customer directly.

Administrative expenses

The Group's administrative expenses increased by HK$7.9 million, or 7.4%, from HK$107.0 million in the year ended 31 December 2003 to HK$114.9 million in the year ended 31 December 2004. The increase in the Group's administrative expenses reflects the following: a HK$4.5 million increase in wage and benefits expenses which was due to increased hiring and also to higher bonuses for management in the year ended 31 December 2004; and a HK$2.4 million increase in fixed asset depreciation as a result of the start of depreciation for the China Ting Industrial Complex in 2004 (depreciation for which had not been accounted for throughout much of 2003). These increases were offset to some extent by a HK$4.1 million decrease in office setup and renovation costs.

Operating profit

As a result of the factors discussed above, the Group's operating profit increased by HK$132.1 million, or 118.9%, from HK$111.1 million in the year ended 31 December 2003 to HK$243.2 million in the year ended 31 December 2004, and the Group's operating margin (operating profits expressed as a percentage of total revenue) increased from 11.3% in the year ended 31 December 2003 to 17.4% in the year ended 31 December 2004.

Finance costs

The Group's finance costs increased by HK$3.2 million, or 45.7%, from HK$7.0 million in the year ended 31 December 2003 to HK$10.2 million in the year ended 31 December 2004. This increase reflected the fact that the Group borrowed substantially in the second half of 2003. Hence while the Group's bank borrowings as at 31 December 2004 was only 9.1% higher than it was as at 31 December 2003, because much of the debt as at 31 December

2003 was incurred late in the year, the Group's interest expense was higher in 2004 (when the Group had a higher debt load and therefore higher interest expense for the entire year) than it was in 2003.

Share of profit of associates

The Group's share of profit of associates increased by HK$6.7 million, or 181.1%, from HK$3.7 million in the year ended 31 December 2003 to HK$10.4 million in the year ended 31 December 2004. This increase reflected the fact that the net profits of the Group's associates increased in the year ended 31 December 2004.

Profit before tax

As a result of the factors discussed above, the Group's profit before tax increased by HK$135.6 million, or 125.8%, from HK$107.8 million in the year ended 31 December 2003 to HK$243.4 million in the year ended 31 December 2004.

Income tax

The Group's income tax increased by HK$17.4 million, or 135.9%, from HK$12.8 million in the year ended 31 December 2003 to HK$30.2 million in the year ended 31 December 2004. The Group's income tax therefore grew at a substantially faster rate than its profit before tax, and its effective tax rate increased from 11.9% in the year ended 31 December 2003 to 12.4% in the year ended 31 December 2004. The increase in tax expense was primarily due to a HK$8.7 million, or 155.7% increase in the Group's PRC enterprise income tax, which increased because two of the Group's PRC subsidiaries' effective tax rate transitioned from 0% of the normally applicable tax rate to 50%. Additionally, the Group's Hong Kong profits tax increased by HK$7.7 million, or 95.9%. This high rate of increase was due to the fact that the profit before tax at the Group's Hong Kong subsidiaries (including mainly Concept Creator and China Ting Garment) increased at a substantially higher rate than did the Group's other subsidiaries.

Profit for the year

As a result of the factors discussed above, the Group's net profit increased by HK$118.2 million, or 124.4%, from HK$95.0 million in the year ended 31 December 2003 to HK$213.2 million in the year ended 31 December 2004, and the Group's net profit margin (before deducting minority interests) increased from 9.7% in the year ended 31 December 2003 to 15.2% in the year ended 31 December 2004.

Profit attributable to minority interests

Profit attributable to minority interests increased by HK$10.6 million, or 108.2%, from HK$9.8 million in the year ended 31 December 2003 to HK$20.4 million in the year ended 31 December 2004. This was primarily due to an increase in the Group's PRC subsidiaries' profit.

Profit attributable to equity holders

As a result of the factors discussed above, profit attributable to equity holders increased by HK$107.5 million, or 126.0%, from HK$85.3 million in the year ended 31 December 2003 to HK$192.8 million in the year ended 31 December 2004.

Year ended 31 December 2003 compared to year ended 31 December 2002

Revenue

From the year ended 31 December 2002 to the year ended 31 December 2003, the Group's total annual revenue increased by HK$268.1 million, or 37.7%, from HK$711.9 million to HK$980.0 million. This increase was largely due to a HK$241.8 million, or 38.9%, increase in OEM sales of garments. The increase in OEM sales of garments reflected a HK$215.5 million increase of sales to the United States. The Group's increase in OEM sales of garments mainly reflected very large increases in sales to two of the Group's US customers and smaller, but still financially very significant increase in sales to three others. Sales to the Group's top five OEM customers constituted 65.2% of total OEM sales of garments and 57.4% of total sales respectively in the year ended 31 December 2003, down from 70.9% of total OEM sales and 61.9% of total sales respectively in the year ended 31 December 2002. While a substantial portion of the Group's OEM sales in the year ended 31 December 2003 continued to be of silk and silk-blended apparel 71.4%, down from 75.0% in the year ended 31 December 2002, the Group's sales of linen and linen-blended apparel increased significantly. The Group's OEM sales of linen and linen-blended apparel increased by HK$112.0 million, reflecting the Group's success in attracting new business from existing customers of the Group's silk and silk-blended apparel. Hence the Group's sale of linen and linen-blended apparel increased from 1.8% of total OEM sales of garments in the year ended 31 December 2002 to 14.3% in the year ended 31 December 2003. The Group saw its largest increases in OEM sales of garments in women's pants and shirts.

The Group's revenue from the retail of branded fashion apparel also increased by HK$26.3 million, or 29.1% because of a HK$8.3 million increase in sales at the Group's *FINITY* stores, a HK$9.3 million increase in sales at the Group's *Dbni* (formerly under the brands, *diny* and *dbn!*) stores, a HK$5.6 million increase at the Group's *MAX STUDIO* stores and a HK$3.1 million increase at the Group's *ÉLANIE* stores. The Group's increased revenue from *diny* and *FINITY* reflected new stores added to the Group's network. Similarly, growth of the Group's sales at its *MAX STUDIO* and *ÉLANIE* stores reflected the fact that it only introduced those brands to the PRC in 2003.

Cost of sales

The Group's cost of sales increased by HK$175.1 million, or 33.2%, from HK$527.0 million in the year ended 31 December 2002 to HK$702.1 million in the year ended 31 December 2003. This increase was broadly in line with 37.7% increase in total turnover between these periods. The Group's cost of direct labour increased by HK$21.2 million, or 58.0% mainly because the Group added more new workers in 2003 to help ramp up the newly constructed China Ting Industrial Complex. Additionally, the Group's manufacturing overhead increased by HK$80.6 million, or 160.1% because the Group began selling a larger amount of embroidered and dyed products. As a percentage of total sales, the Group's cost of sales decreased from 74.0% in the year ended 31 December 2002 to 71.6% in the year ended 31

December 2003. This was mainly due to the fact that the increase of the Group's cost of raw material consumed, which is its main element of the cost of sales, grew at a much slower rate (16.7%) than did its revenue (37.7%).

Gross profit

As a result of the factors discussed above, the Group's gross profit increased by HK$93.0 million, or 50.3%, from HK$184.9 million in the year ended 31 December 2002 to HK$277.9 million the year ended 31 December 2003, and the Group's gross profit margin increased from 26.0% in the year ended 31 December 2002 to 28.4% in the year ended 31 December 2003.

Other revenue

The Group's other revenue increased by HK$0.2 million, or 28.6%, from HK$0.7 million in the year ended 31 December 2002 to HK$0.9 million in the year ended 31 December 2003. This mainly reflected a HK$0.3 million increase in rental income.

Other gains, net

The Group's other gains, net decreased by HK$4.4 million, or 18.1%, from HK$24.3 million in the year ended 31 December 2002 to HK$19.9 million in the year ended 31 December 2004.

The decrease was mainly to due a HK$14.6 million decrease of negative goodwill gain arising from acquisition of subsidiaries. The decreases were partly offset by a sale of waste and other materials increased by HK$1.2 million in the year ended 31 December 2003. Additionally, the Group recognised HK$3.7 million for a cancelled trade payable account.

Selling, marketing and distribution costs

The Group's selling, marketing and distribution costs increased by HK$20.2 million, or 33.4%, from HK$60.4 million in the year ended 31 December 2002 to HK$80.6 million in the year ended 31 December 2003. This increase reflected the following factors: a HK$8.8 million increase in wage and benefit expenses as a result of new hires for the Group's opening of *MAX STUDIO* and *ÉLANIE* stores and another PRC subsidiary in 2003, a raise in wages and benefits for the Group's wholesale and retail personnel in the PRC and additional staff in the Group's OEM sales team (including in the Group's new US and French offices); a HK$3.2 million increase in commissions to third party sales agents relating to increased sales to a customer for whom the third party agent was acting as a sourcing agent; a HK$0.9 million increase in transportation costs resulting from increased sales in 2003.

Administrative expenses

The Group's administrative expenses increased by HK$55.8 million, or 109.0%, from HK$51.2 million in the year ended 31 December 2002 to HK$107.0 million in the year ended 31 December 2003. This increase was caused by the following factors: a HK$17.1 million increase in administrative office expenses reflecting the start of new companies (including newly established companies and companies acquired during 2002) for which a full year of administrative expenses were recognised in 2003; a HK$11.9 million increase in wage and benefit expenses reflecting new hires for the Group's opening of *MAX STUDIO* and *ÉLANIE* stores, the start of operation for several new PRC subsidiaries and the opening of the Group's U.S. and French offices; a HK$18.5 million increase in provisions for bad accounts due to problems collecting from two OEM customers; and a HK$4.3 million increase in office startup and renovation costs due to new subsidiaries being established in 2003.

Operating profit

As a result of the factors discussed above, the Group's operating profit increased by HK$12.9 million, or 13.1%, from HK$98.2 million in the year ended 31 December 2002 to HK$111.1 million in the year ended 31 December 2003, and the Group's operating margin (profit from operations expressed as a percentage of total revenue) decreased from 13.8% in the year ended 31 December 2002 to 11.3% in the year ended 31 December 2003.

Finance costs

The Group's finance costs increased by HK$5.9 million, or 536.4%, from HK$1.1 million in the year ended 31 December 2002 to HK$7.0 million in the year ended 31 December 2003. This reflected the fact that the Group substantially increased its bank borrowings in the second half of 2003, from HK$86.9 million as at 31 December 2002 to HK$196.1 million as at 31 December 2003. This increase in bank borrowings was due to higher expenditures in connection with the construction of the China Ting Industrial Complex. This increase required the Group to incur higher interest expense in 2003.

Share of profit of associates

The Group's share of profit of associates increased by HK$0.4 million, or 12.1%, from HK$3.3 million in the year ended 31 December 2002 to HK$3.7 million in the year ended 31 December 2003. This increase reflected the fact that the Group acquired an additional stake in its associates.

Profit before tax

As a result of the factors discussed above, the Group's profit before tax increased by HK$7.4 million, or 7.4%, from HK$100.4 million in the year ended 31 December 2002 to HK$107.8 million in the year ended 31 December 2003.

Income tax

The Group's income tax increased by HK$6.7 million, or 109.8%, from HK$6.1 million in the year ended 31 December 2002 to HK$12.8 million in the year ended 31 December 2003. This increase reflected a HK$3.6 million, or 181.6% increase in PRC enterprise income tax. The Group's PRC enterprise income tax increased at a much faster rate than its profit before tax because one of the Group's new PRC subsidiaries acquired in 2002 recognised a large charge of negative goodwill against its revenue, making the Group's tax rate for that year artificially low. The Group's Hong Kong profits tax also increased by HK$3.8 million, or 89.7%. This Group's Hong Kong profits tax increased at a faster rate than its profit before tax because the Group's Hong Kong subsidiaries remained more profitable than its PRC subsidiaries. The Group's income tax was partly offset by a credit of HK$1.1 million for having overpaid its taxes in 2002. As a result of these factors, the Group's aggregate effective tax rate increased from 6.0% for the year ended 31 December 2002 to 11.9% for the year ended 31 December 2003.

Profit for the year

As a result of the factors discussed above, the Group's profit for the year increased by HK$0.7 million, or 0.7%, from HK$94.3 million in the year ended 31 December 2002 to HK$95.0 million in the year ended 31 December 2003, and the Group's net profit margin (before deducting minority interests) decreased from 13.3% in the year ended 31 December 2002 to 9.7% in the year ended 31 December 2003.

Profit attributable to minority interests

Profit attributable to minority interests increased by HK$2.5 million, or 34.2%, from HK$7.3 million in the year ended 31 December 2002 to HK$9.8 million in the year ended 31 December 2003. This was primarily due to the fact that in 2002, the Group's minority interests were not recognised for the entire year.

Profit attributable to equity holders

As a result of the factors discussed above, profit attributable to equity holders decreased by HK$1.7 million, or 2.0%, from HK$87.0 million in the year ended 31 December 2002 to HK$85.3 million in the year ended 31 December 2003.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operations, the issuance of new shares and debt financing from banks. The Group's principal uses of cash have been, and are expected to continue to be, operational costs and the expansion of production and the Group's sales network.

Net current assets

As at 30 September 2005, the Group had net current assets of HK$416.9 million. The Group's current assets were comprised of inventories of HK$184.4 million, trade and bills receivables of HK$213.6 million, due from directors of HK$72.1 million, tax and other receivables of HK$75.2 million, pledged bank deposit of HK$58.5 million and cash and cash equivalents of HK$349.9 million. The Group's current liabilities were comprised of trade and bills payable of HK$170.5 million, borrowings of HK$173.2 million, tax payable of HK$53.6 million and other payables of HK$139.5 million.

Although the Group has historically been able to satisfy its working capital needs from cash flow from operations, its ability to expand its operations in the PRC may depend on its ability to finance these activities through the issuance of equity securities, long-term borrowings and the issuance of convertible and other debt securities.

If adequate funds are not available, whether on satisfactory terms or at all, the Group may be forced to curtail its expansion plans. The Group's ability to meet its working capital needs from cash flow from operations will be affected by the Group's sales of apparel, which in turn may be affected by several factors. Many of these factors are outside of its control, such as economic downturns or dramatic changes in consumer preferences for the products sold at the Group's stores. To the extent that the Group does not generate sufficient cash flow from operations to meet its cash requirements, it may rely on external borrowings and securities offerings.

Cash Flows

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	(HK$' million)	*(HK$' million)*	*(HK$' million)*	*(HK$' million)*	*(HK$' million)*
Selected Cash Flow Statement data					
Net cash generated from operating activities	89.7	77.4	128.5	122.2	321.1
Net cash used in investing activities	(151.8)	(167.4)	(81.1)	(37.2)	(15.0)
Net cash generated from/(used in) financing activities	62.1	113.0	17.8	15.2	(72.0)

Net cash generated from operating activities

The Group's net cash inflow from operating activities increased by HK$198.9 million for the five months ended 31 May 2005, from HK$122.2 million for the five months ended 31 May 2004 to HK$321.1 million for the five months ended 31 May 2005. The Group's net cash inflow from operating activities increased by HK$51.1 million for the year ended 31 December 2004, from HK$77.4 million for the year ended 31 December 2003 to HK$128.5 million for the year ended 31 December 2004. The Group's net cash inflow from operating activities decreased by HK$12.3 million for the year ended 31 December 2003, from HK$89.7 million for the year ended 31 December 2002 to HK$77.4 million for the year ended 31 December 2003. The Group's changes in net cash generated from operating activities mostly reflected increases in the Group's operating profit. The decrease in 2003 mostly reflected higher level of inventory.

Net cash used in investing activities

The Group's net cash used in investing activities decreased by HK$22.2 million for the five months ended 31 May 2005, from HK$37.2 million for the five months ended 31 May 2004 to HK$15.0 million for the five months ended 31 May 2005. This decrease was principally due to advances made to Interfield, an associate of the Company amounting to HK$21.9 million during the five months ended 31 May 2004 and the repayment by Interfield amounting to HK$6.4 million. The Group's net cash used in investing activities decreased by HK$86.3 million for the year ended 31 December 2004, from HK$167.4 million for the year ended 31 December 2003 to HK$81.1 million for the year ended 31 December 2004. This decrease was principally due to the Group having lower purchases of property, plant and equipment because the China Ting Industrial Complex was substantially constructed in 2003. The Group's net cash used in investing activities increased by HK$15.6 million for the year ended 31 December 2003, from HK$151.8 million for the year ended 31 December 2002 to

HK$167.4 million for the year ended 31 December 2003. The significant capital expenditures increases in 2002 and 2003 were principally due to the purchases of property, plant and equipment related to construction of the China Ting Industrial Complex.

Net cash generated from/(used in) financing activities

The Group's net cash generated from/(used in) financing activities decreased by HK$87.2 million for the five months ended 31 May 2005, from an inflow of HK$15.2 million for the five months ended 31 May 2004 to an outflow of HK$72.0 million for the five months ended 31 May 2005. This decrease was principally due to a decrease in borrowings and an increase in repayment, reflecting the fact that in early 2004 the Group was still financing the ramping up of the China Ting Industrial Complex. The Group's net cash generated from/(used in) financing activities decreased by HK$95.2 million for the year ended 31 December 2004, from HK$113.0 million for the year ended 31 December 2003 to HK$17.8 million for the year ended 31 December 2004. This decrease was principally due to greater repayment of loans used to finance the construction of the China Ting Industrial Complex, slightly offset by a higher level of borrowing. The Group's net cash generated from/(used in) financing activities increased by HK$50.9 million for the year ended 31 December 2003, from HK$62.1 million for the year ended 31 December 2002 to HK$113.0 million for the year ended 31 December 2003. This increase was principally due to significantly higher borrowing to finance construction of the China Ting Industrial Complex.

Net cash inflow/outflow from operating activities including advance from or payment to Directors

During the Track Record Period, certain executive Directors facilitated treasury arrangements amongst members of the Group, which represented cash outflow of HK$105.8 million and HK$32.3 million for the five months ended 31 May 2005 and 31 December 2004, respectively, and cash inflow of HK$43.3 million and HK$66.7 million for the year ended 31 December 2003 and 2002, respectively.

Capital Expenditures

Throughout the Track Record Period, the Group has made capital expenditures, typically in connection with the expansion of its China Ting Industrial Complex in the PRC. These capital expenditures amounted to HK$113.9 million as at 31 December 2002, HK$136.4 million as at 31 December 2003, HK$20.3 million as at 31 December 2004, and HK$24.8 million as at 31 May 2005.

Capital Commitments

As at the end of September 2005, the Group had outstanding capital commitments of approximately HK$6.1 million, all of which related to a construction contract with contract sum of approximately HK$13.7 million dated 8 January 2005 with 杭州餘杭第二建築工程有限公司 (Hangzhou Yuhang No. 2 Construction Company Limited), an Independent Third Party, for the construction of several industrial buildings at Hongqi Village, Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the PRC for apparel production. The construction cost, incurred up to 30 September 2005 in relation to the above project was HK$7.6 million. The Group intends that the remaining balance of these construction costs be paid using the net proceeds from the Global Offering.

Inventories

The Group's inventories decreased from HK$187.7 million as at 31 December 2004 to HK$173.2 million as at 31 May 2005. The Group's inventories increased from HK$139.7 million as at 31 December 2003 to HK$187.7 million as at 31 December 2004. This was due to a HK$27.3 million increase in the Group's inventory of finished goods, which reflected an increased number of retail stores, requiring a larger amount of inventory in each store and for the Group more generally, and also larger OEM sales. Additionally, the Group's inventory of work-in-progress increased by HK$15.2 million due to increases in OEM business. The Group's inventory of raw materials also increased by HK$6.9 million because of increases in OEM business. This was slightly offset by a HK$1.3 million increase in provision for impairment reflecting greater amounts of inventory for the Group's enlarged set of retail stores that could not be sold. The Group's inventories increased from HK$83.5 million as at 31 December 2002 to HK$139.7 million as at 31 December 2003. This partly reflected a HK$23.9 million increase in the Group's inventory of finished goods. The Group's inventory of finished goods increased because of an increased number of retail stores, requiring a larger amount of inventory in each store and for the Group more generally, and also larger OEM sales. OEM products are counted as inventory after they are completed but not sent out. Additionally, the Group's inventory of work-in-progress increased by HK$22.7 million due to increases in OEM business. The Group's inventory of raw materials also increased by HK$13.1 million, reflecting increases in OEM business.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is stated at the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The Group generally makes a 20%–100% provision for inventories that are of over a one-year period. The Group periodically reviews its market value of its inventory based on an estimation of future demand and market conditions. A stock take exercise is conducted semi-annually during which obsolete stock is identified. Other than general provision, provisions for specific items may also be made where the estimated net realisable value of such items falls below the cost of inventory.

Ageing analysis

	As at 31 December			As at 31 May
	2002	**2003**	**2004**	**2005**
	HK$000	*HK$000*	*HK$000*	*HK$000*
Within one year	77,209	135,619	186,131	160,600
one to two years	7,852	5,559	4,434	15,701
over two years	—	3,685	3,632	4,843
	85,061	144,863	194,197	181,144
Provision for impairment	(1,570)	(5,171)	(6,532)	(7,983)
	83,491	**139,692**	**187,665**	**173,161**

The inventory turnover days were 42.8 days, 41.6 days, 42.6 days and 32.9 days for the years ended 31 December 2002, 2003, 2004 and 31 May 2005, respectively. The gradual decrease in the above inventory turnover days was a result of our efforts to maintain a low inventory level.

Trade Receivables

The Group's trade receivables increased from HK$141.8 million as at 31 December 2003 to HK$162.4 million as at 31 December 2004. This was due to a HK$18.1 million increase in trade receivables outstanding for 0 to 30 days and a HK$10.4 million increase in trade receivables outstanding for 31 to 60 days. These increases were caused by increased sales whereby the Group would grant its customers credit. These increases were somewhat offset by a HK$10.3 million in 61–90 day trade receivables. These trade receivables decreased because the Group had increased business from one European customer that pays three months after purchase. The Group's trade receivables increased from HK$127.1 million as at 31 December 2002 to HK$141.8 million as at 31 December 2003. This reflected a HK$4.0 million increase in the Group's trade receivables outstanding for over 91 days, which increased because the Group had increased business from one European customer that pays three months after purchase. Additionally, the Group's trade receivables outstanding for 0 to 30 days increased by HK$11.9 million because of increased sales whereby the Group would grant its customers credit.

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	76,642	88,497	106,638	31,501
31 to 60 days	36,340	31,481	41,945	85,653
61 to 90 days	10,045	13,755	3,490	8,870
Over 90 days	4,109	8,102	10,306	18,670
	127,136	141,835	162,379	144,694

Subsequent to 31 May 2005 and up to 30 September 2005, out of the Group's trade receivables of HK$144.7 million as at 31 May 2005, HK$143 million of the Group's trade receivables has been settled.

Credit Period

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of less than 90 days. The grant of open account terms without security coverage is generally restricted to large or long-established customers with good repayment history. Sales to these customers comprise a significant proportion of the Group's OEM garment sales. On the other hand, for new customers and existing customers with short trading history, letters of credit issued by these customers are normally demanded for settlement purposes.

For sales of branded fashion apparel to franchisees, the Group normally requests payments in advance or deposits from such customers, with the remaining balances settled immediately upon delivery of goods. The Group also grants open account terms of 30 credit days to long-established customers with good repayment history.

Trade receivable provision policy

Provision is made against account receivables to the extent amounts are considered to be uncollectible or unlikely to be collectible within a reasonable period of time which varies depending on the credit terms granted to customers, creditworthiness and past payment histories of customers.

Our management specifically analyses factors such as the collectibility of individual accounts, customer creditworthiness, change in customer payment pattern, current economic situation, to assess the adequacy of provision.

Having considered the Group's procedures to assess the creditability of customers, the procedures to monitor settlement of trade receivables and the procedures to assess the adequacy of trade receivable provision, the Directors are of the view that adequate provision has been made for the Group's trade receivables.

Trade Payables

The Group's total trade payables increased from HK$162.7 million as at 31 December 2004 to HK$212.2 million as at 31 May 2005 primarily because of the increase in business scale of the Group. The Group's trade payables decreased from HK$190.2 million as at 31 December 2003 to HK$162.7 million as at 31 December 2004. This decrease was mainly due to the back of liquidity pressure on the enabling the Group to settle Group trade payable on time. The Group's trade payables increased from HK$156.3 million as at 31 December 2002 to HK$190.2 million as at 31 December 2003. This was because due to a HK$36.5 million increase in trade payables outstanding for 0 to 30 days, which reflected the Group using longer periods of time to repay because of higher expenses connected to its construction of the China Ting Industrial Complex.

	At 31 December			**At 31 May**
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	46,265	82,776	80,965	83,107
31 to 60 days	51,386	53,110	40,690	61,162
61 to 90 days	15,139	10,481	18,291	37,323
Over 90 days	43,470	43,875	22,792	30,632
	156,260	190,242	162,738	212,224

Market Risks

Interest Rate Risk

The Group is exposed to limited interest rate risk because HK$57.5 million of its total outstanding bank debt of HK$188.4 million as at 30 September 2005 was subject to floating interest rates. Because the majority of its outstanding bank debt over the Track Record Period has been subject to fixed interest rates, however, this risk is limited. Though

HK$173.2 million of its total outstanding bank debt as of 30 September 2005 was repayable within one year, so the Group remains exposed to interest rate increases should it seek to obtain other bank debt in the future.

The Group does not currently hedge against this risk.

Foreign Currency Exchange Rate Risk

The Group is subject to very limited foreign currency exchange risk, which it does not currently hedge, because over the Track Record Period the Group's turnover was denominated primarily in U.S. dollars, while its costs of sales and operating expenses have been denominated almost entirely in Renminbi, which over the entire Track Record Period was pegged to the U.S. dollar.

For the five months ended 31 May 2005, 81.9% of the Group's turnover was derived from sales denominated in U.S. dollars, while 18.1% was derived from sales denominated in RMB, Euros and Hong Kong dollars. For the year ended 31 December 2004, 79.3% of the Group's turnover was derived from sales denominated in U.S. dollars, while 20.7% was derived from sales denominated in RMB, Euros and Hong Kong dollars. For the year ended 31 December 2003, 82.6% of the Group's turnover was derived from sales denominated in U.S. dollars, while 17.4% was derived from sales denominated in RMB, Euros and Hong Kong dollars. For the year ended 31 December 2002, 83.4% of the Group's turnover was derived from sales denominated in U.S. dollars, while 16.6% was derived from sales denominated in RMB, Euros and Hong Kong dollars.

Over the Track Record Period, approximately 76.8% of the Group's purchase of raw materials in each year during that period was denominated in Renminbi.

As a result, over the Track Record period the Group has realised relatively small gains and losses related to foreign currency fluctuations. For the year ended 31 December 2002, the Group recorded a gain of HK$1.1 million. For the year ended 31 December 2003, the Group recorded a gain of HK$1.5 million. For the year ended 31 December 2004, the Group recorded a gain of HK$4.4 million.

Off-Balance Sheet Arrangements

The Group has no off balance sheet transactions.

PROPERTY INTERESTS

As at 30 September 2005, the Group owned 21 properties in Hong Kong and the PRC. Out of these properties, one is currently under development in the PRC intended to be used for industrial production and ancillary purposes valued at HK$20,100,000, one is held for investment purposes valued at HK$4,940,000 while the remaining 19 are used for a combination of industrial production, office, warehouse, residential and ancillary purposes valued at a total of HK$146,514,000. As at 30 September 2005, the Group was in the process of applying for the Building Ownership Certificates for certain portions of the premises, including the staff canteen and the boiler room, occupied by Zhejiang Huayue.

As at 30 September 2005, the Group held two other property interests in the PRC. These are two parcels of vacant land in respect of which two State-owned Land Use Grant Contracts have been entered into between the Group and the relevant government authority and the respective consideration having been paid by the Group. No commercial value has been assigned to these two property interests as the State-owned Land Use Certificates have not been issued. It is estimated that the State-owned Land Use Certificate for that two parcels of vacant land can be obtained in or around December 2005.

As at 30 September 2005, the Group had rental interests in 18 properties in Hong Kong, the PRC, France and the U.S. which are used for industrial production, office, warehouse, residential, retail and ancillary purposes and have no commercial value. As at 30 September 2005, in respect of a shop unit leased by the Group for the retail of branded apparel, the lessor had not provided the relevant title certificate. Revenue from this shop unit during the year ended 31 December 2004 amounted to HK$0.4 million which represented less than 0.1% of the Group's total revenue during the same period.

Out of the 18 rented properties, seven properties are rented from connected persons. As at 30 September 2005, the Group had applied to register the tenancy agreements in respect of the office premises in Shanghai leased by Zhejiang Huading Group to Hangzhou China Ting Fashion and the industrial premises in Hangzhou leased by Huasheng Accessories to China Ting Brand Management. Further details are set out in the section headed "Connected Transactions" in this prospectus. The remaining rented properties are leased from Independent Third Parties. In anticipation of the Group's future development in Macau, the Group has entered into a lease agreement with an Independent Third Party on 24 October 2005 in respect of a factory unit with a gross floor area of approximately 678 sq.m. for a term of 3 years commencing from 1 November 2005 in Macau for production use at a monthly rental of HK$85,000.

The text of the letter, the summary of valuation and valuation certificates issued by CB Richard Ellis Limited for the above property interests are set out in Appendix IV to this prospectus.

On 18 November 2005, Hangzhou Fuding and Zhejiang Huading Group entered into an asset acquisition agreement for the acquisition by Hangzhou Fuding of a factory building within the China Ting Industrial Complex with a total gross area of approximately 10,326.14 sq.m. together with other ancillary facilities at an aggregate consideration of approximately RMB12.3 million (equivalent to approximately HK$11.8 million) which was based on the net book value of the relevant assets as at 31 October 2005. Completion of the acquisition is expected to take place after the Listing Date.

PROFIT FORECAST

Forecast combined profit attributable to equity holders of the Company *(Notes 1 and 2)* . . . . .not less than HK$369 million

Pro forma forecast earnings per Share *(Note 3)* . . . . not less than HK$0.1845

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2005 have been prepared and are summarised in Appendix III to this prospectus.

(2) The forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2005 prepared by the Directors is based on the audited combined results of the Group for the five months ended 31 May 2005, the Group's unaudited combined management accounts for the four months ended 30 September 2005 and a forecast of the combined results of the Group for the three months ending 31 December 2005 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2005. The forecast has been prepared on the basis of the accounting policies being consistent in all material aspects with those currently adopted by the Group as set out in Note 3 of section II of the Accountants' Report, contained in Appendix I to this prospectus.

(3) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2005 and a total of 1,990,000,000 Shares in issue, assuming that the Global Offering has been completed on 1 January 2005 (without taking into account the Over-allotment Option), and 10,000,000 additional Shares, assuming that the Pre-IPO Share Option Deed was exercised in full on 1 January 2005. The unaudited pro forma forecast earnings per Share would be HK$0.1854 if the impact on the exercise of the Pre-IPO Share Option Deed was excluded. Accordingly, the diluting effect on the forecast earnings per Share arising from the exercise of the Pre-IPO Share Option Deed in full is less than HK$0.001 per Share. The calculation of the diluted earnings per Share above has not taken into consideration the impact of the fair value of the Shares upon the exercise of the Share Option Scheme in full. The Directors consider it is impracticable to estimate the fair value of the Shares to be issued under the Share Option Scheme prior to the Listing.

The text of the letters from the Company's reporting accountants, PricewaterhouseCoopers, and from the Sponsor, BNP Paribas Peregrine, in respect of the profit forecast, are set out in Appendix III to this prospectus.

DIVIDENDS, WORKING CAPITAL AND DISTRIBUTABLE RESERVES

Dividends

The Directors are of the view that the amount of any dividends to be declared in the future will depend on, among other things, the Group's results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on the generally accepted accounting principles in Hong Kong, the applicable laws and regulations and all other relevant factors.

The Directors intend to declare and recommend dividends which would amount in total to not less than 50% of the net profit from ordinary activities attributable to shareholders of the Company for full financial years subsequent to the Global Offering. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

For the period ended 31 May 2005, Zhejiang Huading Group declared a dividend of HK$15.2 million to the then shareholders of Zhejiang Huading Group. For the year ended 31 December 2004, certain companies now comprising the Group, namely, China Ting Garment, Concept Creator Fashion and Hong Kong Fuhowe, further paid an ordinary dividend of HK$80.0 million out of their profits for the year 2004, and a further special dividend of HK$161.0 million respectively, which were approved by their respective board of directors in November 2005. Such dividends were declared to distribute profits to the relevant shareholders which will be settled by internal sources of funding and partly offset by amounts due from the Controlling Shareholders. The following table provides a summary of the components of the dividends declared:

	HK$'000
Ordinary dividend	80,000
Special dividend	161,000
Less: Balance of amounts due from Controlling Shareholders resulting from various cash advancements and disposal of a real property as at 1 November 2005	240,631
Dividend settled in cash in November 2005	369

All of the above dividends have already been declared and therefore will not be paid to new investors participating in the Global Offering. The Group's dividends were declared having due regard to, amongst other factors, the Group's retained profits, business prospects and shareholders' needs and the Directors consider that the payment of such dividends would not adversely affect the financial position of the Group taken as a whole. The amounts of dividends declared historically are not indicative of the dividends that the Group may pay in the future.

Working capital

The Directors are of the opinion that, taking into account the present available banking facilities and internal resources of the Group and the estimated net proceeds of the Global Offering, the Group has sufficient working capital for its requirements in the next 12 months commencing from the date of this prospectus.

Distributable reserves

The Company was incorporated on 31 May 2005. There were no reserves available for distribution to the shareholders of the Company as at 31 May 2005. In accordance with relevant rules and regulations on foreign investment enterprises established in the PRC, the Company's PRC subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital.

UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following statement of unaudited pro forma net tangible assets prepared in accordance with rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of the Group as at 31 May 2005 as if they had taken place on 31 May 2005.

The unaudited pro forma net tangible assets has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group following the Global Offering. It is prepared based on the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 May 2005 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma net tangible assets statement does not form part of the Accountants' Report.

	Audited combined net assets of the Group attributable to equity holders of the Company as of 31 May 2005	**Less: intangible assets as of 31 May 2005**	**Estimated net proceeds from the Global Offering**	**Net assets not assumed by the Group**	**Unaudited pro forma net tangible assets of the Group**	**Unaudited pro forma net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*
Based on an Offer price of HK$1.8 per Share	625,090	(47,447)	839,504	(81,565)	1,335,582	0.67
Based on an Offer price of HK$2.2 per Share	625,090	(47,447)	1,034,480	(81,565)	1,530,558	0.77

Notes:

1 The audited combined net assets as of 31 May 2005 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which does not take into account the ordinary dividend and the special dividend of HK$80 million and HK$161 million respectively, which were declared by the board of directors in November 2005.

2 The intangible assets as of 31 May 2005 represented the net book value of trademark amounting to HK$28,354,000, goodwill on acquisition of an associated company amounting to HK$17,679,000 and goodwill on acquisition of additional interests in certain subsidiaries amounting to HK$1,414,000. These amounts are extracted from the Accountants' Report set out in the Appendix I to this prospectus.

3 The estimated net proceeds from the Global Offering are based on indicative Offer Prices of HK$1.8 and HK$2.2 per Share respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and the options that may be granted under the Share Option Scheme.

4 Pursuant to the Reorganisation, the Group's attributable interest in Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels of HK$81,565,000 as at 31 May 2005 will not be assumed by the Group and will be treated as a deemed distribution upon completion of the Reorganisation on 18 November 2005. Consequently, the unaudited pro forma net tangible assets have been reduced accordingly after taking into account this deemed distribution.

5 The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,990,000,000 Shares were in issue, assuming that the Global Offering has been completed on 31 May 2005 but takes no account of any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed or any options which may be granted under the Share Option Scheme or upon the exercise of the Over-allotment Option or any Share which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

6 As of 30 September 2005, the Group's land use rights and buildings interests were revalued by CB Richard Ellis Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the land use rights and buildings over their book value, is approximately RMB48,637,000. Such revaluation surplus has not been included in the Group's combined financial information as at 31 May 2005 and will not be included in the Group's accounts for the year ending 31 December 2005. The above adjustment does not take into account the above revaluation surplus. Had the land use rights and buildings been stated at such valuation, an additional depreciation of RMB2,817,000 per annum would be charged against the combined income statement.

NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 May 2005 (being the date to which the latest audited financial statements of the Group were made up).

FUTURE PLANS AND PROSPECTS

I. Expansion of branded apparel retail sales

The Directors intend to further expand the Group's retail network for branded apparel sales by increasing the number of retail outlets and establishing flagship specialty shops in major PRC cities, such as Beijing, Shanghai, Hangzhou and Guangzhou, for the sale of the Group's in-house and licensed brands. The expansion in retail network coverage will be complemented by the Group's continued strategies in marketing and improvement network facilities. The following table sets out the Group's expansion plan for its retail network by brand:

In-house brand	Number of retail outlets as at 31 October 2005	Estimated number of retail outlets by December 2006	Estimated number of retail outlets by December 2007
FINITY	142	175	210
Dbni	76	90	110
ÉLANIE	26	40	50
RIVERSTONE	13	20	35
Licensed brand			
MAX STUDIO	35	40	50
Total	292	365	455

In addition to further strengthening the Group's strategic alliances with its existing business partners in branded apparel, the Directors intend to continue identifying opportunities to establish alliances for operating other premium fashion brands. The Directors also intend to establish retail network in Hong Kong as well as other Asian countries, such as Japan, Korea and Singapore, to expand its retail coverage and to further enhance the image of the Group's in-house brands.

The Directors intend to devote approximately HK$114.0 million for expansion of branded apparel sales through opening new shops, engaging in advertising and marketing campaigns, installing sales distribution network facilities, constructing and expanding warehousing and sales distribution capabilities.

II. Diversification through expansion of home textile production capacity and establishment of home textile retail network

1. *Construction of a new home textile dyeing, printing and finishing production facility and establishment of retail network*

In October 2005, Finity International had been granted an exclusive right to sell and distribute, and the non-exclusive right to manufacture, home textile products in the PRC bearing certain licensed marks of *BURLINGTON HOUSE*. In addition to the Group's existing home textile production facility of Zhejiang China Ting Textile Technology, the Directors intend to construct a new dyeing, printing and finishing production plant for home textile products adjacent to the China Ting Industrial Complex, with an estimated annual production capacity of 23.0 million metres of home textile fabric. The Directors intend to devote approximately HK$150.1 million to this project. The Group entered into two State-owned Land Use Grant Contracts with Hangzhou City Yuhang District State-owned Land Resources Bureau (浙江省杭州市國土資源局余杭分局) in July 2005 to acquire the land use rights for two pieces of industrial land located in Feizhuangcun, Yunhe Town, Yuhang District, Hangzhou with an aggregate site area of approximately 97,000 sq.m.. As at 30 September 2005, HK$8.4 million has been spent on this project with the balance of HK$141.7 million to be paid using the net proceeds from the Global Offering. It is estimated that the construction will be completed in December 2006.

For the retail of *BURLINGTON HOUSE* products, the Directors intend to establish at least five retail outlets for the retail of *BURLINGTON HOUSE* products by December 2006, and an additional ten retail outlets by the end of 2007.

2. *Construction of a new OEM home textile production facility*

As part of the Group's plan to diversify into home textile OEM production, the Group will invest HK$102.8 million in the construction of a home textile production plant and the acquisition of weaving machines for producing cotton, linen, wool, synthetic and other textiles, principally for the production of home textile products on an OEM basis. It is estimated that the construction will be completed in December 2006.

III. Establishment of a design development and exhibition centre

In order to provide customers with a diverse range of choices and enhance the Group's market profile, the Group intends to apply approximately HK$23.0 million of the net proceeds from the Global Offering for establishing a product design, development and exhibition centre in Linping, Hangzhou which will involve acquiring fabric design and analysis systems, expanding the Group's existing product research and development teams, and upgrading its exhibition the related audio-visual facilities and equipment. The Directors consider that by doing so the Group can fortify its design and development capabilities in fabric and apparel and to further strengthen the Group's competitive edge.

IV. Expansion of apparel production capacity

1. *Expansion of apparel production facilities in Hangzhou*

The Directors intend to construct a new production plant adjacent to the China Ting Industrial Complex, principally for producing men and women's suits made of synthetic fabric which are currently not subject to any foreign trade restrictions. Upon completion, the estimated annual production capacity of the Group will increase by approximately two million pieces of apparel. Based on the current estimate, total capital expenditure required for the project will be HK$62.2 million. As part of this expansion, the Group entered into State-owned Land Use Grant Contract with Hangzhou City Yuhang District State-owned Land Resources Bureau (浙江省杭州市國土資源局余杭分局) in April 2005 to acquire the land use right for a piece of industrial land located in Hongqi Village, Beisha Road East, Yuhang District, Hangzhou City with a site area of approximately 13,189.6 sq.m.. As at 30 September 2005, HK$8.7 million has been spent on the acquisition of the land use right and construction of industrial buildings, with the balance of HK$53.5 million to be paid using the net proceeds from the Global Offering.

2. *Construction of a new apparel production base*

The Directors intend to construct a new apparel production base in Qiandaohu, Chunan, Zhejiang, PRC which will have an estimated annual production capacity of approximately six million pieces of apparel. Based on the current estimate, total capital expenditure required for the project will be approximately HK$205.6 million which will be paid using the net proceeds from the Global Offering. It is estimated that the construction of the project will commence in June 2006 and complete in December 2007.

V. Investment in quality projects

The Directors intend to apply approximately HK$120.0 million of the net proceeds from the Global Offering for investment in quality projects through which the Group's business will expand and increase in competitiveness.

VI. Enhancement of internal management control system

The Directors intend to apply approximately HK$20.0 million of the net proceeds from the Global Offering for the purposes of upgrading the Group's information systems in respect of management, operations and accounting to increase its operating efficiency so as to strengthen its competitive advantage.

REASONS FOR THE GLOBAL OFFERING AND USE OF PROCEEDS

The Directors believe that the net proceeds of the Global Offering will finance the Group's capital expenditures and business expansion, strengthen the Group's capital base and improve its financial position.

The net proceeds of the Global Offering after deducting related expenses, and assuming an Offer Price of HK$2.0 per Share (being the mid-point of the stated range of the Offer Price of between HK$1.8 and HK$2.2 per Share) and that the Over-allotment Option is not exercised in whole or in part, are estimated to amount to approximately HK$937.0 million. To effect the Group's future plans (details of which are more particularly set out in the section headed "Future plans and prospects" under this section), the Group intends to apply the net proceeds as follows:

1. approximately HK$114.0 million (RMB118.6 million) for expansion of branded apparel sales through opening new shops, engaging in advertising and marketing campaigns, installing sales distribution network facilities, constructing and expanding warehousing and sales distribution capabilities;

2. approximately HK$141.7 million (RMB147.4 million) for construction of a new dyeing, printing and finishing plant for home textile products with an estimated annual production capacity of 23.0 million metres of home textile fabric;

3. approximately HK$102.8 million (RMB106.9 million) for the construction of a production plant and the acquisition of weaving machines for production of cotton, linen, wool, synthetic and other textiles, principally for the production of home textile products on an OEM basis;

4. approximately HK$23.0 million (RMB23.9 million) for the establishment of a design development and exhibition centre in Hangzhou;

5. approximately HK$53.5 million (RMB55.6 million) for the construction of a new apparel production plant in Hangzhou with an estimated capacity of two million pieces of apparel per year;

6. approximately HK$205.6 million (RMB213.8 million) for the construction of a new apparel production base in Qiandaohu, Zhejiang, the PRC with an estimated annual production capacity of approximately six million pieces of apparel;

7. approximately HK$120.0 million (RMB124.8 million) for investment in quality projects;

8. approximately HK$20.0 million (RMB20.8 million) for improving the Group's information systems and upgrading operational efficiency; and

9. approximately HK$116.3 million (RMB121.0 million) for repayment of bank loans in respect of the financing of the acquisition of the equity interests in certain subsidiaries of the Group as part of the Reorganisation. Particulars of the relevant outstanding bank loans as at 30 September 2005 are set forth below:

Name of Bank	**Principal amount** *HKD'000*	**Drawdown date**	**Maturity date**	**Interest rate**	**Outstanding amount** *HKD'000*
Shanghai Pudong Development Bank	1,918	16 June 2005	16 December 2005	5.22%	1,918
Shanghai Pudong Development Bank	2,877	13 July 2005	12 January 2006	5.22%	2,877
Bank of Communications	4,796	26 April 2005	5 February 2006	5.58%	4,796
Bank of China	24	11 March 2004	10 March 2006	5.00%	24
Shanghai Pudong Development Bank	4,796	16 June 2005	16 December 2005	5.22%	4,796
ICBC	959	10 August 2005	5 February 2006	5.22%	959
Nanyang Commercial Bank	14,488	31 December 2004	31 December 2006	4.75%	9,171
Nanyang Commercial Bank	57,626	22 June 2005	22 June 2006	5.25%	14,410
Nanyang Commercial Bank	77,350	5 July 2005	5 July 2006	5.25%	77,350
					116,301

For further details relating to the acquisitions, please refer to the paragraphs (a)(i)–(iii), (c) and (d)(i)–(v) in the section headed "Reorganisation — Detailed steps of the Reorganisation" in Appendix VI to this prospectus.

The remaining balance of approximately HK$40.1 million (RMB41.7 million) and any additional net proceeds that the Company would receive if the Over-allotment Option is exercised, which is currently estimated to be approximately HK$146.2 million (RMB152.0 million) (assuming an Offer Price of HK$2.0), may be used for working capital requirements and general corporate purposes. The Group's operations require a high level of working capital as the Group will expend a significant amount of cash in the operations, principally to fund the purchase of silk/silk-blended fabric and other raw materials for production. Purchase of silk/silk-blended fabric and other raw materials normally requires cash payment with a relatively short credit period. As the Group expands, the working capital requirements will increase as the Group's purchase increase. Therefore, the Group believes that the additional working capital will provide greater support and flexibility for business expansion.

If the Offer Price is determined at the highest point of the stated range, the proceeds would be increased by approximately HK$97.5 million (RMB101.4 million). If the Offer Price is determined at the lowest point of the stated range, the proceeds would be decreased by approximately HK$97.5 million (RMB101.4 million). In such event, the net proceeds invested for project acquisition will be adjusted accordingly.

The Directors intend to further expand its OEM business by acquiring quality trading companies with diversified client base to widen its existing OEM client base and OEM factories engaged in non-silk garment production to expand non-silk OEM manufacturing facilities. For the Group's retail business, the Directors intend to acquire retail brands in the PRC should any suitable opportunities arise. However, as at the Latest Practicable Date, no specific target had been identified for project acquisition. The Directors will carefully consider the then prevailing market conditions and business circumstances before acquiring any investment targets.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, the Directors intend to place such proceeds on short-term deposits with licensed banks or financial institutions in Hong Kong.

UNDERWRITERS

Hong Kong Underwriters:

BNP Paribas Peregrine
BCOM Securities Company Limited
BOCI Asia Limited
Core Pacific-Yamaichi International (H.K.) Limited
DBS Asia Capital Limited
Guotai Junan Securities (Hong Kong) Limited
ICEA Capital Limited

International Placing Underwriters:

BNP Paribas Peregrine
BOCI Asia Limited
DBS Asia Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Company initially offers 50,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Application Forms and 450,000,000 International Placing Shares (subject to adjustment and the Over-allotment Option) for subscription by way of International Placing on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee granting listing of, and permission to deal in the Shares not later than 15 December 2005 (or such later date as the Global Coordinator (on behalf of the Hong Kong Underwriters) may agree but in any case not later than 29 December 2005) and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing from BNP Paribas Peregrine (for itself and on behalf of the Hong Kong Underwriters) if any of the following events occur prior to 8:00 a.m. on the Listing Date:

(1) there has come to the notice of BNP Paribas Peregrine:

(a) that any statement, reasonably considered by BNP Paribas Peregrine to be material, contained in this prospectus, the Application Forms, the preliminary offering circular and/or the offering circular in relation to the Global Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by BNP Paribas Peregrine to be material to the Global Offering; or

(c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Hong Kong Underwriters or the International Placing Underwriters or BNP Paribas Peregrine); or

(d) any change or development involving a prospective change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole; or

(e) any breach, reasonably considered by BNP Paribas Peregrine to be material, of any of the warranties under the Hong Kong Underwriting Agreement;

(2) there shall develop, occur, exist or come into effect:

(a) any event, or series of events, beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and H5N1 and such related/mutated forms or interruption or delay in transportation) which in the reasonable opinion of BNP Paribas Peregrine has or would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or

(c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group (the "Specific Jurisdictions"); or

(d) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the U.S. or by the EU (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or

(e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or

(f) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(g) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or

(h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(i) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(j) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Specific Jurisdictions,

which in the sole opinion of BNP Paribas Peregrine (for itself and on behalf of the Hong Kong Underwriters) (1) is or will have or could be expected to have an adverse effect on the business, financial or other condition or prospects of the Group as a whole or in the case of paragraph (e) above, to any present or prospective shareholder of the Company in his, her or its capacity as such; or (2) has or will have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Global Offering to proceed.

Undertakings

The Company has undertaken to the Hong Kong Underwriters and each of them that it will not, and each of the Controlling Shareholders and executive Directors has jointly and severally undertaken to the Hong Kong Underwriters and each of them to procure, except pursuant to the Global Offering (including the Over-allotment Option, the issue of new Shares pursuant to the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme) and save as mentioned in this prospectus or with the prior written consent of BNP Paribas Peregrine (on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules, the Company will not, and will procure that its subsidiaries not, allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of the Company, or repurchase Shares or other securities of the Company, or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any Shares, or offer to or agree to do any of the foregoing or announce any intention to do so within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of the Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

Each of the Controlling Shareholders has jointly and severally undertaken to the Company and the Hong Kong Underwriters and each of them that without the prior written consent of BNP Paribas Peregrine (on behalf of the Hong Kong Underwriters), he or it shall not directly or indirectly (except in respect of Longerview, pursuant to or in connection with the Stock Borrowing Agreement) and will procure that the relevant registered holder(s) shall not in the period commencing on the date by reference to which disclosure of the shareholding of them is made in this prospectus and ending on a date which is twelve months from the Listing Date:

(a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or

(b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

(b) International Placing

International Underwriting Agreement

In connection with the International Placing, it is expected that the Company will enter into the International Underwriting Agreement with, *inter alia*, the International Placing Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the International Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or procure subscribers for the International Placing Shares being offered pursuant to the International Placing.

The Company intends to grant to the Global Coordinator the Over-allotment Option, exercisable by the Global Coordinator no later than 30 days from Thursday, 8 December 2005, being the last date for lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 75,000,000 additional Shares at the Offer Price in connection with over-allocations in the International Placing, if any.

(c) Underwriting Commission

The Underwriters will receive a commission of 2.5% of the aggregate Offer Price of the Offer Shares (including Shares to be issued pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commission. In consideration of the Sponsor's services in sponsoring the Global Offering, the Sponsor will also receive a financial advisory fee. Such fee and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, the investor compensation levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK$63.0 million in aggregate (based on an Offer Price of HK$2.0 per Share, being the mid-point of the stated range of the Offer Price of between HK$1.8 and HK$2.2 per Share and the assumption that the Over-allotment Option is not exercised) is to be borne by the Company.

(d) Underwriters' interests in the Company

Save as disclosed above and other than pursuant to the Underwriting Agreements, none of the Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$2.2 and is expected to be not less than HK$1.8 per Offer Share. Based on the maximum Offer Price of HK$2.2 per Offer Share, plus 1% brokerage fee, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee, one board lot of 2,000 Shares will amount to a total of HK$4,444.53.

The Offer Price is expected to be determined by the Company and the Global Coordinator (on behalf of the Underwriters) on or before Friday, 9 December 2005 (Hong Kong time).

If, based on the level of interests expressed by prospective professional and institutional investors during the book-building process, the Global Coordinator (on behalf of the Underwriters, and with the consent of the Company) thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications. In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. **If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.**

If, for any reason, the Offer Price is not agreed between the Company and the Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed and will lapse.

CONDITIONS

Acceptance of all applications for the Global Offering will be conditional upon:

(i) the Listing Committee granting a listing of, and permission to deal in the Shares (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined and the execution and delivery of the Underwriting Agreements on or about the Price Determination Date; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Global Coordinator on behalf of the Underwriters) and not being terminated in accordance with the terms of either agreement or otherwise, in each case on or before the dates and times specified in the Underwriting Agreements. If these conditions are not fulfilled, all application monies will be returned, without interest, on the terms set out in the section "How to apply for the Hong Kong Offer Shares". In the meantime, such monies will be held in a separate bank account with the receiving banker or other licensed bank(s) in Hong Kong.

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The Global Offering

The Global Offering consists of the International Placing and the Hong Kong Public Offering. The 500,000,000 Shares initially offered will comprise 450,000,000 Shares being offered under the International Placing and 50,000,000 Shares being offered under the Hong Kong Public Offering. The 500,000,000 Shares being offered under the Global Offering will represent approximately 25.13% of the Company's share capital immediately after completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme.

Subject to possible reallocation on the basis set forth below, 50,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 500,000,000 Shares offered pursuant to the Global Offering, 450,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will be placed with professional and institutional investors in Hong Kong, the United States, Europe and elsewhere under the International Placing. The International Placing Shares will be offered in Hong Kong, Europe and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S, and in the United States to QIBs, as defined in and in reliance on, Rule 144A.

In connection with the Global Offering, the Company has granted to the Global Coordinator the Over-allotment Option which is exercisable at any time within 30 days from Thursday, 8 December 2005, being the last date for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue up to an aggregate of 75,000,000 additional Shares (representing 15% of the number of Shares initially being offered under the Global Offering) to cover over-allocations in the International Placing. The Global Coordinator may also cover over-allocations in the International Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the exercise, in part or in full, of the Over-allotment Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, on completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme, the Offer Shares will represent approximately 27.85% of the Company's enlarged issued share capital.

If the Global Coordinator decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the International Placing. The International Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange.

The levels of indication of interest in the International Placing and the basis of allotment and the results of applications under the Hong Kong Public Offering are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) on or before Wednesday, 14 December 2005.

The net proceeds from the Global Offering, after deducting commissions and expenses and assuming an Offer Price of HK$2.0 per Share (being the mid-point of the stated range of the Offer Price between HK$1.8 to HK$2.2 per Share) and that the Over-allotment Option is not exercised at all, are estimated to be approximately HK$937.0 million. If the Over-allotment Option is exercised in full, the Company would receive additional net proceeds (after deducting commissions and expenses attributable to the exercise of the Over-allotment Option) of approximately HK$146.2 million.

The Hong Kong Public Offering

The Company is initially offering 50,000,000 Hong Kong Offer Shares, representing 10% of the total number of Shares initially being offered in the Global Offering, for subscription by way of a public offer in Hong Kong. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Underwriting Agreements.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e., 25,000,000 Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Shares between the International Placing and the Hong Kong Public Offering is subject to adjustment.

If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 150,000,000 Shares, representing 30% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offering will be 200,000,000 Shares, representing 40% of the Shares initially available for subscription under the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 250,000,000 Shares, representing 50% of the Shares initially available for subscription under the Global Offering. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offering is not fully subscribed, the Global Coordinator, in its discretion, may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

BNP Paribas Peregrine is the Global Coordinator and Lead Manager of the Hong Kong Public Offering which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Hong Kong Underwriting Agreement.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro-rata basis, although this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The International Placing

The Company is initially offering 450,000,000 International Placing Shares, representing 90% of the total number of Shares initially being offered in the Global Offering (subject to the Over-allotment Option), for subscription by way of the International Placing subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering. The International Placing is fully underwritten by the International Placing Underwriters, subject to the terms and conditions of the International Underwriting Agreement.

The International Placing Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, retail investors should apply for Shares in the Hong Kong Public Offering, as retail investors applying for International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its shareholders as a whole.

The International Placing Underwriters or selling agents nominated by the International Placing Underwriters shall, on behalf of the Company, conditionally place the International Placing Shares with professional and institutional investors in Hong Kong, the United States (pursuant to Rule 144A and Regulation S), Europe and other regions. The International Placing shall be subject to the Global Offering restrictions set out under the section “Information about this prospectus and the Global Offering”.

The International Placing is conditional on the same conditions as set out in the section “Conditions” above. The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section “The Hong Kong Public Offering” above, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT AND STABILISATION

The Over-allotment Option

In connection with the Global Offering, the Company intends to grant to the Global Coordinator the Over-allotment Option, which will be exercisable by the Global Coordinator at any time within 30 days from Thursday, 8 December 2005, being the last date for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 75,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Global Offering, in connection with over-allocations in the International

Placing, if any, to be issued and all issued on the same terms and conditions as the Shares subject to be offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.63% of the Company's enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option and the Capitalisation Issue but without taking into account any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Stabilisation Action

In connection with the Global Offering, the Global Coordinator, or any person acting for it, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions, if commenced, may be discontinued at any time. The Global Coordinator has been or will be appointed as stabilising manager for purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Global Coordinator and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation. An announcement will be made to the public within seven days after the end of the stabilising period as required under the Securities and Futures (Price Stabilising) Rules made under the SFO.

Following any over-allotment of Shares in connection with the Global Offering, the Global Coordinator or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 75,000,000 Shares representing 15% of the Shares initially available under the Global Offering.

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Global Coordinator (or its affiliate(s)) may choose to borrow Shares from Longerview under stock borrowing arrangements, or acquire Shares from other sources, including exercise of the Over-allotment Option. Such stock borrowing arrangements include the Stock Borrowing Agreement. For the purpose of the stock borrowing arrangements under the Stock Borrowing Agreement, the Stock Exchange has agreed to grant a waiver to Longerview from strict compliance with rule 10.07(1)(a) of the Listing Rules which otherwise restricts the disposal of shares by controlling shareholders following a new listing. The waiver is subject to the conditions that:

(a) the stock borrowing arrangements with Longerview under the Stock Borrowing Agreement may only be effected by the Global Coordinator for the settlement of over-allocations in connection with the International Placing;

(b) the maximum number of Shares borrowed from Longerview will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

(c) the same number of Shares borrowed from Longerview must be returned to it or its nominees (as the case may be) no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; or (ii) the date on which the Over-allotment Option is exercised in full; and

(d) Longerview will not receive any payment or benefit in respect of such stock borrowing arrangement and the stock borrowing arrangement entered into will be conducted in accordance with all applicable laws and regulatory requirements.

The possible stabilising action which may be taken by the Global Coordinator in connection with the Global Offering may involve (among other things) (i) over-allotment of Shares, (ii) purchases of, or agreement to purchase, Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Global Coordinator may, in connection with any stabilising action, maintain a long position in the Shares

- there is no certainty regarding the extent to which and the time period for which the Global Coordinator will maintain such a position

- liquidation of any such long position by the Global Coordinator may have an adverse impact on the market price of the Shares

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price and is expected to expire on Saturday, 7 January 2006, being the 30th day after the date expected to be the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall

- the price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares

LISTING ON ANY OTHER STOCK EXCHANGE

The Directors are not considering any listing of the Company on any other overseas stock exchange. The Company has not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. METHODS TO APPLY FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form; or
- **electronically instructing** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

2. WHICH APPLICATION METHOD YOU SHOULD USE

(a) WHITE Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) YELLOW Application Forms

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(c) Instruct HKSCC to make an electronic application on your behalf

Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

3. WHERE TO COLLECT THE APPLICATION FORMS

(a) You can collect a **WHITE** Application Form and a prospectus from:

Any participant of the Stock Exchange

BNP Paribas Peregrine Capital Limited
61st Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

BCOM Securities Company Limited
3rd Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road Central
Hong Kong

Core Pacific-Yamaichi International (H.K.) Limited
36/F, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

DBS Asia Capital Limited
22nd Floor, The Center
99 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ICEA Capital Limited
26/F, ICBC Tower
3 Garden Road
Central
Hong Kong

or any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

	Branches	**Address**
Hong Kong Island:	Des Voeux Road	Standard Chartered Bank Building 4–4A, Des Voeux Road Central Central Hong Kong
	88 Des Voeux Road	88 Des Voeux Road Central Central Hong Kong
	Central	Shop no. 16 G/F and Lower G/F New World Tower 16–18 Queen's Road Central Central Hong Kong
	Hennessy Road	399 Hennessy Road Wanchai Hong Kong
	Leighton Centre	Shop 12–16, UG/F Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
	Quarry Bay	G/F, Westlands Gardens 1027 King's Road Quarry Bay Hong Kong
Kowloon:	Mongkok	Shop B, G/F, 1/F & 2/F 617–623 Nathan Road Mongkok Kowloon
	Tsimshatsui	G/F, 10 Granville Road Tsimshatsui Kowloon
	Cheung Sha Wan	828 Cheung Sha Wan Road Cheung Sha Wan Kowloon
	Kwun Tong	88–90 Fu Yan Street Kwun Tong Kowloon
New Territories:	Tsuen Wan	Shop C G/F & 1/F, Jade Plaza no. 298 Sha Tsui Road Tsuen Wan New Territories

(b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 November 2005 until 12:00 noon on Thursday, 8 December 2005 from:

- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

- the Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128–140 Queen's Road Central, Hong Kong.

(c) Your broker may have **YELLOW** Application Forms and this prospectus available.

4. WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

(a) WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Thursday, 8 December 2005, or, if the Application Lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the Application Lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Wednesday, 30 November 2005	**—**	**9:00 a.m. to 4:00 p.m.**
Thursday, 1 December 2005	**—**	**9:00 a.m. to 4:00 p.m.**
Friday, 2 December 2005	**—**	**9:00 a.m. to 4:00 p.m.**
Saturday, 3 December 2005	**—**	**9:00 a.m. to 12:00 noon**
Monday, 5 December 2005	**—**	**9:00 a.m. to 4:00 p.m.**
Tuesday, 6 December 2005	**—**	**9:00 a.m. to 4:00 p.m.**
Wednesday, 7 December 2005	**—**	**9:00 a.m. to 4:00 p.m.**
Thursday, 8 December 2005	**—**	**9:00 a.m. to 12:00 noon**

(b) Electronic application instructions to HKSCC

CCASS Broker Participants and CCASS Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Wednesday, 30 November 2005	**—**	**9:00 a.m. to 8:30 p.m.[1]**
Thursday, 1 December 2005	**—**	**9:00 a.m. to 8:30 p.m.[1]**
Friday, 2 December 2005	**—**	**9:00 a.m. to 8:30 p.m.[1]**
Saturday, 3 December 2005	**—**	**9:00 a.m. to 3:00 p.m.[1]**
Monday, 5 December 2005	**—**	**9:00 a.m. to 8:30 p.m.[1]**
Tuesday, 6 December 2005	**—**	**9:00 a.m. to 8:30 p.m.[1]**
Wednesday, 7 December 2005	**—**	**9:00 a.m. to 8:30 p.m.[1]**
Thursday, 8 December 2005	**—**	**9:00 a.m.[1] to 12:00 noon**

Note 1: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 November 2005 until 12:00 noon on Thursday, 8 December 2005 (24 hours daily, except the last application date).

(c) Application Lists

The Application Lists will be opened from 11:45 a.m. to 12:00 noon on Thursday, 8 December 2005, except as provided in the sub-paragraph headed "Effect of bad weather conditions on the opening of the Application Lists" below. No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made until after the closing of the Application Lists.

(d) Effect of bad weather conditions on the opening of the Application Lists

The Application Lists will be opened between 11:45 a.m. and 12:00 noon on Thursday, 8 December 2005, subject to weather conditions. The Application Lists will not be open in relation to the Hong Kong Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 8 December 2005, or if there are similar extraneous factors as are acceptable to the Stock Exchange. Instead, they will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

If the Application Lists do not open and close on Thursday, 8 December 2005, the dates mentioned in the section headed "Expected Timetable" in this prospectus may be affected. A press announcement will be made by the Company in such event.

5. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain a **WHITE** or **YELLOW** Application Form.

(b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

(c) Decide how many Hong Kong Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the maximum Offer Price of HK$2.2 per Hong Kong Offer Share, plus brokerage fee of 1%, the SFC transaction levy of 0.005%, the investor compensation levy of 0.002% and the Stock Exchange trading fee of 0.005%. The table below sets out the total amount payable for the specified number of Hong Kong Offer Shares.

Each application must be in one of the numbers set out in the table below:

Table of multiples and payments

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
2,000	4,444.53	100,000	222,226.40	3,000,000	6,666,792.00	13,000,000	28,889,432.00
4,000	8,889.06	150,000	333,339.60	3,500,000	7,777,924.00	14,000,000	31,111,696.00
6,000	13,333.58	200,000	444,452.80	4,000,000	8,889,056.00	15,000,000	33,333,960.00
8,000	17,778.11	250,000	555,566.00	4,500,000	10,000,188.00	16,000,000	35,556,224.00
10,000	22,222.64	300,000	666,679.20	5,000,000	11,111,320.00	17,000,000	37,778,488.00
12,000	26,667.17	350,000	777,792.40	5,500,000	12,222,452.00	18,000,000	40,000,752.00
14,000	31,111.70	400,000	888,905.60	6,000,000	13,333,584.00	19,000,000	42,223,016.00
16,000	35,556.22	450,000	1,000,018.80	6,500,000	14,444,716.00	20,000,000	44,445,280.00
18,000	40,000.75	500,000	1,111,132.00	7,000,000	15,555,848.00	21,000,000	46,667,544.00
20,000	44,445.28	600,000	1,333,358.40	7,500,000	16,666,980.00	22,000,000	48,889,808.00
30,000	66,667.92	700,000	1,555,584.80	8,000,000	17,778,112.00	23,000,000	51,112,072.00
40,000	88,890.56	800,000	1,777,811.20	8,500,000	18,889,244.00	24,000,000	53,334,336.00
50,000	111,113.20	900,000	2,000,037.60	9,000,000	20,000,376.00	25,000,000	55,556,600.00
60,000	133,335.84	1,000,000	2,222,264.00	9,500,000	21,111,508.00		
70,000	155,558.48	1,500,000	3,333,396.00	10,000,000	22,222,640.00		
80,000	177,781.12	2,000,000	4,444,528.00	11,000,000	24,444,904.00		
90,000	200,003.76	2,500,000	5,555,660.00	12,000,000	26,667,168.00		

Note 1: The maximum number of the Hong Kong Offer Shares that you may apply for is 25,000,000 Shares.

Note 2: The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) and up to the value of pool B.

(d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company's chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorised attorney, the Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

(e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;

- be drawn on your Hong Kong dollar bank account in Hong Kong;

- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;

- be made payable to "Horsford Nominees Limited — China Ting Public Offer"; and

- be crossed "Account Payee Only".

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;

- be in Hong Kong dollars;

- be made payable to "Horsford Nominees Limited — China Ting Public Offer"; and

- be crossed "Account Payee Only".

Your application is liable to be rejected if your banker's cashier order does not meet all these requirements.

(f) If you are applying for Shares using a **WHITE** or **YELLOW** Application Form, you should lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in sub-paragraphs 3(a) and 4(a) above.

(g) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed "How many applications you can make" in the section headed "Terms and conditions of the Hong Kong Public Offering" in this prospectus.

(h) In order for the **YELLOW** Application Forms to be valid:

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
  - the designated CCASS Participant or its authorised signatories must sign in the appropriate box; and
  - the designated CCASS Participant must endorse the form with its company's chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- If you are applying as an individual CCASS Investor Participant:
  - you must fill in your full name and your Hong Kong Identity Card number; and
  - you must insert your CCASS Participant I.D. and sign in the appropriate box.
- If you are applying as a joint individual CCASS Investor Participant:
  - you must insert all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
  - you must insert your CCASS Participant I.D. and the authorised signatory or signatories of the CCASS Investor Participant's stock account must sign in the appropriate box.
- If you are applying as a corporate CCASS Investor Participant:
  - you must insert your company name and your company's Hong Kong business registration number; and
  - you must fill in your CCASS Participant I.D. and stamp your company's chop (bearing your company's name) in the presence of the authorised signatory or signatories of the CCASS Investor Participant's stock account in the appropriate box.

The signature(s), number of signatories and form of chop, where appropriate, in each **YELLOW** Application Form should match the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory or signatories (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

(i) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

6. HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not strictly follow the instructions your application may be rejected.

If the Offer Price as finally determined is less than HK$2.2 per Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful or partially successful applications, without interest. Details of the procedure for refunds are set out below in the paragraph headed "Refund of your money — additional information" in the section headed "Terms and conditions of the Hong Kong Public Offering" in this prospectus.

7. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

(b) If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at *https://ip.ccass.com* (according to the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Customer Service Centre of HKSCC
at Upper Ground Floor
V-Heun Building
128–140 Queen's Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

(c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares.

(d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Broker Participant or CCASS Custodian Participant to the Company and the Hong Kong Branch Share Registrar.

(e) you may give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the Application Form.

(f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in sub-paragraph (c) in the paragraph headed "Effect of making any application" in the section headed "Terms and conditions of the Hong Kong Public Offering".

(g) For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

(h) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application.

(i) For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

(j) The paragraph headed "Personal data" in the section headed "Terms and conditions of the Hong Kong Public Offering" applies to any personal data held by the Sponsor, the Company and the Hong Kong Branch Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

Application for Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Global Coordinator and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

(a) submit the WHITE or YELLOW Application Form (as appropriate); or

(b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Thursday, 8 December 2005 or such later time as described under the sub-paragraph headed "Effect of bad weather conditions on the opening of the Application Lists" above.

8. RESULTS OF ALLOCATIONS

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC, which will include the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of the Hong Kong Offer Shares successfully applied for, are expected to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before Wednesday, 14 December 2005.

TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

1. GENERAL

(a) If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with the Company and the Global Coordinator (on behalf of the Hong Kong Underwriters) as set out below.

(b) If you electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.

(c) In this section, references to "you", "applicants", "joint applicants" and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees are applying for the Hong Kong Offer Shares; and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.

(d) Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, the paragraph headed "The Hong Kong Public Offering" in the section headed "Structure of the Global Offering", and in the section headed "How to Apply for the Hong Kong Offer Shares" and the terms and conditions set out in the relevant Application Form or imposed by HKSCC (as the case may be) prior to making an application.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

(a) You offer to purchase from the Company at the Offer Price the number of the Hong Kong Offer Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.

(b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" and "Refund of your money — additional information" in this section.

(c) Any application may be rejected in whole or in part.

(d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. ACCEPTANCE OF YOUR OFFER

(a) The Hong Kong Offer Shares will be allocated after the Application Lists close. The Company expects to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, 14 December 2005.

(b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Wednesday, 14 December 2005 in the manner described in the paragraph headed "Results of allocations" in the section headed "How to apply for Hong Kong Offer Shares".

(c) The Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.

(d) If the Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

(e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. HOW MANY APPLICATIONS YOU CAN MAKE

(a) You may make more than one application for the Hong Kong Offer Shares only if:

- You are a **nominee**, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one application in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

  — an account number; or

  — another identification number

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are liable to be rejected.

(b) **All** of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and other joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC to apply for more than 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering (that is, to apply for more than 25,000,000 Hong Kong Offer Shares); or
- receive any International Placing Shares under the International Placing.

(c) **All** of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and: (i) the only business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. ***Unlisted company*** means a company with no equity securities listed on the Stock Exchange. ***Statutory control*** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

5. EFFECT OF MAKING ANY APPLICATION

(a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- **instruct** and **authorise** the Company, the Sponsor and/or the Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles;

- **represent** and **warrant** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form (as defined in Regulation S) and are not a U.S. person described under the U.S. Securities Act;

- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, BNP Paribas Peregrine and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;

- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

- (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;

- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;

- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by the Company;

- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;

- **warrant** the truth and accuracy of the information contained in your application;

- **agree** to disclose to the Company, the Global Coordinator and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

- **authorise** the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form that you wish to collect your share certificated and refund cheque (where applicable) in person, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Wednesday, 14 December 2005 from Computershare Hong Kong Investor Services Limited at **3rd Floor, Futura Plaza, 111–113 How Ming Street, Kwun Tong, Kowloon**;

- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, BNP Paribas Peregrine and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- **agree** with the Company, for itself and for the benefit of each shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of the Company) to observe and comply with the Companies Ordinance, Companies Law, the Memorandum of Association and the Articles;

- **agree** with the Company, each shareholder, director, manager and officer of the Company, and the Company acting for itself and for each director, manager and officer of the Company agrees with each Shareholder, to refer all differences and claims arising from the Articles or any rights or obligations conferred or imposed by the Companies Ordinance, Companies Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- **agree** with the Company and each shareholder of the Company that Shares are freely transferable by the holders thereof;

- **authorise** the Company to enter into a contract on behalf of you with each director and officer of the Company whereby such directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in the Articles;

- **confirm** that you are aware of the restrictions on offering of the Hong Kong Offer Shares described in this prospectus; and

- **understand** that these declarations and representations will be relied upon by the Company and BNP Paribas Peregrine in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application.

(b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you **agree** that:

- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

- each of HKSCC and HKSCC Nominees reserves the right (1) **not to accept** any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or **not to accept** such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be **withdrawn** from CCASS and transferred into your name at your own risk and costs; and (3) to cause such **allotted Hong Kong Offer Shares to be issued in your name** (or, if you are a joint applicant, to the first-named applicant) and in such a case, to **post the share certificates** for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post **or to make available the same for your collection**;

- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;

- neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms;

- neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

(c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:

- **instruct** and **authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- **instruct** and **authorise** HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK$2.2 per Hong Kong Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;

- (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on your behalf the following:

  — **agree** that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

  — **undertake** and **agree** to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;

  — (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

  — (if you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

  — **understand** that the above declaration will be relied upon by the Company and BNP Paribas Peregrine in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

— **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund in accordance with arrangements separately agreed between the Company and HKSCC;

— **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— **confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Broker Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;

— **agree** that the Company, BNP Paribas Peregrine and the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus;

— **agree** (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

— **agree** to disclose your personal data to BNP Paribas Peregrine, the Company, the Hong Kong Branch Share Registrar, the Receiving Banker, their respective agents and advisers together with any information about you which they require;

— **agree** that you cannot revoke **electronic application instructions** before Thursday, 29 December 2005, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Thursday, 29 December 2005, except by means of one of the procedures referred to in this prospectus. However, you may revoke the instructions before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— **agree** that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offering made available by the Company; and

— **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that you cannot revoke your application before Thursday, 29 December 2005. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Thursday, 29 December 2005 except by means of one of the procedures referred to in this prospectus. For this purpose, acceptance of applications which are not rejected will be constituted by announcement of the basis of allocation and/or making available the results of allocation publicly, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

However, you may revoke your application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allocation of Hong Kong Offer Shares is void:

Your allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the Application Lists.

(c) If you make applications under the Hong Kong Public Offering as well as the International Placing:

By filling in any of the Application Forms or giving application instructions to HKSCC electronically, you agree not to apply for International Placing Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(d) If the Company, the Global Coordinator or their respective agents exercise their discretion:

The Company, the Global Coordinator or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance, if:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive International Placing Shares under the International Placing;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription;
- the Company is of the view that by accepting your application, it would violate applicable securities laws, rules or regulations or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof.

(e) If you are giving **electronic application instructions** to HKSCC to apply for Hong Kong Offer Shares on your behalf, you will also not be allocated any Hong Kong Offer Shares if HKSCC Nominees' application is not accepted.

7. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) If you are applying using a WHITE Application Form and you elect to receive any share certificate(s) in your name:

- Refund cheques for these applicants who apply for less than 1,000,000 Hong Kong Offer Shares are expected to be despatched on or before Wednesday, 14 December 2005 to the same address as that for share certificate(s), being the address specified in the relevant Application Form.

- Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect share certificates and refund cheques (where applicable) in person from the Company's Hong Kong Branch Share Registrar may collect share certificates and refund cheques (where applicable) in person from the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at **3rd Floor, Futura Plaza, 111–113 How Ming Street, Kwun Tong, Kowloon**, from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 December 2005.

- Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's chop. Both individuals and authorised representative (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

- Uncollected share certificates and refund cheques (where applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms.

(b) If: (i) you are applying on a YELLOW Application Form; or (ii) you are giving electronic application instructions to HKSCC, and in each case you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), at the close of business on Wednesday, 14 December 2005 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

The Company is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "Results of allocations" in the section headed "How to apply for the Hong Kong Offer Shares", on Wednesday, 14 December 2005. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 December 2005 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

- **If you have given electronic application instructions to HKSCC:**

The Company is expected to make available the application results of the Hong Kong Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Broker Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner), your Hong Kong Identity Card/passport/Hong Kong business registration number or other identification code (as appropriate) in the manner described in the paragraph headed "Results of allocations" in the section headed "How to apply for the Hong Kong Offer Shares", on Wednesday, 14 December 2005. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 14 December 2005 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your CCASS Broker Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

You can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (if any) payable to you with that CCASS Broker Participant or CCASS Custodian Participant.

- **If you are applying as a CCASS Investor Participant by giving electronic instruction to HKSCC:**

  You can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 14 December 2005. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account), HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund credited (if any) to your designated bank account.

No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.

8. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

(a) You will be entitled to a refund if:

- your application is not successful, in which case the Company will refund your application money together with the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee to you, without interest;

- your application is accepted only in part, in which case the Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee, without interest;

- the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case the Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee, without interest; and

- the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions".

Any interest accrued on refund money prior to the date of despatch of refund cheques will be retained for the benefit of the Company.

(b) If you apply on **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in your application form that you wish to collect refund cheque in person, you may collect your refund cheque (if any) in person from the Hong Kong Branch Share Registrar at **3rd Floor, Futura Plaza, 111–113 How Ming Street, Kwun Tong, Kowloon** from 9:00 a.m. to 1:00 p.m. on Wednesday, 14 December 2005. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for

WHITE Application Form applicants set out in sub-paragraph (a) of the paragraph headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" in this section.

(c) If you are applying by **giving electronic instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Broker/Custodian Participant) on Wednesday, 14 December 2005.

(d) All refunds by cheque will be crossed "Account Payee Only", and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form.

(e) Refund cheques are expected to be despatched on Wednesday, 14 December 2005. The Company intends to make special efforts to avoid undue delays in refunding money. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

9. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the "Ordinance") came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of the Company and the Hong Kong Branch Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and the Hong Kong Branch Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Company or its Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of or encashment of refund cheque(s) to which you are entitled.

It is important that holders of securities inform the Company and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and Shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Branch Share Registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by the Company and the Hong Kong Branch Share Registrar relating to the applicants and the holders of securities will be kept confidential but the Company and the Hong Kong Branch Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- the Company or its appointed agents such as financial advisers and Receiving Bankers;

- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);

- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or the Hong Kong Branch Share Registrar in connection with the operation of their businesses;

- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and

- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether the Company and/or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, the Company and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to the Company for the attention of the Company Secretary or (as the case may be) the Hong Kong Branch Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

10. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 15 December 2005.

- The Shares will be traded in board lots of 2,000 Shares.

- Any share certificates in respect of Hong Kong Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

(b) The Shares will be eligible for admission into CCASS

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

- All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants to the Company.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

30 November 2005

The Directors
China Ting Group Holdings Limited
BNP Paribas Peregrine Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to China Ting Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2004 and 2005 ("the Relevant Periods") for inclusion in the prospectus of the Company dated 30 November 2005 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 31 May 2005 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as combined and revised) of the Cayman Islands. On 18 November 2005, the Company acquired the entire issued share capital of Witpower Investments Limited, Skyyear Holdings Limited, Joyocean Investments Limited, Manfame Investments Limited and Oceanroc Investments Limited, companies incorporated in the British Virgin Islands, through share exchanges (the "Reorganisation") and consequently became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in Section II — Note 1.

All companies now comprising the Group and associates have adopted 31 December as their financial year end date except for Concept Creator Fashion Limited, Concept Creator Limited, Hong Kong Fuhowe Fashion Company Limited and Interfield Industrial Limited which have adopted 31 March as their financial year end date. For the purposes of this report, the unaudited management accounts of these companies for each of the Relevant Periods have been used to prepare the financial information below.

Particulars of the subsidiaries now comprising the Group and its associates are set out in Section II — Notes 1 and 10.

The audited accounts of the companies now comprising the Group for which there is a statutory audit requirement have been prepared in accordance with the relevant accounting principles generally accepted in the place of incorporation/establishment of those companies. The names of the statutory auditors of these companies are set out in Section II — Note 1. For the purpose of this report, we have carried out independent audit procedures on the management accounts of those companies which we are not their statutory auditors for the three years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005 in accordance with Statements of Auditing Standards ("SAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For other companies where there is no statutory audit requirement or there have not been any significant business transactions entered into since their respective dates of incorporation/establishment, other than the Reorganisation referred to herein, we have reviewed all significant transactions of these companies for the Relevant Periods or since their respective dates of incorporation/ establishment, whichever period is the shorter.

We have examined the audited accounts or, where appropriate, the unaudited management accounts of the associates and all companies now comprising the Group for each of the three years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005 and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by HKICPA.

We have reviewed the financial information for the five months ended 31 May 2004 in accordance with SAS 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of the Group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information for the five months ended 31 May 2004.

The financial information as set out in Sections I to III (the "Financial Information") has been prepared based on the audited accounts or, where appropriate, unaudited management accounts of the associates and all companies now comprising the Group, on the basis set out in Note 2 of section II below, after making such adjustments as are appropriate. The directors of the respective associates and companies now comprising the Group, during the Relevant Periods, are responsible for preparing these accounts which give a true and fair view. In preparing these accounts, it is fundamental that appropriate accounting policies are selected and applied consistently.

The directors of the Company are responsible for the Financial Information. It is our responsibility to form an independent opinion, based on our examination and review, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, and prepared on the basis set out in Note 2 of Section II below, gives a true and fair view of the combined state of affairs of the Group as at 31 December 2002, 2003 and 2004 and 31 May 2005 and of the combined results and cash flows of the Group for each of the years/period then ended.

Moreover, on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the financial information for the five months ended 31 May 2004.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the combined financial information of the Group for the Relevant Periods, prepared on the basis set out in Note 2 of Section II below and after making such adjustments as are appropriate:

(a) Combined balance sheets

		At 31 December			At 31 May
		2002	2003	2004	2005
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Property, plant and equipment	7	182,418	304,244	274,714	288,156
Investment properties	8	3,120	3,040	4,310	4,670
Leasehold land and land use rights	9	16,258	23,487	43,622	46,253
Interest in associates	10	2,377	30,533	45,117	56,324
Intangible assets	11	—	—	29,655	29,768
Deferred tax assets	22	320	1,195	1,173	1,806
Total non-current assets		204,493	362,499	398,591	426,977
Current assets					
Inventories	12	83,491	139,692	187,665	173,161
Due from related companies	13, 36(b)(i)	156,727	186,926	159,874	49,668
Due from associates	10	—	—	4,238	—
Due from directors	14, 36(b)(ii)	56,583	41,178	28,468	33,741
Trade and bills receivable	15	135,332	143,770	188,583	174,200
Other receivables, deposits and prepayments	16	71,610	83,150	52,620	40,610
Tax recoverable		730	1,924	1,332	2,671
Pledged bank deposits	17	—	1,744	17,850	10,480
Term deposits with initial term of over three months	18	—	—	1,692	940
Cash and cash equivalents	18	51,448	73,388	137,936	373,007
Total current assets		555,921	671,772	780,258	858,478
Total assets		760,414	1,034,271	1,178,849	1,285,455

	Note	At 31 December 2002 HK$'000	2003 HK$'000	2004 HK$'000	At 31 May 2005 HK$'000
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	19	3,028	3,028	3,038	3,038
Retained earnings	20	123,324	203,672	389,379	560,739
Other reserves	20	107,281	41,187	48,231	61,313
		233,633	247,887	440,648	625,090
Minority interests		11,124	88,834	95,515	98,973
Total equity		244,757	336,721	536,163	724,063
LIABILITIES					
Non-current liabilities					
Borrowings	21	—	9,425	13,231	9,311
Deferred tax liabilities	22	266	160	108	109
Total non-current liabilities		266	9,585	13,339	9,420
Current liabilities					
Trade and bills payables	23	169,035	215,639	176,164	221,629
Other payables and accruals	24	94,757	82,948	93,144	82,860
Borrowings	21	86,858	186,690	200,660	163,255
Due to related companies	13, 36(b)(iii)	—	30	—	711
Due to associates	10	—	2,489	—	2,173
Due to directors	14, 36(b)(iv)	159,492	187,367	142,321	41,740
Tax payable		5,249	12,802	17,058	39,604
Total current liabilities		515,391	687,965	629,347	551,972
Total liabilities		515,657	697,550	642,686	561,392
Total equity and liabilities		760,414	1,034,271	1,178,849	1,285,455
Net current assets/(liabilities)		40,530	(16,193)	150,911	306,506
Total assets less current liabilities		245,023	346,306	549,502	733,483

(b) Combined income statements

	Note	Year ended 31 December 2002 HK$'000	2003 HK$'000	2004 HK$'000	Five months ended 31 May 2004 HK$'000 (unaudited)	2005 HK$'000
Turnover	6	711,903	980,015	1,401,465	621,915	833,481
Cost of sales		(527,024)	(702,082)	(967,807)	(419,719)	(506,545)
Gross profit		184,879	277,933	433,658	202,196	326,936
Other revenues	6	744	902	6,505	1,595	652
Other gains, net	25	24,283	19,918	26,637	5,972	5,474
Selling, marketing and distribution costs		(60,448)	(80,600)	(108,716)	(38,796)	(41,072)
Administrative expenses		(51,243)	(107,018)	(114,930)	(43,485)	(47,038)
Operating profit		98,215	111,135	243,154	127,482	244,952
Finance costs	26	(1,142)	(6,974)	(10,191)	(4,380)	(3,264)
Share of profit of associates	10	3,317	3,669	10,391	4,013	5,803
Profit before income tax		100,390	107,830	243,354	127,115	247,491
Income tax expense	27	(6,050)	(12,799)	(30,186)	(15,194)	(36,151)
Profit for the year/period		94,340	95,031	213,168	111,921	211,340
Attributable to:						
Company's equity holders		87,033	85,272	192,803	100,833	198,563
Minority interests		7,307	9,759	20,365	11,088	12,777
		94,340	95,031	213,168	111,921	211,340
Dividend	30	—	—	—	—	15,150

(c) Combined statements of changes in equity

	Attributable to the Company's equity holders					
	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2002	20	39,821	38,865	78,706	28,144	106,850
Currency translation differences		577	—	577	3	580
Profit for the year		—	87,033	87,033	7,307	94,340
Total recognised income for the year		577	87,033	87,610	7,310	94,920
Capital contribution from Controlling Shareholders *(note 20)*	—	64,309	—	64,309	—	64,309
Capital contribution to new subsidiaries	3,008	—	—	3,008	—	3,008
Acquisition of additional interests in subsidiaries *(note 2)*	—	—	—	—	(9,338)	(9,338)
Acquisition of subsidiaries *(note 35)*	—	—	—	—	1,976	1,976
Dividend paid to minority shareholders	—	—	—	—	(16,968)	(16,968)
Profit appropriation	—	2,574	(2,574)	—	—	—
Balance at 31 December 2002	3,028	107,281	123,324	233,633	11,124	244,757
Currency translation differences		(1,673)	—	(1,673)	—	(1,673)
Profit for the year		—	85,272	85,272	9,759	95,031
Total recognised income for the year		(1,673)	85,272	83,599	9,759	93,358
Capital contribution by a minority shareholder	—	—	—	—	3,787	3,787
Disposal of interests in certain subsidiaries to minority equity holders *(note 20)*	—	(69,345)	—	(69,345)	69,345	—
Dilution of minority interest upon capital contribution to a subsidiary by the Group *(note 2)*	—	—	—	—	(5,181)	(5,181)
Profit appropriation	—	4,924	(4,924)	—	—	—
Balance at 31 December 2003	3,028	41,187	203,672	247,887	88,834	336,721

	Attributable to the Company's equity holders					
	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 31 December 2003	3,028	41,187	203,672	247,887	88,834	336,721
Currency translation differences		(52)	—	(52)	(2)	(54)
Profit for the year		—	192,803	192,803	20,365	213,168
Total recognised income for the year		(52)	192,803	192,751	20,363	213,114
Capital contribution to a new subsidiary	10	—	—	10	—	10
Acquisition of additional interest in a subsidiary *(note 2)*	—	—	—	—	(13,682)	(13,682)
Profit appropriation	—	7,096	(7,096)	—	—	—
Balance at 31 December 2004	3,038	48,231	389,379	440,648	95,515	536,163
Currency translation differences		1,029	—	1,029	(56)	973
Profit for the period		—	198,563	198,563	12,777	211,340
Total recognised income for the period		1,029	198,563	199,592	12,721	212,313
Acquisition of subsidiaries *(note 35)*	—	—	—	—	4,874	4,874
Acquisition of additional interest in subsidiaries *(note 2)*	—	—	—	—	1,414	1,414
Dividend *(note 30)*	—	—	(15,150)	(15,150)	(15,551)	(30,701)
Profit appropriation	—	12,053	(12,053)	—	—	—
Balance at 31 May 2005	3,038	61,313	560,739	625,090	98,973	724,063

For the five months ended 31 May 2004 (unaudited)

	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
Balances at 31 December 2003	3,028	41,187	203,672	247,887	88,834	336,721
Currency translation differences		1,442	—	1,442	—	1,442
Profit for the period		—	100,833	100,833	11,088	111,921
Total recognised income for the period		1,442	100,833	102,275	11,088	113,363
Capital contribution to a new subsidiary	10	—	—	10	—	10
Profit appropriation	—	3,822	(3,822)	—	—	—
Balance at 31 May 2004	3,038	46,451	300,683	350,172	99,922	450,094

(d) Combined cash flow statements

		Year ended 31 December			Five months ended 31 May	
		2002	2003	2004	2004	2005
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Cash flows from operating activities						
Cash generated from operations	32	93,743	91,756	164,021	137,085	339,582
Interest paid		(1,142)	(6,974)	(10,191)	(4,380)	(3,264)
Income tax paid		(2,854)	(7,421)	(25,368)	(10,499)	(15,232)
Net cash generated from operating activities		89,747	77,361	128,462	122,206	321,086
Cash flows from investing activities						
Acquisition of minority interest		(550)	—	(11,705)	—	—
Acquisition of subsidiaries, net of cash acquired	35	(10,898)	—	—	—	575
Acquisition of associates		—	(24,487)	(4,193)	—	(9,360)
Purchases of property, plant and equipment		(113,911)	(136,396)	(20,312)	(18,376)	(24,827)
Proceeds from sales of property, plant and equipment and land use rights	32	—	—	4,965	—	6,406
Purchases of intangible assets		—	—	(31,216)	—	—
Acquisition of leasehold land		—	(7,699)	—	—	(2,764)
(Advance to)/ repayment from associates		(30,554)	2,489	(6,727)	(21,923)	6,411
Decrease/(increase) in term deposits with initial term of over three months		—	—	(1,692)	—	752
Decrease/(increase) in pledged deposits		—	(1,744)	(16,106)	1,744	7,370
Dividend received from an associate		3,500	—	—	—	—
Interest received		566	392	5,842	1,379	464
Net cash used in investing activities		(151,847)	(167,445)	(81,144)	(37,176)	(14,973)
Net cash (outflow)/ inflow before financing activities		(62,100)	(90,084)	47,318	85,030	306,113

		Year ended 31 December			Five months ended 31 May	
		2002	2003	2004	2004	2005
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash (outflow)/ inflow before financing activities		(62,100)	(90,084)	47,318	85,030	306,113
Cash flows from financing activities						
Proceeds from issuance of shares		59,571	—	10	10	—
Proceeds from borrowings		131,290	342,830	412,478	185,680	137,284
Repayment of borrowings		(111,821)	(233,573)	(394,702)	(170,529)	(178,609)
Dividend paid to equity holders		—	—	—	—	(15,150)
Dividends paid to minority shareholders		(16,968)	—	—	—	(15,551)
Capital contributions from minority shareholders		—	3,787	—	—	—
Net cash generated from/(used in) financing activities		62,072	113,044	17,786	15,161	(72,026)
Net (decrease)/ increase in cash and cash equivalents		(28)	22,960	65,104	100,191	234,087
Cash and cash equivalents at beginning of the year/period		50,898	51,448	73,388	73,388	137,936
Exchange gains/ (losses)		578	(1,020)	(556)	1,423	984
Cash and cash equivalents at end of the year/period		51,448	73,388	137,936	175,002	373,007

II. NOTES TO THE FINANCIAL INFORMATION

1. Group structure, reorganisation and principal activities

The Company was incorporated in the Cayman Islands on 31 May 2005 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as combined and revised) of the Cayman Islands.

On 30 August 2005 and 9 September 2005, pursuant to the Reorganisation, Witpower Investments Limited, Skyyear Holdings Limited, Oceanroc Investments Limited and Joyocean Investments Limited acquired, through share exchanges, the entire issued share capital of other companies now comprising the Group in which the equity holders have direct interests.

On 18 November 2005, pursuant to the Reorganisation, the Company acquired the entire issued share capital of Witpower Investments Limited, Skyyear Holdings Limited, Oceanroc Investments Limited, Joyocean Investments Limited and Manfame Investments Limited through share exchanges and became the holding company of the subsidiaries now comprising the Group.

The Group is engaged in garment manufacturing business for export markets with production base in the People's Republic of China (the "PRC"), retailing of branded fashion apparel primarily for women in the PRC and silk fabric weaving.

At the date of this report, the Company is beneficially owned by Mr. Ting Man Yi, Mr. Ting Hung Yi and Mr. Ding Jianer (collectively referred to as the "Controlling Shareholders") and has direct and indirect interests in the following subsidiaries:

Name of companies	Date and place of incorporation/ establishment	Place of operations	Issued/paid-in capital	Equity interest attributable to the Group	Principal activities	Type of legal entity	Statutory auditors 2002 *(note)*	2003 *(note)*	2004 *(note)*
Subsidiaries									
Directly held:									
Joyocean Investments Limited	11 April 2005 British Virgin Islands ("BVI")	Hong Kong	1,000 shares of US$1 each	100%	Investment holding	Limited liability company	(m)	(m)	(m)
Manfame Investments Limited	11 April 2005 BVI	Hong Kong	1,000 shares of US$1 each	100%	Investment holding	Limited liability company	(m)	(m)	(m)
Oceanroc Investments Limited	30 March 2005 BVI	Hong Kong	1,000 shares of US$1 each	100%	Investment holding	Limited liability company	(m)	(m)	(m)
Skyyear Holdings Limited	11 April 2005 BVI	Hong Kong	1,000 shares of US$1 each	100%	Investment holding	Limited liability company	(m)	(m)	(m)
Witpower Investments Limited	11 April 2005 BVI	Hong Kong	1,000 shares of US$1 each	100%	Investment holding	Limited liability company	(m)	(m)	(m)
Indirectly held:									
Bolinding Hangzhou Textile Technology Limited	28 December 2004 PRC	PRC	US$2,250,000	100%	Home textile weaving	Limited liability company	N/A	N/A	(n)
China Ting Fashion Group (USA), LLC	17 May 2002 New York, USA	New York, USA	100 units of US$10 each	100%	Overseas liaison	Limited liability company	(m)	(m)	(m)
China Ting Garment Mfg (Group) Limited	16 January 2002 Hong Kong	Hong Kong	3,000,000 shares of HK$1 each	100%	Garment trading	Limited liability company	(b)	(b)	(a)
China Ting Group Limited	2 January 2003 Hong Kong	Hong Kong	2 shares of HK$1 each	100%	Investment holding	Limited liability company	N/A	(b)	(a)
China Ting (Hangzhou) Textile Technology Company Limited	29 December 2004 PRC	PRC	US$1,200,000	100%	Home textile weaving	Limited liability company	N/A	N/A	(n)
China Ting Textile & Knitwear (H.K.) Limited	10 March 2003 Hong Kong	Hong Kong	2 shares of HK$1 each	100%	Knitwear trading	Limited liability company	N/A	(b)	(a)
Concept Creator Fashion (Hong Kong) Limited	7 May 2004 Hong Kong	Hong Kong	10,000 shares of HK$1 each	100%	Investment holding	Limited liability company	N/A	N/A	(n)

Name of companies	Date and place of incorporation/ establishment	Place of operations	Issued/paid-in capital	Equity interest attributable to the Group	Principal activities	Type of legal entity	Statutory auditors 2002 (note)	2003 (note)	2004 (note)
Concept Creator Fashion Limited	12 May 1994 Hong Kong	Hong Kong	10,000 shares of HK$1 each	100%	Garment trading	Limited liability company	(b)	(b)	(a)
Concept Creator Limited	12 November 1992 Hong Kong	Hong Kong	10,000 shares of HK$1 each	100%	Property holding	Limited liability company	(b)	(b)	(a)
Diny (Hangzhou) Fashion Company Limited	4 December 2001 PRC	PRC	US$630,000	100%	Garment manufacturing and retailing and trademark holding	Limited liability company	(e)	(e)	(e)
Finity Fashion (Shenzhen) Company Limited	11 August 1998 PRC	PRC	HK$10,000,000	100%	Garment manufacturing and retailing and trademark holding	Limited liability company	(d)	(d)	(i)
Finity International Fashion Company Limited	4 December 2001 PRC	PRC	US$6,800,000	100%	Garment manufacturing and retailing and trademark holding	Limited liability company	(e)	(e)	(e)
Hangzhou China Ting Embroidery Company Limited	11 May 2004 PRC	PRC	US$1,330,000	100%	Provision of garment embroidery services	Limited liability company	N/A	N/A	(f)
Hangzhou China Ting Fashion Company Limited	4 December 2001 PRC	PRC	US$3,500,000	100%	Garment manufacturing	Limited liability company	(n)	(f)	(f)
Hangzhou Fuding Fashion Company Limited	30 June 2005 PRC	PRC	US$1,000,000	100%	Garment manufacturing	Limited liability company	N/A	N/A	N/A
Hangzhou Fucheng Fashion Company Limited	15 December 1998 PRC	PRC	RMB5,000,000	100%	Garment manufacturing	Limited liability company	(g)	(g)	(g)
Hong Kong Fuhowe Fashion Company Limited	24 October 1996 Hong Kong	Hong Kong	2 shares of HK$1 each	100%	Investment holding	Limited liability company	(b)	(b)	(b)
Intersuccess Investments Limited	1 December 2004 BVI	Hong Kong	50,000 shares of US$1 each	100%	Investment holding	Limited liability company	N/A	N/A	(n)
Jiangsu Fuze Textile Company Limited	5 December 2003 PRC	PRC	US$1,375,000	52%	Jacquard and velvet fabric weaving	Sino-foreign joint venture	N/A	(n)	(l)
Shenzhen Fuhowe Fashion Company Limited	13 March 1989 PRC	PRC	US$560,000	100%	Garment manufacturing	Limited liability company	(k)	(j)	(j)
Skylite Fashion (Hong Kong) Limited	15 October 2004 Hong Kong	Hong Kong	10,000 shares of HK$1 each	100%	Garment trading	Limited liability company	N/A	N/A	(n)
Zhejiang China Ting Brand Management Company Limited	21 August 2003 PRC	PRC	US$1,200,000	100%	Garment manufacturing and retailing and trademark holding	Limited liability company	N/A	(n)	(f)
Zhejiang China Ting Jincheng Silk Company Limited	15 September 2003 PRC	PRC	US$1,950,000	100%	Silk fabric weaving	Limited liability company	N/A	(f)	(f)
Zhejiang China Ting Knitwear Company Limited	4 December 2001 PRC	PRC	US$3,500,000	100%	Knitwear manufacturing	Limited liability company	(n)	(e)	(e)
Zhejiang China Ting Textile Technology Company Limited	24 August 2002 PRC	PRC	US$10,000,000	100%	Home textile weaving	Limited liability company	(n)	(f)	(f)
Zhejiang Concept Creator Fashion Company Limited	24 January 2000 PRC	PRC	US$2,000,000	100%	Garment manufacturing	Limited liability company	(h)	(f)	(f)
Zhejiang Fucheng Fashion Company Limited	19 February 2002 PRC	PRC	US$1,000,000	100%	Garment manufacturing	Limited liability company	(n)	(f)	(f)
Zhejiang Fuhowe Fashion Company Limited	4 December 2001 PRC	PRC	US$2,500,000	100%	Garment manufacturing	Limited liability company	(n)	(e)	(e)
Zhejiang Huayue Silk Products Company Limited	8 June 2005 PRC	PRC	US$2,500,000	55%	Spun silk fabric weaving	Sino-foreign joint venture	N/A	N/A	N/A
Zhejiang Huali Fashion Company Limited	2 May 1989 PRC	PRC	US$936,300	100%	Garment manufacturing	Limited liability company	(h)	(f)	(f)
Zhejiang Xinan Fashion Company Limited	17 January 2002 PRC	PRC	US$2,000,000	100%	Garment manufacturing	Limited liability company	(n)	(f)	(f)

Notes:

(a) PricewaterhouseCoopers, Hong Kong, Certified Public Accountants.

(b) Yu How Yuen & Co., Certified Public Accountants.

(c) K.T. Chan & Co., Certified Public Accountants.

(d) Shenzhen Shen Xin Certified Public Accountants, certified public accountants registered in the PRC.

(e) Zhejiang Zhongxi Certified Public Accountants, certified public accountants registered in the PRC.

(f) Hangzhou Dongxin Certified Public Accountants, certified public accountants registered in the PRC.

(g) Zhejiang Associated Certified Public Accountants, certified public accountants registered in the PRC.

(h) Hangzhou Tianchen Certified Public Accountants, certified public accountants registered in the PRC.

(i) Shenzhen Xuan Hua Certified Public Accountants, certified public accountants registered in the PRC.

(j) Shenzhen Yida Certified Public Accountants, certified public accountants registered in the PRC.

(k) Yongming Certified Public Accountants, certified public accountants registered in the PRC.

(l) Jiangsu Tianmu Certified Public Accountants Co. Ltd., certified public accountants registered in the PRC.

(m) No audited accounts were issued for these companies as they are not required to issue audited accounts under the local statutory requirements.

(n) No audited accounts were issued as there has not been significant transactions for these companies.

The English names of certain subsidiaries referred herein represent management's best effort at translating the Chinese names of these companies as no English names have been registered.

2. Basis of presentation

For the purpose of this report, the combined income statements, combined cash flow statements and combined statements of changes in equity of the Group for the Relevant Periods have been prepared on a combined basis and include the financial information of the companies now comprising the Group and its associates as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment or acquisition whichever is the shorter period. The combined balance sheets of the Group as at 31 December 2002, 2003 and 2004 and 31 May 2005 have been prepared to present the assets and liabilities of the Group as at these dates as if the current group structure had been in existence at these dates.

Major acquisitions and transfers of interests in subsidiaries and associates of the Group during the Relevant Periods have been accounted for from respective dates of acquisition as summarised below:

(i) In January 2002, 25% equity interest in Zhejiang Huali Fashion Company Limited was contributed from the Controlling Shareholders to Concept Creator Fashion Limited;

(ii) In January 2002, 85% equity interest in Hangzhou Furun Fashion Company Limited ("Hangzhou Furun") was acquired by Zhejiang Huading Group Company Limited ("Zhejiang Huading Group"), company controlled by the Controlling Shareholders, for cash consideration of RMB500,000, which was based on the mutual agreement between the contracting parties. As Hangzhou Furun held 45% interest in Hangzhou Fucheng Fashion Company Limited ("Hangzhou Fucheng"), the Group's attributable interest in Hangzhou Fucheng increased from 55% to 93.3%;

(iii) In January 2002, 26.5% equity interest in Zhejiang Concept Creator Fashion Company Limited was acquired by Zhejiang Huading Group for cash consideration of RMB1,000,000, which was based on the mutual agreement between the contracting parties, and the Group's attributable interest in this subsidiary increased from 73.5% to 100%;

(iv) In February 2002, 75% equity interest in Shenzhen Fuhowe Fashion Company Limited was acquired by Zhejiang Huading Group for cash consideration of RMB1,552,500, which was based on the mutual agreement between the contracting parties, and the Group's attributable interest in this company increased from 25% to 100%;

(v) In April 2002, 80% equity interest in Hangzhou Chuangxin Silk Company Limited ("Hangzhou Chuangxin") was acquired by Zhejiang Huading Group for cash consideration of RMB4,800,000, which was based on the value of the relevant interests in the registered capital of Hangzhou Chuangxin. As Hangzhou Chuangxin held 15% interest in Hangzhou Furun, the Group's attributable interest in Hangzhou Furun and Hangzhou Fucheng increased from 85% to 97% and 93.3% to 98.6% respectively;

(vi) In December 2002, 75% equity interest in Zhejiang Huali Fashion Company Limited was acquired by Zhejiang Huading Group for cash consideration of RMB5,260,000, which was based on the mutual agreement between the contracting parties, and the Group's attributable interest in this company increased from 25% to 100%;

(vii) In February 2003, 48% equity interest in Zhejiang Huading Group were transferred by the Controlling Shareholders of the Company to several minority equity holders for a total consideration of approximately HK$48,000,000 with reference to the relevant amount of equity investment in Zhejiang Huading Group;

(viii) In 2003, 40% equity interest in Interfield Industrial Limited ("Interfield"), which in turn held 100% interest in Hangzhou Huaxing Silk Printing Company Limited and 90% interest in Heshan Tri-Star Silk Dyeing and Printing Works Limited, was acquired by China Ting Garment for cash consideration of HK$24,000,000, with reference to the net asset value of Interfield as at 31 March 2003 from Tri-Star Fabric Printing Works Limited, a third party, and such acquisition took effect from March 2003;

(ix) In June 2003, additional capital of US$324,600 was contributed by Concept Creator Fashion Limited to Zhejiang Huali Fashion Company Limited and the Group's attributable interest in this subsidiary increased from 64% to 76.5%;

(x) In December 2003, 45% equity interest in Hangzhou Fucheng was transferred from Hangzhou Furun to China Ting Garment Manufacturing (Group) Limited ("China Ting Garment") for cash consideration of RMB2,250,000, which was based on the mutual agreement between the contracting parties, and the Group's attributable interest in this subsidiary increased from 77.7% to 100%;

(xi) In June 2004, 45% equity interest in Finity Fashion (Shenzhen) Company Limited ("Finity (Shenzhen)") was acquired from a third party by Hong Kong Fuhowe Fashion Company Limited for cash consideration of US$1,500,000 with reference to the net book value of Finity (Shenzhen) and the Group's attributable interest in this subsidiary increased from 55% to 100%;

(xii) The Group contributed additional capital of US$175,000 to Jiangsu Fuze Textile Company Limited in April 2005 and the Group's attributable interest in this company increased from 45% to 52%;

(xiii) In May 2005, 25% equity interest in each of Zhejiang China Ting Knitwear Company Limited, Zhejiang China Ting Textile Technology Company Limited, Hangzhou China Ting Fashion Company Limited, Zhejiang Fuhowe Fashion Company Limited, 57% equity interest in Finity International Fashion Company Limited, 75% equity interest in Shenzhen Fuhowe Fashion Company Limited, 49% equity interest in Zhejiang Huali Fashion Company Limited and 26.5% interest in Zhejiang Concept Creator Fashion Company Limited held by Zhejiang Huading Group were acquired by certain companies comprising the Group for cash consideration of approximately RMB115,757,000, which was based on the net book value of the relevant interests as at 30 April 2005. The Group's attributable interests in these subsidiaries increased to 100% after the acquisitions;

(xiv) In May 2005, additional 25% equity interest in Zhejiang China Ting Jincheng Silk Company Limited ("Jincheng Silk") was acquired for cash consideration of RMB5,424,303, which was based on net book value of Jincheng Silk as at 30 April 2005, and the Group's attributable interest in this subsidiary increased from 75% to 100%; and

(xv) In May 2005, additional 10% equity interest in Concept Creator Limited was acquired for cash consideration of HK$1,000, which was based on the mutual agreement between the contract parties, and the Group's attributable interest in this subsidiary increased from 90% to 100%.

For the purpose of this report, although the equity interests in Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels were not acquired by the Group pursuant to the Reorganisation, their operating results for the Relevant Periods and their financial positions as at the respective period end dates have been included in the Financial Information. This is because these companies and the Group are under common control and management by the Controlling Shareholders and all their businesses together with assets and liabilities are closely related to those of the Group and have been taken up by the Group pursuant to the Reorganisation.

During the Relevant Periods, Zhejiang Huading Group was engaged in sale of garments and investment holding. The principal assets of Zhejiang Huading Group are the premises currently occupied by members of the Group. Subsequent to 31 May 2005, all of Zhejiang Huading's remaining assets and liabilities were assumed by the Group except that Zhejiang Huading retains (i) the land use rights and certain buildings with net book value of HK$95,463,000 as at 31 October 2005 which are let to the Group at an annual rental of RMB13,942,050 for the period from 1 October 2005 to 31 December 2007, renewable at the Group's option; (ii) and certain receivables and payables which cannot be assumed because of their legal titles. The retention of these assets and liabilities by Zhejiang Huading Group will be accounted for as a deemed distribution to the Controlling Shareholders upon the completion of the Reorganisation.

Hangzhou Chuangxin was principally engaged in silk weaving. Part of the land on which the factory buildings of Hangzhou Chuangxin is situated will be resumed by the PRC government. Pursuant to an agreement entered in November 2005, the assets and liabilities of Hangzhou Chuangxin were assumed by

Hangzhou Fucheng except for certain assets and liabilities including the land and buildings to be resumed by the PRC government. The retention of these assets and liabilities by Hangzhou Chuangxin will be accounted for as a deemed distribution to the Controlling Shareholders upon the completion of the Reorganisation.

Hangzhou Furun is an investment holding company. Subsequent to the transfer of 45% equity interest in Hangzhou Fucheng by Hangzhou Furun to China Ting Garment Manufacturing (Group) Limited in December 2003, Hangzhou Furun became inactive since then. The principal activity of Skylite Apparels is the trading of garment. Subsequent to the transfer of all of its businesses and operations to the Group in October 2005, it became inactive since then. The retention of any assets and liabilities (including cash balance, trade receivable and payable previously incurred) by Hangzhou Furun and Skylite Apparel will be accounted for as a deemed distribution to the Controlling Shareholders upon the completion of the Reorganisation.

As at 31 May 2005, the Company was newly incorporated and the Reorganisation was not completed. The share capital as at 31 December 2002, 2003 and 2004 and 31 May 2005 represented the combined capital of the companies now comprising the Group in which the equity holders of the Company held direct or indirect interests.

All significant intra-group transactions and balances have been eliminated on combination.

3. Principal accounting policies

The Financial Information presented below is the first set of financial information of the Group prepared by management in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), including HKFRS 1 "First-time Adoption of HKFRS", and has been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value. No financial statements for the Group had previously been prepared by the Group's management.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5 of this section. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Information and the reported amounts of revenues and expenses during the Relevant Periods. Although these estimates are based on management's best knowledge of event and actions, actual results ultimately may differ from those estimates.

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

(a) *Consolidation*

(i) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Except for the Reorganisation which has been accounted for on a combined basis, the acquisitions set out in note 35 have been accounted for using the purchase method of accounting. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are de-combined from the date that control ceases.

Under the purchase method of accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date 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 their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the combined income statement.

Minority interests represent the interests in net profit and assets of the subsidiaries comprising the Group which are attributable to shareholders outside the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Segment reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(c) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong Dollars ("HK$"), which is the Company's presentation currency.

The balance sheets of subsidiaries and associates expressed in currencies other than HK$ at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Whilst the income statement are translated at average rates. Exchange differences are dealt with as a movement in reserves.

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. 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 combined income statement.

(iii) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency 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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) *Property, plant and equipment*

Property, plant and equipment, except for construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost less accumulated impairment loss of each asset to its residual value over its estimated useful life, as follows:

Buildings	20–40 years
Leasehold improvements	5 years
Plant and machinery	5–10 years
Vehicles	3–10 years
Furniture, fittings and equipment	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the combined income statement.

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction of buildings, costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

(e) ***Investment properties***

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the "First Edition of The HKIS Valuation Standards on Properties" issued by The Hong Kong Institute of Surveyors. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under Hong Kong Accounting Standard 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

(f) ***Leasehold land and land use rights***

The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or when there is impairment, the impairment is expensed in the income statement.

(g) *Intangible assets*

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition, other than acquisition under the Reorganisation, over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill arising on the acquisition of subsidiaries in note 35 below is presented separately in the combined balance sheet. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) *Trademarks*

Trademarks are shown at historical cost. Trademarks have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful life of 10 years. In determining the estimated useful life of the trademark, the Directors have considered the fair value of the trademark and the estimated royalty expenses based on the future revenue stream.

(h) *Impairment of assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and bills receivables in the balance sheet.

(j) *Inventories*

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

(k) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the combined income statement.

(l) ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(m) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) ***Borrowing costs***

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(p) ***Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(q) ***Employee benefits***

(i) *Pension obligations*

The Group participates in a number of defined contribution plans in Hong Kong and the PRC, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(iii) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(r) *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are not recognised for future operating losses.

(s) *Revenue recognition*

Revenue comprises the fair value for the sale of goods and services net of rebates, discounts, returns, value-added tax and after eliminated sales within the Group. Revenue is recognised as follows:

(i) *Sales of goods — original equipment manufacturing ("OEM")*

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) *Sales of goods — retail*

Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are in cash or by credit cards or collected by department stores on behalf of the Group. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such credit card fees are included in selling, marketing and distribution costs. It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(iii) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iv) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(v) *Rental income*

Rental income on assets leased out under operating leases is recognised on the straight-line basis over the lease term.

(t) *Government grants*

Government grants are subsidies on export of textile and clothing and assistance on certain projects approved by local government. Government grants are recognised at their fair value where there is a reasonable assurance that the grants with be received and the Group comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the combined income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred government grants and are recognised in the combined income statement on a straight-line basis over the expected lives of the related assets.

(u) *Operating leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the combined income statement on the straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

(v) *Contingent liabilities*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information, if any. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(w) ***Dividend distribution***

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividend proposed or declared after the balance sheet date are disclosed as a post balance sheet event and are not recognised as a liability at the balance sheet date.

4. Financial risk management

(a) ***Financial risk factors***

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), business risk, credit risk and liquidity risk.

(i) *Foreign exchange risk*

The Group mainly operates in Hong Kong and the PRC. Sales are made to overseas customers as well as customers in the PRC while purchases are mainly from suppliers in Hong Kong and the PRC. The Group is therefore exposed to foreign exchange risk arising from various currency exposures such as United States Dollars ("USD"), Renminbi ("RMB") and EURO, primarily with respect to HK$ which is the Group's presentation currency. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

In addition, RMB is not freely convertible into other foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. The conversion rates of HK$ against USD and RMB, however, have been comparatively stable during the Relevant Periods.

(ii) *Interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2002, 2003, 2004 and 31 May 2005, over 94.5%, 82.1%, 78.9% and 66.7% of the Group's borrowings respectively were at fixed rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 21.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

The carrying amounts of cash and cash equivalents, time deposits, accounts and bills receivable, and other current assets except for prepayments, represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies that limit the amount of credit exposure to any financial institutions. The Group also has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Although OEM garment sales to large or long-established customers with good repayment history comprise a significant proportion of the total Group's OEM garment sales, the Group has policies on granting different settlement methods to different customers to monitor the credit exposure. Letters of credit are normally required from new customers and existing customers with short trading history for settlement purposes. Sales to retail customers are made in cash or via credit cards or collected by department stores on behalf of the Group. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances.

(iv) *Concentration risk*

During the year ended 31 December 2002, 2003 and 2004, and the five months ended 31 May 2005, the Group's sales to top 5 customers accounted for approximately 61.9%, 57.4%, 49.1% and 63.1% of the total revenue, respectively. The Group aims to maintain long-term relationship with reputable customers in the expansion of its business.

(v) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group's primary cash requirements have been for purchases of materials, machinery and equipment and payments of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and bank loans. The Group generally operates with a working capital surplus.

(b) *Fair value estimation*

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions, trade and other receivables; and financial liabilities including trade and other payables, short-term borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The fair value of financial assets and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of non-current borrowings are disclosed in note 21.

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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) *Sales of goods — original equipment manufacturing ("OEM")*

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(ii) *Sales of goods — retail*

Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are in cash or by credit cards or collected by department stores on behalf of the Group. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such credit card fees are included in selling, marketing and distribution costs. It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(iii) *Useful lives of machinery and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its machinery and equipment. This estimate is based on the historical experience of the actual useful lives of machinery and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. Management will reassess the estimations by the balance sheet date.

(v) *Trade and other receivables*

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision by each balance sheet date.

(vi) *Income taxes*

The Group is subject to income taxes in certain jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. Turnover, revenues and segment Information

(a) *Turnover and other revenues*

The Group's turnover and other revenues are analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Turnover	711,903	980,015	1,401,465	621,915	833,481
Other revenues					
Interest income	566	392	5,842	1,379	464
Rental income	178	510	663	216	188
	744	902	6,505	1,595	652
Total revenues	712,647	980,917	1,407,970	623,510	834,133

(b) *Primary reporting segment — business segments*

The business segment reporting includes the following segments: (1) manufacture and sale of garments on an OEM basis; and (2) retailing of branded fashion apparel.

Inter-segment sales were conducted at prices no less than cost and with terms mutually agreed amongst those business segments.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, intangible assets, inventories, receivables and operating cash. They exclude deferred taxation.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises mainly additions to property, plant and equipment (note 7), leasehold land and land use rights (note 9) and intangible assets (note 11), including additions resulting from acquisitions through business combinations.

As at and for the year ended 31 December 2002

The segment results for the year ended 31 December 2002 and other segment items included in the combined income statements are as follows:

	OEM garment sales	**Retailing of branded fashion apparel**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	621,428	90,475	711,903
Other revenues	684	60	744
Total revenues	622,112	90,535	712,647
Segment results	45,495	28,437	73,932
Unallocated gains			24,283
Operating profit			98,215
Finance costs	(1,123)	(19)	(1,142)
Share of profit of associates	3,317	—	3,317
Profit before income tax			100,390
Income tax expense			(6,050)
Profit for the year			94,340
Other segment items included in the income statements are as follows:			
Depreciation charge *(note 7)*	6,833	686	7,519
Amortisation of leasehold land and land use rights *(note 9)*	546	—	546
Provision for impairment of receivables *(note 28)*	712	73	785
Inventory write-down *(note 28)*	—	1,570	1,570

The segment assets and liabilities as at 31 December 2002 and capital expenditure for the year then ended are as follows:

	OEM garment sales HK$'000	Retailing of branded fashion apparel HK$'000	Total HK$'000
Assets	596,297	161,740	758,037
Associates	2,377	—	2,377
Total assets	598,674	161,740	760,414
Liabilities	440,066	75,591	515,657
Capital expenditure	144,698	7,765	152,463

As at and for the year ended 31 December 2003

The segment results for the year ended 31 December 2003 and other segment items included in the combined income statements are as follows:

	OEM garment sales HK$'000	Retailing of branded fashion apparel HK$'000	Total HK$'000
Gross segment sales	872,065	116,773	988,838
Elimination of inter-segment sales	(8,823)	—	(8,823)
Turnover	863,242	116,773	980,015
Other revenues	853	49	902
Total revenues	864,095	116,822	980,917
Segment results	65,720	25,497	91,217
Unallocated gains			19,918
Operating profit			111,135
Finance costs	(5,485)	(1,489)	(6,974)
Share of profit of associates	3,669	—	3,669
Profit before income tax			107,830
Income tax expense			(12,799)
Profit for the year			95,031
Other segment items included in the income statements are as follows:			
Depreciation charge *(note 7)*	12,712	1,323	14,035
Amortisation of leasehold land and land use rights *(note 9)*	450	—	450
Provision for impairment of receivables *(note 28)*	48	—	48
Bad debts written off *(note 28)*	18,491	—	18,491
Inventory write-down *(note 28)*	374	3,227	3,601

The segment assets and liabilities as at 31 December 2003 and capital expenditure for the year then ended are as follows:

	OEM garment sales HK$'000	Retailing of branded fashion apparel HK$'000	Total HK$'000
Assets	769,587	234,151	1,003,738
Associates	30,533	—	30,533
Total assets	800,120	234,151	1,034,271
Liabilities	580,401	117,149	697,550
Capital expenditure	137,767	6,328	144,095

As at and for the year ended 31 December 2004

The segment results for the year ended 31 December 2004 and other segment items included in the combined income statements are as follows:

	OEM garment sales HK$'000	Retailing of branded fashion apparel HK$'000	Total HK$'000
Gross segment sales	1,253,113	156,953	1,410,066
Elimination of inter-segment sales	(8,601)	—	(8,601)
Turnover	1,244,512	156,953	1,401,465
Other revenues	4,787	1,718	6,505
Total revenues	1,249,299	158,671	1,407,970
Segment results	175,065	41,452	216,517
Unallocated gains			26,637
Operating profit			243,154
Finance costs	(5,615)	(4,576)	(10,191)
Share of profit of associates	10,391	—	10,391
Profit before income tax			243,354
Income tax expense			(30,186)
Profit for the year			213,168
Other segment items included in the income statements are as follows:			
Depreciation charge *(note 7)*	22,996	1,885	24,881
Amortisation of leasehold land and land use rights *(note 9)*	846	6	852
Provision for impairment of receivables *(note 28)*	—	633	633
Bad debts written off *(note 28)*	8,320	—	8,320
Inventory write-down *(note 28)*	—	1,361	1,361

The segment assets and liabilities as at 31 December 2004 and capital expenditure for the year then ended are as follows:

	OEM garment sales	Retailing of branded fashion apparel	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets	904,925	228,807	1,133,732
Associates	45,117	—	45,117
Total assets	950,042	228,807	1,178,849
Liabilities	549,241	93,445	642,686
Capital expenditure	43,023	34,480	77,503

As at and for the five months ended 31 May 2004 (unaudited)

The segment results for the five months ended 31 May 2004 and other segment items included in the combined income statements are as follows:

	OEM garment sales	Retailing of branded fashion apparel	Total
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Gross segment sales	561,416	63,098	624,514
Elimination of inter-segment sales	(2,599)	—	(2,599)
Turnover	558,817	63,098	621,915
Other revenues	1,586	9	1,595
Total revenues	560,403	63,107	623,510
Segment results	100,508	21,002	121,510
Unallocated gains			5,972
Operating profit			127,482
Finance costs	(3,628)	(752)	(4,380)
Share of profit of associates	4,013	—	4,013
Profit before income tax			127,115
Income tax expense			(15,194)
Profit for the period			111,921
Other segment items included in the income statements are as follows:			
Depreciation charge	9,237	416	9,653
Amortisation of leasehold land and land use rights	267	—	267

The capital expenditure for the five months ended 31 May 2004 are as follows:

	OEM garment sales	Retailing of branded fashion apparel	Total
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Capital expenditure	20,606	1,066	21,672

As at and for the five months ended 31 May 2005

The segment results for the five months ended 31 May 2005 and other segment items included in the combined income statements are as follows:

	OEM garment sales	Retailing of branded fashion apparel	Total
	HK$'000	*HK$'000*	*HK$'000*
Gross segment sales	770,278	69,558	839,836
Elimination of inter-segment sales	(6,355)	—	(6,355)
Turnover	763,923	69,558	833,481
Other revenues	632	20	652
Total revenues	764,555	69,578	834,133
Segment results	225,194	14,284	239,478
Unallocated gains			5,474
Operating profit			244,952
Finance costs	(3,065)	(199)	(3,264)
Share of profit of associates	5,803	—	5,803
Profit before income tax			247,491
Income tax expense			(36,151)
Profit for the period			211,340
Other segment items included in the income statements are as follows:			
Depreciation charge *(note 7)*	10,150	815	10,965
Amortisation of leasehold land and land use rights *(note 9)*	413	11	424
Inventory write-down *(note 28)*	—	1,451	1,451

The segment assets and liabilities as at 31 May 2005 and capital expenditure for the period then ended are as follows:

	OEM garment sales	Retailing of branded fashion apparel	Total
	HK$'000	*HK$'000*	*HK$'000*
Assets	982,123	247,008	1,229,131
Associates	56,324	—	56,324
Total assets	1,038,447	247,008	1,285,455
Liabilities	449,500	111,892	561,392
Capital expenditure	33,003	876	33,879

(c) *Secondary reporting segment — geographical segments*

The Group primarily operates in Hong Kong and the PRC. Sales are made to overseas customers as well as customers in the PRC.

The Group's sales are mainly made to the customers located in the following geographical areas:

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
North America	595,917	826,727	1,136,335	515,136	689,863
European Union	2,486	13,749	41,726	12,070	44,744
The PRC (including Hong Kong)	104,088	125,973	190,682	70,330	84,404
Other countries	9,412	13,566	32,722	24,379	14,470
	711,903	980,015	1,401,465	621,915	833,481

The Group's total assets are located in the following geographical areas:

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The PRC				
— Mainland China	571,661	785,954	738,331	878,514
— Hong Kong	178,632	238,454	439,976	406,223
North America	10,121	9,863	542	718
	760,414	1,034,271	1,178,849	1,285,455

The Group's capital expenditure, based on where the assets are located, are located in the following geographical areas:

	Year ended 31 December			Five months ended 31 May	
	2002	2003	2004	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
The PRC					
— Mainland China	145,878	131,767	76,234	21,090	33,842
— Hong Kong	6,559	12,166	1,073	582	37
North America	26	162	196	—	—
	152,463	144,095	77,503	21,672	33,879

7. Property, plant and equipment

	Buildings	Leasehold improvement	Plant & machinery	Vehicles	Furniture, fittings and equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002							
Cost	27,630	3,578	7,309	6,288	3,524	968	49,297
Accumulated depreciation	(1,204)	(2,482)	(1,851)	(2,771)	(705)	—	(9,013)
Net book amount	**26,426**	**1,096**	**5,458**	**3,517**	**2,819**	**968**	**40,284**
Year ended 31 December 2002							
Opening net book amount	26,426	1,096	5,458	3,517	2,819	968	40,284
Additions	14,901	1,842	3,357	3,972	3,621	86,218	113,911
Acquisition of subsidiaries	21,445	—	7,932	966	828	7,224	38,395
Fair value loss	(1,615)	—	—	—	—	—	(1,615)
Transfer to investment properties *(note 8)*	(1,040)	—	—	—	—	—	(1,040)
Depreciation charge	(2,086)	(889)	(1,813)	(1,573)	(1,158)	—	(7,519)
Exchange adjustments	1	—	1	—	—	—	2
Closing net book amount	**58,032**	**2,049**	**14,935**	**6,882**	**6,110**	**94,410**	**182,418**
At 31 December 2002							
Cost	60,900	5,419	18,622	11,227	7,946	94,410	198,524
Accumulated depreciation	(2,868)	(3,370)	(3,687)	(4,345)	(1,836)	—	(16,106)
Net book amount	**58,032**	**2,049**	**14,935**	**6,882**	**6,110**	**94,410**	**182,418**
Year ended 31 December 2003							
Opening net book amount	58,032	2,049	14,935	6,882	6,110	94,410	182,418
Additions	4,128	150	17,994	4,920	9,772	99,432	136,396
Transfers	145,633	—	36,040	—	—	(181,673)	—
Depreciation charge	(5,680)	(653)	(3,229)	(2,100)	(2,373)	—	(14,035)
Exchange adjustments	(189)	(1)	53	(16)	(10)	(372)	(535)
Closing net book amount	**201,924**	**1,545**	**65,793**	**9,686**	**13,499**	**11,797**	**304,244**
At 31 December 2003							
Cost	210,436	5,568	71,419	16,116	17,520	11,797	332,856
Accumulated depreciation	(8,512)	(4,023)	(5,626)	(6,430)	(4,021)	—	(28,612)
Net book amount	**201,924**	**1,545**	**65,793**	**9,686**	**13,499**	**11,797**	**304,244**

	Buildings	Leasehold improvement	Plant & machinery	Vehicles	Furniture, fittings and equipment	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2004							
Opening net book amount	201,924	1,545	65,793	9,686	13,499	11,797	304,244
Additions	257	805	9,119	3,229	5,000	1,902	20,312
Transfers	128	—	3,928	—	5,238	(9,294)	—
Disposals	(23,892)	(33)	(331)	(453)	(746)	—	(25,455)
Depreciation charge	(10,234)	(758)	(7,031)	(2,818)	(4,040)	—	(24,881)
Exchange adjustments	321	1	115	16	23	18	494
Closing net book amount	**168,504**	**1,560**	**71,593**	**9,660**	**18,974**	**4,423**	**274,714**
At 31 December 2004							
Cost	182,777	6,292	83,545	18,325	25,575	4,423	320,937
Accumulated depreciation	(14,273)	(4,732)	(11,952)	(8,665)	(6,601)	—	(46,223)
Net book amount	**168,504**	**1,560**	**71,593**	**9,660**	**18,974**	**4,423**	**274,714**
Five months ended 31 May 2005							
Opening net book amount	168,504	1,560	71,593	9,660	18,974	4,423	274,714
Additions	8,430	104	4,768	2,186	3,897	5,442	24,827
Acquisition of subsidiaries	—	—	1,939	—	48	4,008	5,995
Transfers	3,136	—	1,484	—	—	(4,620)	—
Disposals	(6,368)	—	—	(38)	—	—	(6,406)
Depreciation charge	(3,776)	(353)	(3,438)	(1,243)	(2,155)	—	(10,965)
Exchange adjustments	(10)	—	(1)	1	—	1	(9)
Closing net book amount	**169,916**	**1,311**	**76,345**	**10,566**	**20,764**	**9,254**	**288,156**
At 31 May 2005							
Cost	186,580	6,396	91,728	20,132	29,517	9,254	343,607
Accumulated depreciation	(16,664)	(5,085)	(15,383)	(9,566)	(8,753)	—	(55,451)
Net book amount	**169,916**	**1,311**	**76,345**	**10,566**	**20,764**	**9,254**	**288,156**

Certain property, plant and equipment of the Group have been pledged for bank borrowings. The carrying value of these property, plant and equipment as at 31 December 2002, 2003 and 2004 and 31 May 2005 are approximately HK$11,011,000, HK$14,179,000, HK$13,268,000, and HK$12,874,000 respectively.

Depreciation is charged to the following expenses:

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Cost of sales	3,267	7,881	16,311	6,001	7,294
Administrative expenses	4,252	6,154	8,570	3,652	3,671
	7,519	14,035	24,881	9,653	10,965

8. Investment properties

	At 31 December 2002	2003	2004	At 31 May 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year/period	—	3,120	3,040	4,310
Transfer from leasehold land *(note 9)*	2,080	—	—	—
Transfer from buildings *(note 7)*	1,040	—	—	—
Fair value (loss)/gain *(note 25)*	—	(80)	1,270	360
At end of year/period	3,120	3,040	4,310	4,670

The investment properties were revalued at 31 December 2002, 2003 and 2004 and 31 May 2005 by independent professionally qualified valuer, CB Richard Ellis Limited. Valuations were based on current prices in an active market for these properties.

The Group's interest in investment properties are held in Hong Kong with lease period between 10 to 50 years and are pledged for bank borrowings.

9. Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book amounts are analysed as follows:

	At 31 December 2002	2003	2004	At 31 May 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong, held on:				
— Leases of over 50 years	9,633	9,367	9,101	8,991
— Leases of between 10 to 50 years	2,494	10,119	9,853	9,742
Outside Hong Kong, held on:				
— Leases of between 10 to 50 years	4,131	4,001	24,668	27,520
	16,258	23,487	43,622	46,253

The movements of net book value of leasehold land and land use rights are analysed as follows:

	Year ended 31 December 2002	2003	2004	Five months ended 31 May 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	21,957	16,258	23,487	43,622
Additions	—	7,699	25,975	2,764
Acquisition of subsidiaries	157	—	—	293
Impairment loss	(3,230)	—	—	—
Transfer to investment properties *(note 8)*	(2,080)	—	—	—
Disposals	—	—	(4,996)	—
Amortisation	(546)	(450)	(852)	(424)
Exchange adjustments	—	(20)	8	(2)
At end of year/period	16,258	23,487	43,622	46,253

Certain leasehold land and land use rights of the Group have been pledged for bank borrowings. The carrying amount of these leasehold land and land use rights as at 31 December 2002, 2003 and 2004 and 31 May 2005 are approximately HK$12,127,000, HK$19,487,000, HK$18,955,000, and HK$18,733,000 respectively.

Amortisation is charged to administrative expenses during the Relevant Periods.

10. Interest in associates

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	2,377	12,854	27,438	38,645
Goodwill	—	17,679	17,679	17,679
	2,377	30,533	45,117	56,324
Due from associates	—	—	4,238	—
Due to associates	—	(2,489)	—	(2,173)

The amounts due (to)/from associates are unsecured, interest-free and have no fixed terms of repayment.

Movements of share of net assets and goodwill of associates are as follows:

	Year ended 31 December			Five months ended 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	3,314	2,377	30,533	45,117
Acquisitions	7,746	24,487	4,193	9,360
Share of results before income tax	4,031	3,714	10,758	6,918
Share of income tax	(714)	(45)	(367)	(1,115)
	3,317	3,669	10,391	5,803
Dividend paid	(3,500)	—	—	—
Changes of status from associates to subsidiaries upon acquisitions of additional interests	(8,500)	—	—	(3,956)
At end of year/period	2,377	30,533	45,117	56,324

The summarisation of the financial information of the Group's associates in aggregate is as follows:

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	14,321	95,896	229,610	132,530
Total liabilities	(9,095)	(60,951)	(53,821)	(27,912)

	Year ended 31 December			Five months ended 31 May	
	2002	2003	2004	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenues	96,678	56,919	126,780	78,395	89,278
Operating profit	13,229	8,127	30,141	11,678	17,377

The particulars of the Group's associates are set out as follows:

Name of companies	Date and place of incorporation/ establishment and operations	Issued/paid-in capital	Equity interest attributable to the Group	Principal activities
Hangzhou Huaxing Silk Printing Company Limited	30 December 2002 The PRC	US$3,000,000	40%	Fabric printing and dyeing
Heshan Tri-Star Silk Dyeing and Printing Works Limited	27 September 1993 The PRC	US$3,000,000	40%	Fabric printing and dyeing
Interfield Industrial Limited	15 June 1990 Hong Kong	23,400,000 shares of HK$1 each	40%	Investment holding
Jiaxing Feiyue Knitwear Garment Limited	15 March 2000 The PRC	US$660,000	45.5%	Garment manufacturing
Hangzhou Huasheng Accessories Company Limited	23 July 2003 The PRC	US$250,000	25%	Accessories and plastic bags manufacturing

11. Intangible assets

	Goodwill	Trademark	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2004			
Additions	—	31,216	31,216
Amortisation	—	(1,561)	(1,561)
Closing net book amount	**—**	**29,655**	**29,655**
At 31 December 2004			
Cost	—	31,216	31,216
Accumulated amortisation	—	(1,561)	(1,561)
Net book amount	**—**	**29,655**	**29,655**
Five months ended 31 May 2005			
Opening net book amount	—	29,655	29,655
Acquisition of subsidiaries	1,414	—	1,414
Amortisation	—	(1,301)	(1,301)
Closing net book amount	**1,414**	**28,354**	**29,768**
At 31 May 2005			
Cost	1,414	31,216	32,630
Accumulated amortisation	—	(2,862)	(2,862)
Net book amount	**1,414**	**28,354**	**29,768**

Pursuant to an agreement dated 7 June 2004, the Group acquired the right to use the brand *FINITY* in the PRC and Hong Kong from Finity Acquisition Corp. ("FAC"), an independent third party, for an aggregate consideration of US$4 million based on mutually agreed price. Amortisation is charged to selling, marketing and distribution costs during the Relevant Periods.

12. Inventories

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	25,984	39,132	45,991	45,018
Work-in-progress	37,484	60,204	75,370	67,777
Finished goods	21,593	45,527	72,836	68,349
	85,061	144,863	194,197	181,144
Less: inventory write-down	(1,570)	(5,171)	(6,532)	(7,983)
	83,491	139,692	187,665	173,161

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$252,354,000, HK$418,331,000, HK$571,593,000, HK$261,835,000 and HK$282,014,000 for the years ended 31 December 2002, 2003, 2004 and the five months ended 31 May 2004 and 2005, respectively.

13. Due from/(to) related companies

The amounts due from/(to) related companies are unsecured, interest-free and repayable on demand. The carrying amounts due from/(to) related companies approximate their fair values. Please refer to note 36 for further details of these balances.

14. Due from/(to) directors

The amounts due from/(to) directors are unsecured, interest-free and repayable on demand. The carrying amounts due from/(to) directors approximate their fair values. Please refer to note 36 for further details of these balances.

15. Trade and bills receivable

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	127,136	141,835	162,379	144,694
Bills receivable	9,001	2,788	27,690	30,992
	136,137	144,623	190,069	175,686
Less: Provision for impairment	(805)	(853)	(1,486)	(1,486)
	135,332	143,770	188,583	174,200

Aging analysis of third party trade and bills receivables at respective balance sheet dates are as follows:

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	85,643	91,285	134,328	62,493
31 to 60 days	36,340	31,481	41,945	85,653
61 to 90 days	10,045	13,755	3,490	8,870
Over 90 days	4,109	8,102	10,306	18,670
	136,137	144,623	190,069	175,686

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of less than 90 days. The grant of open account terms without security coverage is generally restricted to large or long-established customers with good repayment history. Sales to these customers comprise a significant proportion of the Group's OEM garment sales. On the other hand, for new customers and existing customers with short trading history, letters of credit issued by these customers are normally demanded for settlement purposes.

For sales of branded fashion apparel to franchisees, the Group normally requests payments in advance or deposits from such customers, with the remaining balances settled immediately upon delivery of goods. The Group also grants open account terms of 30 credit days to long-established customers with good repayment history.

Retail sales are in cash or by credit cards or collected by department stores on behalf of the Group. The department stores are normally required to settle the proceeds to the Group within 2 months from the date of sale.

Bills receivable are with average maturity dates of within 2 months.

The carrying amounts of trade and bills receivable approximate their fair values.

The Group has recognised losses of approximately HK$785,000, HK$18,539,000, HK$8,953,000, nil and nil for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2004 and 2005, respectively, for the impairment and write-off of its trade receivables. The losses have been included in administrative expenses in the combined income statements.

16. Other receivables, deposits and prepayments

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
VAT recoverable	43,992	62,521	27,457	19,295
Prepayments and deposits	16,732	10,290	18,319	11,038
Other receivables	10,886	10,339	6,844	10,277
	71,610	83,150	52,620	40,610

Other receivables, deposits and prepayments are non-interest bearing. The carrying amounts of other receivables, deposits and prepayments approximate their fair values.

17. Pledged bank deposits

Bank deposits of nil, HK$1,744,000, HK$17,850,000 and HK$10,480,000 as at 31 December 2002, 2003 and 2004 and 31 May 2005, respectively, had been pledged with financial institutions for the grants of certain trade finance facilities to the Group.

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Pledged bank deposits are denominated in:				
Euro	—	—	6,691	523
USD	—	1,744	11,159	9,957
	—	1,744	17,850	10,480

The weighted average effective interest rate on pledged bank deposits were nil, 1.92%, 1.61% and 2.21% per annum for the years ended 31 December 2002, 2003, 2004 and the five months ended 31 May 2005 respectively.

18. Terms deposits with initial term of over three months/cash and cash equivalents

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at bank and in hand	50,337	71,587	138,048	372,766
Short-term bank deposits	1,111	1,807	197	241
Bank overdrafts	—	(6)	(309)	—
Cash and cash equivalents	51,448	73,388	137,936	373,007
Term deposits with initial term of over three months	—	—	1,692	940
Pledged bank deposits *(note 17)*	—	1,744	17,850	10,480
	51,448	75,132	157,478	384,427
Denominated in:				
HK$	3,978	3,089	16,290	5,855
RMB	27,139	30,722	54,063	97,569
USD	20,167	40,693	77,186	279,585
Euro	164	628	9,939	1,418
	51,448	75,132	157,478	384,427

(i) The weighted average effective interest rate on short-term bank deposits, with maturity ranging from 7 to 180 days, was 1.89%, 1.89%, 1.98% and 2.25% per annum during the years ended 31 December 2002, 2003, 2004 and the five months ended 31 May 2005 respectively. The weighted average effective interest rate on other bank balances, excluding bank overdrafts, is below 2% during the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005.

(ii) The Group's cash and cash equivalents denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

19. Share capital

As the Company was not yet incorporated prior to 31 December 2004, the share capital in the combined balance sheets as at 31 December 2002, 2003 and 2004 represented the combined capital of the subsidiaries now comprising the Group in which the equity holders of the Company held direct interests.

As the Reorganisation was not completed as at 31 May 2005, the share capital in the combined balance sheet as at 31 May 2005 represented the combined capital of the Company and the subsidiaries now comprising the Group in which the equity holders of the Company held direct or indirect interests.

Details of share capital of the Company as at 31 May 2005 are as follows:

	At 31 May 2005 *HK$'000*
Authorised	
10,000,000 ordinary shares of HK$0.10 each	1,000
Issued nil paid	
1 ordinary share of HK$0.10	—

The Company was incorporated on 31 May 2005 with an authorised share capital of HK$1,000,000 divided into 10,000,000 shares of HK$0.10 each ("Share"). On 17 June 2005, one Share was allotted and issued nil paid to the initial subscriber of the Company which was subsequently transferred to Gainchoice Investment Limited ("Gainchoice") which is wholly owned by the Controlling Shareholders on the same date. On 17 June 2005, 99 Shares were allotted and issued nil paid to Gainchoice. On 27 July 2005, 100 Shares were transferred from Gainchoice to Longerview Investments Limited ("Longerview"), wholly owned by the Controlling Shareholders.

Pursuant to a written resolution of the sole shareholder of the Company passed on 1 November 2005, the authorised share capital of the Company was increased from HK$1,000,000 to HK$1,000,000,000 by the creation of additional 9,990,000,000 Shares. Pursuant to a share exchange deed on 18 November 2005, a total of 99,999,900 Shares, credited as fully paid, were allotted and issued to Longerview and the 100 nil paid Shares held by Longerview were credited as fully paid, in consideration for the acquisition of the entire issued share capital of Witpower Investments Limited, Skyyear Holdings Limited, Joyocean Investments Limited, Manfame Investments Limited and Oceanroc Investments Limited pursuant to the Reorganisation.

20. Reserves

	Capital reserves HK$'000	Retained earnings HK$'000	Statutory reserves HK$'000 (note (b))	Exchange reserves HK$'000	Total HK$'000
Balances at 1 January 2002 *(note (a))*	37,690	38,865	1,939	192	78,686
Currency translation differences	—	—	—	577	577
Profit for the year	—	87,033	—	—	87,033
Profit appropriation	—	(2,574)	2,574	—	—
Capital contribution from Controlling Shareholders *(note (c))*	64,309	—	—	—	64,309
Balance at 31 December 2002	**101,999**	**123,324**	**4,513**	**769**	**230,605**
Currency translation differences	—	—	—	(1,673)	(1,673)
Profit for the year	—	85,272	—	—	85,272
Transfer of interests in certain subsidiaries to minority equity holders *(note (d))*	(69,345)	—	—	—	(69,345)
Profit appropriation	—	(4,924)	4,924	—	—
Balances at 31 December 2003	**32,654**	**203,672**	**9,437**	**(904)**	**244,859**
Currency translation differences	—	—	—	(52)	(52)
Profit for the year	—	192,803	—	—	192,803
Profit appropriation	—	(7,096)	7,096	—	—
Balances at 31 December 2004	**32,654**	**389,379**	**16,533**	**(956)**	**437,610**
Currency translation differences	—	—	—	1,029	1,029
Profit for the period	—	198,563	—	—	198,563
Dividend declared and paid	—	(15,150)	—	—	(15,150)
Profit appropriation	—	(12,053)	12,053	—	—
Balances at 31 May 2005	**32,654**	**560,739**	**28,586**	**73**	**622,052**

Notes:

(a) Capital reserves at 1 January 2002 represent capital contributions from the Controlling Shareholders other than the paid up share capital of the Companies now comprising the Group.

(b) Statutory reserves include statutory reserve fund and enterprise expansion fund.

In accordance with relevant rules and regulations on foreign investment enterprises established in the PRC, the Company's PRC subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these subsidiaries.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries in the PRC. The enterprise expansion fund can only be used to increase capital of group companies or to expand their production operations upon approval by the relevant authority.

(c) The increase in capital reserves in 2002 of HK$64.3 million mainly arose from: (i) the contribution of approximately HK$7.7 million by the Controlling Shareholders regarding its 25% equity interest in Zhejiang Huali Fashion Company Limited; and (ii) increase in share capital of Zhejiang Huading Group amounting to HK$56.6 million during the year.

(d) The decrease in capital reserves in 2003 of HK$69 million mainly arose from the disposition of the 48% equity interest in Zhejiang Huading Group by the Controlling Shareholders of the Company to several minority equity holders.

21. Borrowings

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current				
Bank borrowings	—	9,425	13,231	9,311
Current				
Bank borrowings	86,858	186,690	200,660	163,255
Total borrowings	86,858	196,115	213,891	172,566
Representing:				
— secured	8,040	13,448	34,003	49,277
— guaranteed	33,449	72,963	70,822	72,533
— unsecured	45,369	109,704	109,066	50,756
Total borrowings	86,858	196,115	213,891	172,566
Analysed as follows:				
— wholly repayable within five years	86,858	188,489	207,347	166,481
— not wholly repayable within five years	—	7,626	6,544	6,085
Total borrowings	86,858	196,115	213,891	172,566

Secured bank borrowings are secured by investment properties, other buildings, leasehold land and land use rights and certain bank deposits of the Group (Notes 7, 8, 9 and 17).

Bank borrowings amounting to HK$4,742,000, HK$10,631,000, HK$45,193,000 and HK$57,524,000 as at 31 December 2002, 2003, 2004 and 31 May 2005 are secured by a property owned by Mr. Ting Man Yi and personal guarantees of the Controlling Shareholders.

In addition, bank borrowings amounting to HK$32,036,000, HK$72,963,000, HK$54,932,000 and HK$59,586,000 as at 31 December 2002, 2003, 2004 and 31 May 2005 are guaranteed by Zhejiang Huading Group and Hangzhou Yuhang Huaming Garment Manufacturing Company Limited ("Yuhang Huaming"), an equity holder of Zhejiang Huading Group.

The above personal guarantees from the Controlling Shareholders, the security over the property owned by Mr. Ting Man Yi and corporate guarantees from Zhejiang Huading Group and Yuhang Huaming will be released prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("HKSE").

An analysis of the carrying amounts of the Group's borrowings by type and currency is as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$ at floating rates	—	10,632	24,538	30,229
RMB at fixed rates	82,116	138,273	152,754	113,263
Euro at floating rates	—	22,275	6,797	—
USD at fixed rates	—	24,935	9,147	1,780
USD at floating rates	4,742	—	20,655	27,294
Total borrowings	86,858	196,115	213,891	172,566

The weighted average effective interest rates per annum of bank borrowings at the respective balance sheet dates were as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
HK$	—	1.72%	2.09%	2.69%
RMB	4.82%	4.65%	5.15%	5.23%
Euro	—	4.90%	4.47%	—
USD	5.75%	2.84%	3.82%	5.28%

The maturities of the Group's bank borrowings at respective balance sheet dates are as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Repayable:				
— within one year	86,858	186,690	200,660	163,255
— in the second year	—	3,966	8,891	5,433
— in the third to fifth year	—	3,249	3,306	3,310
— after the fifth year	—	2,210	1,034	568
	86,858	196,115	213,891	172,566

The carrying amounts of short-term bank borrowings and current portion of long-term bank borrowings approximate their fair values.

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

The carrying amounts and fair value of the non-current bank borrowings are as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amounts	—	9,425	13,231	9,311
Fair value	—	8,847	12,584	8,735

The fair values are based on cash flow discounted using a rate based on the borrowing rates of 2.38%, 2.70% and 3.65% for the two years ended 31 December 2003 and 2004 and the five months ended 31 May 2005.

At each balance sheet date, the Group had the following non-drawn borrowing facilities:

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Floating rate				
— expiring within one year	50,455	49,325	98,033	76,029

22. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	(320)	(1,195)	(1,173)	(1,806)
Deferred tax liabilities	266	160	108	109
	(54)	(1,035)	(1,065)	(1,697)

Deferred tax assets and deferred tax liabilities are expected to be settled after more than 12 months.

The movement on the deferred income tax account is as follows:

	At 31 December			At 31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	131	(54)	(1,035)	(1,065)
Exchange adjustments	—	1	(1)	—
Recognised in income statement	(185)	(982)	(29)	(632)
At end of year/period	(54)	(1,035)	(1,065)	(1,697)

The movement in deferred tax assets and liabilities during the years/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated tax depreciation
	HK$'000
Deferred tax liabilities	
At 1 January 2002	157
Recognised in income statement	109
At 31 December 2002	266
Recognised in income statement	(106)
At 31 December 2003	160
Recognised in income statement	(52)
At 31 December 2004	108
Recognised in income statement	1
At 31 May 2005	109

	Accelerated tax deprecation HK$'000	Provisions HK$'000	Pre-operating expenses HK$'000	Total HK$'000
Deferred tax assets				
At 1 January 2002	—	—	(26)	(26)
Recognised in income statement	—	(275)	(19)	(294)
At 31 December 2002	—	(275)	(45)	(320)
Recognised in income statement	—	(565)	(311)	(876)
Exchange differences	—	—	1	1
At 31 December 2003	—	(840)	(355)	(1,195)
Recognised in income statement	(35)	49	9	23
Exchange differences	—	—	(1)	(1)
At 31 December 2004	(35)	(791)	(347)	(1,173)
Recognised in income statement	(27)	—	(606)	(633)
At 31 May 2005	(62)	(791)	(953)	(1,806)

In accordance with PRC tax law, tax losses may be carried forward against future taxable income for a period of five years. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$783,000, HK$1,297,000, HK$823,000 and HK$1,385,000 as at 31 December 2002, 2003 and 2004 and 31 May 2005, respectively, in respect of losses amounting to HK$4,375,000, HK$6,199,000, HK$4,414,000 and HK$6,327,000, respectively, that can be carried forward against future taxable income and will be expired between 2007 and 2009.

23. Trade and bills payables

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	156,260	190,242	162,738	212,224
Bills payable	12,775	25,397	13,426	9,405
	169,035	215,639	176,164	221,629

Aging analysis of third party trade and bills payables at respective balance sheet dates are as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
0 to 30 days	59,040	108,173	94,391	92,512
31 to 60 days	51,386	53,110	40,690	61,162
61 to 90 days	15,139	10,481	18,291	37,323
Over 90 days	43,470	43,875	22,792	30,632
	169,035	215,639	176,164	221,629

Bills payable are with average maturity dates of within 2 months.

24. Other payables and accruals

	At 31 December 2002 HK$'000	At 31 December 2003 HK$'000	At 31 December 2004 HK$'000	At 31 May 2005 HK$'000
Payable for purchases of property, plant & equipment and construction in progress	19,641	15,022	3,477	4,994
Salary and welfare payables	14,255	18,134	21,191	20,316
Customer deposits	10,110	5,207	9,576	8,974
Accrued expenses	7,591	3,729	17,431	11,615
Dividend payable to minority interests *(note (a))*	22,198	26,782	5,230	7,408
Other payables	16,368	14,074	35,272	28,586
Amount due to the ex-shareholders of certain subsidiaries	4,594	—	967	967
	94,757	82,948	93,144	82,860

(a) Dividend payable to minority interests have been settled prior to the listing of the Company's shares on the Main Board of the HKSE.

25. Other gains, net

	Year ended 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Year ended 31 December 2004 HK$'000	Five months ended 31 May 2004 HK$'000 (unaudited)	Five months ended 31 May 2005 HK$'000
Gain/(loss) on disposal of property, plant and equipment	—	—	489	(1,256)	—
Fair value (loss)/gain on land and buildings and investment properties	(4,845)	(80)	1,270	250	360
Government grants	4,758	4,916	6,249	4,713	2,489
Exchange gain	1,107	1,510	4,442	1,547	2,321
Excess of fair value of net assets of subsidiaries over the cost of acquisition	19,862	5,279	8,129	—	—
Others	3,401	8,293	6,058	718	304
	24,283	19,918	26,637	5,972	5,474

26. Finance costs

	Year ended 31 December 2002 HK$'000	Year ended 31 December 2003 HK$'000	Year ended 31 December 2004 HK$'000	Five months ended 31 May 2004 HK$'000 (unaudited)	Five months ended 31 May 2005 HK$'000
Interest on bank loans and overdrafts	1,142	6,974	10,191	4,380	3,264

27. Income tax expense

The amount of income tax expense charged to the combined income statements represents:

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Hong Kong profits tax *(note (a))*	4,234	8,034	15,741	7,657	29,343
PRC enterprise income tax *(note (b))*	1,990	5,603	14,328	6,728	7,362
Overseas taxation *(note (c))*	11	144	146	776	78
Deferred income tax *(Note 22)*	(185)	(982)	(29)	33	(632)
	6,050	12,799	30,186	15,194	36,151

(a) *Hong Kong profits tax*

Hong Kong profits tax has been provided at the rate of 16%, 17.5%, 17.5%, 17.5% and 17.5% on the estimated assessable profit for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2004 and 2005, respectively.

(b) *PRC enterprise income tax*

PRC enterprise income tax is provided on the basis of the profits of the PRC established and operating subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for the subsidiaries of the Group is 26.4%, which comprises 24% attributable to national enterprise income tax and 2.4% attributable to local municipal income tax, except that the applicable enterprise income tax rate for Zhejiang Huading Group and Zhejiang China Ting Brand Management Company Limited is 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax, and that for Shenzhen Fuhowe Fashion Company Limited and Finity Fashion (Shenzhen) Company Limited is 15%.

In accordance with the relevant applicable tax regulations, for those subsidiaries established in the PRC as wholly owned foreign enterprises or sino-foreign joint ventures, they are entitled to full exemption from enterprise income tax for the first two years and 50% reduction in national enterprise income tax for the next three years, commencing from the first profitable year, after offsetting all unexpired tax losses carried forward from previous years.

(c) *Overseas taxation*

Taxation on overseas profits has been calculated on the estimated assessable profit for the year/period at the rates of taxation prevailing in the countries in which the Group operates.

The Group's effective tax rate differs from the statutory rate principally due to the followings:

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before share of profit of associates and income tax	97,073	104,161	232,963	123,102	241,688
Calculated at a taxation rate 16%, 17.5%, 17.5%, 17.5% and 17.5% for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2004 and 2005	15,532	18,228	40,768	21,543	42,295
Effect from different income tax rate	4,952	4,229	9,862	6,195	5,451
Effects of tax exemption	(11,372)	(14,375)	(28,033)	(12,034)	(9,755)
Income not subject to tax	(5,083)	(1,158)	(1,214)	(1,378)	(5,322)
Expenses not deductible for tax purposes	1,324	2,814	5,451	548	1,986
Utilisation of previously unrecognised tax losses	—	(251)	(1,019)	(590)	(162)
Tax losses for which no deferred income tax asset was recognised	308	2,500	2,012	68	50
Increase in opening net deferred tax assets resulting from an increase in tax rate	—	(7)	—	—	—
Others	389	819	2,359	842	1,608
Income tax expense	6,050	12,799	30,186	15,194	36,151

28. Expenses by nature

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2002	2003	2004	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Auditors' remuneration	287	335	1,200	500	500
Amortisation of leasehold land and land use rights *(note 9)*	546	450	852	267	424
Amortisation of trademark *(note 11)*	—	—	1,561	—	1,301
Depreciation of property, plant and equipment *(note 7)*	7,519	14,035	24,881	9,653	10,965
Employee benefit expenses *(note 29)*	79,278	125,213	173,394	80,148	71,789
Changes in inventories of finished goods and work in progress	15,736	46,869	(31,025)	33,077	(5,480)
Raw materials and consumables used	236,618	371,467	602,618	228,758	287,494
Advertising costs	2,735	2,617	2,733	1,381	1,794
Direct operating expenses arising from investment properties that generate rental income	—	89	78	37	38
Repairs and maintenance	572	471	3,426	2,312	1,380
Operating lease rental in respect of property, plant and equipment	6,765	6,506	7,523	3,140	4,072
Inventory write-down	1,570	3,601	1,361	—	1,451
Provision for impairment of receivables	785	48	633	—	—
Bad debts written off	—	18,491	8,320	—	—

29. Employee benefit expenses

	Year ended 31 December			Five months ended 31 May	
	2002	2003	2004	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Salaries, wages and bonuses	69,602	107,619	151,186	70,121	74,249
Pension costs — defined contribution plans *(note (a))*	4,392	8,451	9,125	5,890	7,580
Staff welfare	5,284	9,143	13,083	4,137	4,353
	79,278	125,213	173,394	80,148	86,182

Note (a) Employees in the Group's PRC subsidiaries are required to participate in defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute 26.5% of employees' basic salary to the scheme to fund the retirement benefits of the employees.

(a) *Directors', supervisors' and senior management's emoluments*

The remuneration of each director of the Company during the Relevant Periods is set out below:

Name	Fees	Basic salaries, housing allowances, other allowances and benefits in kind	Contributions to pension plans	Discretionary bonus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2002					
Ting Man Yi	—	1,217	12	—	1,229
Ding Jianer	—	376	12	—	388
Ting Hung Yi	—	1,095	8	—	1,103
	—	2,688	32	—	2,720
For the year ended 31 December 2003					
Ting Man Yi	—	1,515	12	—	1,527
Ding Jianer	—	403	12	—	415
Ting Hung Yi	—	1,580	12	—	1,592
	—	3,498	36	—	3,534
For the year ended 31 December 2004					
Ting Man Yi	—	1,616	12	—	1,628
Ding Jianer	—	442	12	—	454
Ting Hung Yi	—	1,633	12	—	1,645
Wong Sin Yung	—	390	12	—	402
	—	4,081	48	—	4,129
For the five months ended 31 May 2004 (unaudited)					
Ting Man Yi	—	600	5	—	605
Ding Jianer	—	180	5	—	185
Ting Hung Yi	—	600	5	—	605
Wong Sin Yung	—	150	5	—	155
	—	1,530	20	—	1,550
For the five months ended 31 May 2005					
Ting Man Yi	—	500	5	—	505
Ding Jianer	—	150	5	—	155
Ting Hung Yi	—	600	5	—	605
Wong Sin Yung	—	190	5	100	295
	—	1,440	20	100	1,560

During the Relevant Periods, no directors of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2004 and 2005 include 2 directors of the Company whose emoluments are reflected in the analysis presented in note (a) above. The emoluments payable to the remaining 3 individuals during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	1,695	2,429	3,188	1,226	1,231
Contributions to pension plans	20	24	24	10	10
Discretionary bonuses	550	550	600	400	950
	2,265	3,003	3,812	1,636	2,191

The emoluments fell within the following bands:

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
Nil to HK$1,000,000	3	2	—	3	2
HK$1,000,001 — HK$1,500,000	—	1	3	—	1

During the Relevant Periods, no five highest paid individuals of the Group waived any emoluments and no emoluments were paid by the Group to any of such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

30. Dividend

Dividend for the five months ended 31 May 2005 represents the dividend declared and paid by Zhejiang Huading Group to its then shareholders of which HK$15,150,000 was paid to the equity holders of the Company and HK$13,985,000 was paid to minority shareholders of Zhejiang Huading Group.

The rates of dividend and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

In November 2005, the respective board of directors of China Ting Garment, Concept Creator Fashion and Hong Kong Fuhowe declared and paid dividends of HK$240,631,000 to their then shareholders.

31. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2 above.

32. Notes to combined cash flow statements

	Year ended 31 December			Five months ended 31 May	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Operating profit	98,215	111,135	243,154	127,482	244,952
Adjustments for:					
— Depreciation	7,519	14,035	24,881	9,653	10,965
— Amortisation	546	450	2,413	267	1,725
— (Gain)/loss on disposal of property, plant and equipment (see below)	—	—	(489)	1,256	—
— Fair value losses /(gain) on investment properties	4,845	80	(1,270)	(250)	(360)
— Excess of fair value of net assets of subsidiaries over the cost of acquisition	(19,862)	(5,279)	(8,129)	—	—
— Interest income	(566)	(392)	(5,842)	(1,379)	(464)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):					
— Inventories	(14,446)	(56,201)	(47,973)	20,832	16,345
— Trade and other receivables	1,327	(19,978)	(14,283)	(10,309)	27,928
— Amounts due from/(to) related companies	(115,175)	(30,169)	27,022	60,580	110,917
— Amounts due from/(to) directors	66,663	43,280	(32,336)	(28,663)	(105,854)
— Trade and other payables	64,677	34,795	(23,127)	(42,384)	33,428
Cash generated from operations	93,743	91,756	164,021	137,085	339,582

In the cash flow statement, proceeds from disposal of property, plant and equipment and land use rights comprise:

	Year ended 31 December			Five months ended 31 May	
	2002	2003	2004	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net book amount of:					
Property, plant and equipment *(note 7)*	—	—	25,455	1,256	6,406
Land use rights *(note 9)*	—	—	4,996	—	—
Less: Assets used in exchange of land use rights and property, plant and equipment	—	—	(25,975)	—	—
Net book value of assets disposed	—	—	4,476	1,256	6,406
Gain/(loss) on disposal of property, plant and equipment *(note 25)*	—	—	489	(1,256)	—
Proceeds from disposal of property, plant and equipment and land use rights	—	—	4,965	—	6,406

Major non-cash transactions

(i) During the year ended 31 December 2004, the Group disposed of certain land use rights, buildings and plant and machinery to the local government in exchange for certain land use rights.

Details of the exchange are as follows:

Land use rights	4,996
Buildings	20,648
Plant and machinery	331
Assets given up	25,975
Less: fair value of asset received	25,975
Loss on exchange of assets	—

(ii) During the year ended 31 December 2002, acquisitions of additional interests in an associate of HK$7,746,000 through capital injection was satisfied through current account with the associate.

33. Commitments

(a) *Capital commitments*

Capital expenditure contracted for at the respective balance sheet date but not yet incurred is as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and machinery	21,390	57	—	8,197

(b) *Operating lease commitments*

The Group leases various retail outlets, offices, warehouses and plant and equipment under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Land and buildings				
Amounts payable				
— Not later than 1 year	2,168	2,727	1,956	1,882
— Later than 1 year and not later than 5 years	3,648	3,723	2,366	3,293
— Later than 5 years	1,043	1,029	886	700
	6,859	7,479	5,208	5,875
Plant and equipment				
Amounts payable				
— Not later than 1 year	—	—	—	766
— Later than 1 year and not later than 5 years	—	—	—	3,799
	—	—	—	4,565
	6,859	7,479	5,208	10,440

The lease commitments for retail premises only include commitments for basic rentals and do not include commitments for additional rental payable, if any, when the amounts determined by applying pre-determined percentages to turnover exceeds the basic rentals of the respective leases as it is not possible to determine in advance the amount of such additional rentals.

34. Contingent liabilities

	At 31 December			At 31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Corporate guarantees in respect of bank facilities granted by bank to a related company	2,665	59	—	—

35. Business combinations

As set out in Note 2 above, the following subsidiaries were acquired during the Relevant Periods:

(i) In January 2002, 85% equity interest in Hangzhou Furun was acquired by Zhejiang Huading Group, for cash consideration of RMB500,000. Hangzhou Furun in turn held 45% interest in Hangzhou Fucheng;

(ii) In February 2002, 75% equity interest in Shenzhen Fuhowe Fashion Company Limited was acquired by Zhejiang Huading Group for cash consideration of RMB1,552,500;

(iii) In April 2002, 80% equity interest in Hangzhou Chuangxin was acquired by Zhejiang Huading Group for cash consideration of RMB4,800,000. Hangzhou Chuangxin in turn held 15% interest in Hangzhou Furun;

(iv) In December 2002, 75% equity interest in Zhejiang Huali Fashion Company Limited was acquired by Zhejiang Huading Group for cash consideration of RMB5,260,000; and

(v) In May 2005, the Group contributed additional capital of US$175,000 to Jiangsu Fuze Textile Company Limited and the Group's attributable interest in this company increased from 45% to 52%.

The acquired businesses contributed revenues of approximately HK$183,495,000 and HK$337,000 and net profit of HK$16,783,000 and net loss of HK$115,000 to the Group for the period from the dates of acquisitions to 31 December 2002 and 31 May 2005 respectively. If the acquisitions had occurred on 1 January 2002 and 2005 respectively, the Group's revenue would have been increased by HK$205,847,000 and HK$1,958,000, and profit before allocations would have been increased by HK$18,117,000 and decreased by HK$232,000, for the year ended 31 December 2002 and the five months ended 31 May 2005 respectively.

Details of net assets acquired and goodwill are as follows:

	Year ended 31 December 2002	Five months ended 31 May 2005
	HK$'000	*HK$'000*
Purchase consideration:		
— Cash paid	16,007	1,354
— Equity interests in acquiree's prior to acquisition	8,500	3,956
Total purchase consideration	24,507	5,310
Fair value of net assets acquired — shown as below	39,933	5,310
Excess of fair value of net assets of subsidiaries over the cost of acquisition	(15,426)	—

Excess of fair-value of net assets of subsidiaries over the cost of acquisition has arisen as a result of gains from purchases in discount.

The assets and liabilities acquired during the year ended 31 December 2002 and the five months ended 31 May 2005 are as follows:

	Year ended 31 December 2002		Five months ended 31 May 2005	
	Fair value	**Acquiree's carrying amount**	**Fair value**	**Acquiree's carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment *(note 7)*	38,395	38,395	5,995	5,995
Leasehold land and land use rights *(note 9)*	157	1,237	293	293
Interest in associates	4,352	4,352	—	—
Inventories	34,156	34,156	1,841	1,841
Trade and other receivables	114,046	114,046	1,535	1,535
Cash and cash equivalents	5,109	5,109	1,929	1,929
Tax recoverable	730	730	344	344
Trade and other payables	(107,932)	(107,932)	(1,753)	(1,753)
Borrowings	(47,104)	(47,104)	—	—
Net assets	41,909	42,989	10,184	10,184
Minority interests	(1,976)		(4,874)	
Net assets acquired	39,933		5,310	
Purchase consideration settled in cash		16,007		1,354
Cash and cash equivalents in subsidiaries acquired		(5,109)		(1,929)
Cash outflow/(inflow) on acquisition		10,898		(575)

There were no other acquisitions of subsidiaries during the years ended 31 December 2002, 2003 and 2004 and the five months ended 31 May 2005 except for several acquisitions of additional interests in subsidiaries from minority shareholders and partial disposal of interests in several subsidiaries, details of which are set out in Note 2 above.

36. Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

During the Relevant Periods, for the purpose of this report, the directors are of the view that the following companies are related parties of the Group:

Name	Relationship with the Group
Zhejiang Huading Group	A company in which the Company's Controlling Shareholders have equity interest
Hangzhou Chuangxin	A company in which the Company's Controlling Shareholders have equity interest
China Ting Industrial Investment (Hong Kong) Limited ("China Ting Industrial")	A company in which the Company's Controlling Shareholders have equity interests
Chinamine Garment Manufacturing Enterprises Limited ("Chinamine Garment")	A company in which the Company's Controlling Shareholders have equity interests
Hangzhou Yuhang Huading Real Estate Development Company Limited ("Yuhang Huading Real Estate")	A company in which the Company's Controlling Shareholders have equity interests
Hangzhou Huasheng Accessories Company Limited ("Huasheng Accessories")	An associated company
Interfield Industrial Limited ("Interfield")	An associated company
Hangzhou Huaxing Silk Printing Company Limited ("Hangzhou Huaxing")	An associated company

The names of certain companies referred to in the above represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

In addition to the related party transactions undertaken in connection with the Reorganisation (note 1), bank guarantees given by related parties (note 21), directors' emoluments (note 30) and guarantees given for the benefit of a related party (note 34) as disclosed above, the Group had the following significant continuing and discontinuing transactions carried out with related parties during the Relevant Periods:

(a) ***Transactions with related parties:***

In the opinion of the Directors, the transactions below were conducted in the ordinary and usual course of business and the pricing of these transactions was determined based on mutual negotiation and agreement between the Group and the related parties.

	Year ended 31 December			**Five months ended 31 May**	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Non-continuing transactions					
Sales of goods to Chinamine Garment	10,654	8,191	—	—	—
Management fee income from Chinamine Garment	1,200	1,200	—	—	—
Interest income from Yuhang Huading Real Estate	—	—	1,658	—	—
Purchases of property, plant and equipment from:					
— Interfield	—	2,863	—	—	—
Sales of property, plant and equipment to Hangzhou Huaxing	—	2,761	—	—	—
Continuing transactions					
Purchases of accessories from Huasheng Accessories	—	—	827	—	3,561
Subcontracting charges paid to Interfield	—	57,822	53,231	25,919	14,126

(b) ***Year/period-end balances***

(i) *Due from related companies*

	31 December			**31 May**
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
China Ting Industrial				
— Non-trade	14	14	30,658	100
Chinamine Garment				
— Trade	3,872	—	—	—
— Non-trade	1,279	5,689	—	—
Hangzhou Yuhang Huading Real Estate				
— Non-trade	151,562	181,223	129,216	49,568
	156,727	186,926	159,874	49,668

The aging analysis of the trade amounts due from Chinamine Garment is as follows:

	31 December			31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	944	—	—	—
Over 3 months but within 6 months	2,928	—	—	—
	3,872	—	—	—

Maximum non-trade amount outstanding during the years/period:

	31 December			31 May
Name	**2002**	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
China Ting Industrial	14	14	30,658	30,658
Chinamine Garment	37,590	5,689	5,689	—
Yuhang Huading Real Estate	151,562	181,223	257,906	129,216

All the current accounts maintained with related parties are interest-free, non-secured and with no fixed repayment terms.

All balances have been settled prior to the listing of the Company's shares on the Main Board of the HKSE.

(ii) *Due from directors — Non-trade*

	31 December			31 May
	2002	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Ting Man Yi	9,897	5,976	4,099	8,729
Mr. Ding Jianer	10,669	—	2,471	1,617
Mr. Ting Hung Yi	36,017	35,202	21,898	23,395
	56,583	41,178	28,468	33,741

Maximum amount outstanding during the years/period

	31 December			31 May
Name of directors	**2002**	**2003**	**2004**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Ting Man Yi	9,907	10,846	5,976	8,729
Mr. Ding Jianer	10,669	10,669	2,479	2,471
Mr. Ting Hung Yi	36,017	47,996	35,202	23,512

All the current accounts maintained with directors are interest-free, non-secured and with no fixed repayment terms.

All balances have been settled prior to the listing of the Company's shares on the Main Board of the HKSE.

(iii) *Due to related companies — Non-trade*

	31 December			31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
China Ting Industrial	—	30	—	—
Yuhang Huading Real Estate	—	—	—	711
	—	30	—	711

All the current accounts maintained with related parties are interest-free, non-secured and with no fixed repayment terms.

All balances have been settled prior to the listing of the Company's shares on the Main Board of the HKSE.

(iv) *Due to directors — Non-trade*

	31 December			31 May
	2002	2003	2004	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Ting Man Yi	41,969	68,436	44,878	17,186
Mr. Ding Jianer	95,523	106,214	81,181	—
Mr. Ting Hung Yi	22,000	12,717	16,262	24,554
	159,492	187,367	142,321	41,740

All the current accounts maintained with related parties are interest-free, non-secured and with no fixed repayment terms

All balances have been settled prior to the listing of the Company's shares on the Main Board of the HKSE.

37. Ultimate holding company

The Directors regard Longerview Investments Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company.

38. Subsequent events

Apart from as disclosed in notes 19 and 30, the following significant subsequent events had taken place after 31 May 2005:

(a) Zhejiang Huayue Silk Products Company Limited was established in the PRC as a sino-foreign joint venture with a registered capital of US$2,500,000 in June 2005. The Group holds 55% equity interest in this company.

(b) A conditional share option deed was entered into between the Company and Ms. Li Yuet Mui, Xera ("Ms. Li"), an employee of the Group, on 18 November 2005 whereby the Company agreed to grant to Ms. Li an option to subscribe up to 10,000,000 shares, representing 0.5% of the enlarged number of the total number of Shares immediately following completion of the Company's Global Offering and the Capitalisation Issue, assuming that the Over-allotment option is not exercised. Pursuant to the Pre-IPO Share Option Deed, (i) the subscription price for the share is the par value; (ii) the option cannot be exercised within a period of six months after the listing of the Company's shares on the Main Board of the HKSE; and (iii) the options cannot be exercised more than one-eighth in each year.

(c) Pursuant to the Reorganisation, the Group's attributable share of the net asset of Zhejiang Huading, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels which will not be assumed by the Group amounting to approximately HK$81,565,000 as at 31 May 2005 as described below:

(i) all of Zhejiang Huading's assets and liabilities were assumed by the Group except that Zhejiang Huading retains (i) the land use rights and certain buildings which are let to the Group at an annual rental of RMB13,942,050 for the period from 1 October 2005 to 31 December 2007, renewable at the Group's option; and (ii) certain receivables and payables which cannot be assumed because of their legal titles. The retention of assets and liabilities by Zhejiang Huading will be accounted for as a deemed distribution. The Group's attributable share of the net asset of Zhejiang Huading amounted to approximately HK$74,403,000 as at 31 May 2005;

(ii) the assets and liabilities of Hangzhou Chuangxin were also assumed by Hangzhou Fucheng except for certain assets and liabilities, including the land and building to be resumed by the PRC government. The retention of assets and liabilities by Hangzhou Chuangxin will be accounted for as a deemed distribution. The Group's attributable share of the net assets of Hangzhou Chuangxin amounted to approximately HK$724,000 as at 31 May 2005;

(iii) all the assets and liabilities of Skylite Apparels and Hangzhou Furun were assumed by the Group except for certain assets and liabilities which cannot be assumed because of their legal titles. The retention of assets and liabilities by Skylite Apparels and Hangzhou Furun will be accounted for as a deemed distribution. The Group's attributable share of the net assets of Skylite Apparels and Hangzhou Furun amounted to approximately HK$6,438,000 as at 31 May 2005.

(d) Subsequent to 31 May 2005, the Group entered into a sale and purchase agreement to sell a property to Mr. Ting Man Yi at a cash consideration of HK$19,900,000, resulting in a gain on disposal of approximately HK$6,638,000.

(e) On 18 November 2005, Hangzhou Fuding entered into an asset acquisition agreement with Zhejiang Huading Group for the acquisition of a factory building located within the China Ting Industrial Complex. The consideration for the acquisition was approximately HK$11,800,000, which was based on the net book value of the relevant factory building as at 31 October 2005.

39 Company's balance sheet

The Company was incorporated on 31 May 2005 and was not involved in any significant transactions since its incorporation. The Company's balance sheet as at 31 May 2005 was therefore not presented.

III SUBSEQUENT ACCOUNTS

No audited accounts have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2005. In addition, except as disclosed in Section II — Note 30, no dividend or distribution has been declared or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2005.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountants' Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report of the Group set out in Appendix I to this prospectus.

(a) Unaudited Pro Forma Net Tangible Assets

The following statement of unaudited pro forma net tangible assets prepared in accordance with rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of the Group as at 31 May 2005 as if they had been taken place on 31 May 2005.

The unaudited pro forma net tangible assets has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group following the Global Offering. It is prepared based on the combined net tangible assets of the Group attributable to equity holders of the Company as at 31 May 2005 as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net assets of the Group attributable to equity holders of the Company as of 31 May 2005	Less: intangible assets as of 31 May 2005	Estimated net proceeds from the Global Offering	Net assets not assumed by the Group	Unaudited pro forma net tangible assets of the Group	Unaudited pro forma net tangible assets per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$*
	Note 1	*Note 2*	*Note 3*	*Note 4*		*Note 5*
Based on an Offer Price of HK$1.8 per Share	625,090	(47,447)	839,504	(81,565)	1,335,582	0.67
Based on an Offer Price of HK$2.2 per Share	625,090	(47,447)	1,034,480	(81,565)	1,530,558	0.77

Notes:

1 The audited combined net assets as of 31 May 2005 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which does not take into account the ordinary dividend and the special dividend of HK$80 million and HK$161 million respectively, which were declared by the board of directors in November 2005.

2 The intangible assets as of 31 May 2005 represented the net book value of trademark amounting to HK$28,354,000, goodwill on acquisition of an associated company amounting to HK$17,679,000 and goodwill on acquisition of additional interests in certain subsidiaries amounting to HK$1,414,000. These amounts are extracted from the Accountants' Report set out in the Appendix I to this prospectus.

3 The estimated net proceeds from the Global Offering are based on indicative Offer Prices of HK$1.8 and HK$2.2 per Share respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed and the options that may be granted under the Share Option Scheme.

4 Pursuant to the Reorganisation, the Group's attributable share of the net assets of Zhejiang Huading, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels of HK$81,565,000 as at 31 May 2005 will not be assumed by the Group and will be treated as a deemed distribution upon completion of the Reorganisation on 18 November 2005. Consequently, the unaudited pro forma net tangible assets have been reduced accordingly after taking into account this deemed distribution.

5 The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,990,000,000 Shares were in issue, assuming that the Global Offering has been completed on 31 May 2005 but takes no account of any Shares which may fall to be issued upon the exercise of the option granted under the Pre-IPO Share Option Deed or any options which may be granted under the Share Option Scheme or upon the exercise of the Over-allotment Option or any Share which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

6 As of 30 September 2005, the Group's properties interests were revalued by CB Richard Ellis Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV — Property Valuation. The net revaluation surplus, representing the excess of market value of the properties over their book value, is approximately RMB48,637,000. Such revaluation surplus has not been included in the Group's combined financial information as at 31 May 2005 and will not be included in the Group's accounts for the year ending 31 December 2005. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated at such valuation, an additional depreciation of RMB2,817,000 per annum would be charged against the combined income statement.

(b) Unaudited Pro Forma Earnings per Share

The following unaudited pro forma earnings per Share has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2004. It is prepared based on the combined profit attributable to equity holders of the Company for the year ended 31 December 2004 and the five months ended 31 May 2005, as extracted from the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below. This unaudited pro forma earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

	Year ended 31 December 2004	Five months ended 31 May 2005
Audited combined profit attributable to equity holders	HK$192,803,000	HK$198,563,000
Unaudited pro forma fully diluted Earnings per Share taking into account the option granted under the Pre-IPO Share Option Deed	HK$0.096	HK$0.099

Notes:

(1) The calculation of unaudited pro forma fully diluted earnings per Share is based on the audited combined profit attributable to equity holders for the year ended 31 December 2004 and the five months ended 31 May 2005 assuming (i) the Capitalisation Issue and the Global Offering had been completed on 1 January 2004 (but without taking into account any Shares which may fall to be issued upon the exercise of the Over-Allotment Option or any Shares which may fall to be issued upon the exercise of the option granted under the Share Option Scheme) and a total of 1,990,000,000 Shares had been in issue during the year ended 31 December 2004 and the five months ended 31 May 2005 and (ii) the options granted pursuant to the Pre-IPO Share Option Deed were exercised in full on 1 January 2004 resulting in the issuance of 10,000,000 additional Shares.

(c) Unaudited Pro Forma Forecast Earnings per Share

The following unaudited pro forma forecast earnings per Share has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2005. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Forecast combined profit attributable to equity holders of the Company *(Note 1)*	not less than HK$369 million
Pro forma forecast earnings per Share *(Note 2)*	not less than HK$0.1845

Notes:

(1) The forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2005 is extracted from the section headed "Financial Information — Profit Forecast" in this prospectus. The bases and assumptions on which the above profit forecast for the year ending 31 December 2005 has been

prepared are summarised in Appendix III to this prospectus. The forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2005 prepared by the Directors is based on the audited combined results of the Group for the five months ended 31 May 2005, the Group's unaudited combined management accounts for the four months ended 30 September 2005 and a forecast of the combined results of the Group for the three months ending 31 December 2005 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2005. The forecast has been prepared on the basis of accounting policies being consistent in all material respects with those currently adopted by the Group as set out in Note 3 of Section II of the Accountants' Report contained in Appendix I to this prospectus.

(2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast combined profit attributable to equity holders of the Company for the year ending 31 December 2005 and a total of 1,990,000,000 Shares in issue, assuming that the Global Offering has been completed on 1 January 2005 (without taking into account the Over-allotment Option), and 10,000,000 additional Shares, assuming that the Pre-IPO Share Option Deed was exercised in full on 1 January 2005. The unaudited pro forma forecast earnings per Share would be HK$0.1854 if the impact on the exercise of the Pre-IPO Share Option Deed was excluded. Accordingly, the diluting effect on the forecast earnings per Share arising from the exercise of the Pre-IPO Share Option Deed in full is less than HK$0.001 per Share. The calculation of the diluted earnings per share above has not taken into consideration the impact of the fair value of the Shares upon the exercise of the Share Option Scheme in full. The Directors consider it is impracticable to estimate the fair value of the Shares to be issued under the Share Option Scheme prior to the Listing.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

30 November 2005

The Directors
China Ting Group Holdings Limited

Dear Sirs

We report on the unaudited pro forma financial information of China Ting Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on page II-1 to II-4 under the headings of unaudited pro forma net tangible assets, unaudited pro forma earnings per share and unaudited pro forma forecast earnings per share in Appendix II (the "Unaudited Pro Forma Financial Information") of the Company's prospectus dated 30 November 2005 in connection with the global offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the global offering might have affected the relevant financial information of the Group.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 21 of Appendix 1A and paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

It is our responsibility to form an opinion, as required by paragraph 4.29 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared on the bases set out on pages II-1 to II-4 for illustrative purpose only and, because of its nature, it may not be indicative of:

— the financial position of the Group at any future date, or

— the earnings per share of the Group for any future periods.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 of the Listing Rules.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The forecast of the combined profit attributable to the equity holders of the Company for the year ending 31 December 2005 is set out in the paragraph headed "Profit Forecast" under the section headed "Financial Information" in this prospectus.

1. Bases and assumptions

The forecast of the combined profit attributable to the equity holders of the Company for the year ending 31 December 2005 prepared by the Directors is based on the audited combined results of the Group for the five months ended 31 May 2005, the unaudited management accounts of the Group for the four months ended 30 September 2005 and a forecast of the combined results of the Group for the remaining three months ending 31 December 2005. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31 December 2005. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the accountants' report, the text of which is set out in Appendix I to this prospectus and is based on the following principal assumptions:

(a) There will be no material changes in the existing laws or regulations or rules, government policies or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which the Group operates, where the Group's customers carry on business, to where the Group exports its products or from which it imports its raw materials;

(b) There will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the respective countries in which the Group operates; and

(c) There will be no material change in the bases or rates of taxation or duties to the Group in the respective jurisdictions in which they operate.

2. Letters

Set out below are texts of the letters, prepared for inclusion in this prospectus, received by the Directors from the Company's reporting accountants, PricewaterhouseCoopers, and from the Sponsor, BNP Paribas Peregrine Capital Limited, in connection with the forecast of the combined profit attributable to the equity holders of the Company for the year ending 31 December 2005 respectively.

(i) *Letter from PricewaterhouseCoopers*

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

30 November 2005

The Directors
China Ting Group Holdings Limited
BNP Paribas Peregrine Capital Limited

Dear Sirs

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the combined profit attributable to equity holders of China Ting Group Holdings Limited (the "Company") for the year ending 31 December 2005 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast" in the section headed "Financial information" in the prospectus of the Company dated 30 November 2005 (the "Prospectus").

We conducted our work in accordance with the Auditing Guideline 3.341 on "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the five months ended 31 May 2005, the unaudited combined results based on management accounts of the Group for the four months ended 30 September 2005 and a forecast of the combined results of the Group for the remaining three months ending 31 December 2005 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2005.

In our opinion, the Profit Forecast, so far as the calculation and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the Directors of the Company as set out in Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in note 3 of Section II of our accountants' report dated 30 November 2005, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(ii) *Letter from the Sponsor*

BNP PARIBAS PEREGRINE

30 November 2005

The Board of Directors
China Ting Group Holdings Limited
28th Floor, Futura Plaza
111–113 How Ming Street
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

We refer to the forecast of the combined profit after tax and minority interests but before extraordinary items of China Ting Group Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ending 31 December 2005 (the "Profit Forecast") as set out in the paragraph headed "Profit Forecast" under the section headed "Financial Information" in the prospectus of the Company dated 30 November 2005.

The Profit Forecast, for which the directors of the Company (the "Directors") are solely responsible, has been prepared by them based on the audited combined results of the Group for the five months ended 31 May 2005, the unaudited combined results based on management accounts of the Group for the four months ended 30 September 2005 and a forecast of the combined results of the Group for the remaining three months ending 31 December 2005 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2005.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 30 November 2005 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we have formed the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
BNP Paribas Peregrine Capital Limited
Alex To
Executive Director

The following is the text of a letter, summary of valuation and valuation certificates issued by CB Richard Ellis Limited, an independent property valuer, prepared for the purpose of incorporation in this prospectus in connection with its valuation of the property interests held and leased by the Group as at 30 September 2005.

CBRE
CB RICHARD ELLIS
世邦魏理仕

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地產代理（公司）牌照號碼
Estate Agent's Licence No. C-004065

30 November 2005

The Board of Directors
China Ting Group Holdings Limited
28th Floor, Futura Plaza
111–113 How Ming Street
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

In accordance with your instructions for us to value the property interests held by China Ting Group Holdings Limited (the "Company") and its subsidiaries (hereinafter together known as the "Group") in the People's Republic of China ("the PRC"), Hong Kong, Macau, the United States and France. We confirm that we have carried an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at 30 September 2005 (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in Paragraph 34(2), (3) of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to increase the values of the property interests.

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal adviser (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

In valuing the Property Nos. 1 to 14 in the PRC, we have adopted the market approach in valuing the land portion of the property and depreciated replacement cost approach in assessing buildings and structures standing on the land. In the valuation of the land portion, reference has been made to the standard land prices and the sales evidence as available to us in the locality.

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (or reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

Where due to the specific purpose for which the buildings and structures of the property interests have been constructed, or where the property interests are located in markets where there are no readily identifiable market comparable, the property interests have been valued on the basis of the depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

In valuing Property Nos. 15 to 20 located in the PRC and Hong Kong, we have adopted the market approach.

We have caused searches to be made at the Land Registry in Hong Kong and title searches to be made in Macau, the United States and France. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments that may not appear on the copies handed to us. All documents have been used for reference only.

In valuing Property No. 21 held by the Group under development, we have valued the property interests on the basis that the property will be developed and completed in accordance with the Group's latest development schemes provided to us. We have assumed that approvals for the proposals have been obtained. In arriving at our opinion of value, we have adopted the market approach in valuing the land portion of the property and depreciated replacement cost approach in assessing buildings and structures already completed on the land as at the date of valuation and have also taken into consideration the development costs already spent and to be spent to reflect the quality of the completed development. In the valuation of the land portion, reference has been made to the standard land prices and the sales evidence as available to us in the locality.

Property Nos. 22 and 23, which are other property interests held by the Group in the PRC, are those the Group has entered into agreements with the government authority while the Group has not yet obtained the State-owned Land Use Rights Certificate. We have assigned no commercial value to those property interests.

Property Nos. 24 to 41 are rented by the Group and are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

We have relied to a considerable extent on information given by the Group, in particular in respect of matters such as planning approvals, statutory notices, easements, tenancies, floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspection the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for construction development.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Hong Kong dollars ("HK$"). Where necessary, we have converted Renminbi ("RMB") into Hong Kong dollars ("HK$") at the exchange rate of RMB1 = HK$0.962 being the rate prevailing at the date of valuation.

Neither the whole or any part of this letter and valuation certificates or any reference thereto may be included in any published document, circular or statement nor published in any way without our prior written approval to the form and context in which it may appear.

We enclose herewith a summary of valuation and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Kam Hung YU
BSc (Hons) FHKIS FRICS FHKIREA RPS(GP)
Executive Director
Valuation & Advisory Services

Note: Mr. Yu is the Chairman of General Practice Divisional Council of the Hong Kong Institute of Surveyors. He is a Registered Professional Surveyor (General Practice), a fellow of Royal Institution of Chartered Surveyors, a fellow of the Hong Kong Institute of Surveyors and a fellow of the Hong Kong Institute of Real Estate Administration. He has over 24 years valuation experience in Hong Kong, Macau and the PRC.

SUMMARY OF VALUATION

	Property Interests	Capital Value in existing state as at 30 September 2005 *(HK$)*	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 *(HK$)*
Group I — Property interests held by the Group for occupation				
1.	Industrial Complex No. 1, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	12,200,000	100%	12,200,000
2.	Industrial Complex No. 6, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	8,000,000	100%	8,000,000
3.	Industrial Complex No. 9, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	9,500,000	100%	9,500,000
4.	Industrial Complex No. 4, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	12,300,000	100%	12,300,000
5.	Industrial Complex No. 7, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	7,800,000	100%	7,800,000

	Property Interests	Capital Value in existing state as at 30 September 2005 *(HK$)*	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 *(HK$)*
6.	Industrial Complex No. 2, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	12,900,000	100%	12,900,000
7.	Industrial Complex No. 5, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	10,100,000	100%	10,100,000
8.	Industrial Complex No. 8, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	9,800,000	100%	9,800,000
9.	Industrial Complex No. 10, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	8,400,000	100%	8,400,000
10.	Industrial Complex No. 12, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	8,300,000	100%	8,300,000

	Property Interests	Capital Value in existing state as at 30 September 2005 *(HK$)*	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 *(HK$)*
11.	An Industrial Complex, Sihong Economic Development Zone, Weisi Road North, Sihong County, Suqian City, Jiangsu Province, the People's Republic of China	6,700,000	52%	3,484,000
12.	An Industrial Complex, Xingxue Road South, Xitangqiao Town, Haiyan County, Jiaxing City, Zhejiang Province, the People's Republic of China	4,100,000	55%	2,255,000
13.	An Industrial Complex, Ren'an Village, Xitangqiao Town, Haiyan County, Jiaxing City, Zhejiang Province, the People's Republic of China	3,900,000	55%	2,145,000
14.	An Industrial Complex, Xichang Road West, Xitangqiao Town, Haiyan County, Jiaxing City, Zhejiang Province, the People's Republic of China	11,000,000	55%	6,050,000
15.	Unit 203, Rui Lu Court, Units 503,703 & 803, Rui Fu Court and Units A701, A702 & D1003 Rui Jing Court, Hong Rui Garden, Nanguang Road West, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	4,440,000	100%	4,440,000

	Property Interests	Capital Value in existing state as at 30 September 2005 *(HK$)*	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 *(HK$)*
16.	24 residential units, Xiang Tai Apartment, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	2,750,000	100%	2,750,000
17.	Units 501, 509, 609, 701, 710, 810, 910, 1010, and 1110, Block A, Qi Lin Garden, Qilin Road, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	3,640,000	100%	3,640,000
18.	Flat A, 36/F., Block 7, East Point City, Chung Wa Road, Tseung Kwan O, New Territories, Hong Kong	2,950,000	100%	2,950,000
19.	Car Parking Space No. 19 on Car Park D2 and Flat A, 7/F. of Tower 18, One Beacon Hill, No.1 Beacon Hill Road, Kowloon, Hong Kong	19,500,000	100%	19,500,000
			Group I Sub-total:	146,514,000

Group II — Property interests held by the Group for investment

20.	Flat G–J, 4/F. with portion of flat roof, Lladro Center, Nos. 72–80 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	4,940,000	100%	4,940,000
			Group II Sub-total:	4,940,000

Property Interests	Capital Value in existing state as at 30 September 2005 (HK$)	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 (HK$)
Group III — Property interests held by the Group under development			
21. A parcel of industrial land, Hongqi Village, Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	20,100,000	100%	20,100,000
		Group III Sub-total:	20,100,000
Group IV — Other property interests held by the Group			
22. A parcel of industrial land, Feizhuang Village, Yunhe Town, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value
23. A parcel of industrial land, Feizhuang Village, Yunhe Town, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value
		Group IV Sub-total:	No commercial value
Group V — Property interests rented by the Group			
24. Unit Nos. 2 and 3, 23/F., 27/F. and 28/F., Futura Plaza, Nos. 111–113 How Ming Street, Kwun Tong, Kowloon, Hong Kong			No commercial value

	Property Interests	Capital Value in existing state as at 30 September 2005 *(HK$)*	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 *(HK$)*
25.	Unit B, 12/F., Union Building, No. 112 How Ming Street, Kwun Tong, Kowloon, Hong Kong			No commercial value
26.	Room 901 and 902, No. 561 Seventh Avenue, New York, the United States			No commercial value
27.	23 Allée des Impressionnistes Sisley Building — Paris Nord II 93420 VILLEPINTE, Paris, France			No commercial value
28.	Various office units, Headquarters Building, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value
29.	16 General Staff Dormitory Blocks, a Senior Staff Dormitory Block, a Guest House and various ancillary buildings and facilities, Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value

	Property Interests	Capital Value in existing state as at 30 September 2005 *(HK$)*	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 *(HK$)*
30.	Industrial Complex, No. 3, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value
31.	Industrial premises and staff quarters, Zhenxing Road East and Hehua Road South, Yuhang Economic Development District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value
32.	Industrial premises, No. 153, Xinsi Road, Yuhang Economic Development District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value
33.	Industrial premises, Gudun Road, Xihu District, Hangzhou City, Zhejiang Province, the People's Republic of China			No commercial value

Property Interests	Capital Value in existing state as at 30 September 2005 (HK$)	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 (HK$)
34. 5/F. and North Side of 2/F., Block C, Rooms 501–504 and 705–707 Dormitory Block 3 and Rooms 501–503, 601–618 Dormitory Block 2, Nan Yuan Industrial Park, Nanshan Avenue, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China			No commercial value
35. 1/F., Block 1, Lianhua Garden, Nanshan Avenue, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China			No commercial value
36. 74 residential units Block 33, 4/F., 5/F., and 6/F., Block 34 and 5/F. and 6/F., Block 36, Ma Jia Long Industrial Park, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China			No commercial value
37. Shop No. 4, 1/F., Kai Li Hotel, Jiabin Road, Luohu District, Shenzhen City, Guangdong Province, the People's Republic of China			No commercial value

	Property Interests	Capital Value in existing state as at 30 September 2005 *(HK$)*	Interests attributable to the Group	Capital Value attributable to the Group as at 30 September 2005 *(HK$)*
38.	Shop No. 235, Middle Block, Hua Run Wan Xiang City, Luohu District, Shenzhen City, Guangdong Province, the People's Republic of China			No commercial value
39.	A retail shop unit, 3/F., Wan Xiang City, No. 1881 Bao'an Road South, Bao'an District, Shenzhen City, Guangdong Province, the People's Republic of China			No commercial value
40.	A retail shop unit, 2/F., Fu Ke Si World Trade Plaza, No. 2299 Yan'an Road West, Shanghai City, the People's Republic of China			No commercial value
41.	Room A and Room D, 19/F., Catic Tower, No. 212 Jiangning Road, Jing'an District, Shanghai City, the People's Republic of China			No commercial value
			Group V Sub-total:	No commercial value
			GRAND TOTAL:	171,554,000

Note: Subsequent to the date of valuation, the Group has entered into a tenancy agreement on 24 October 2005 with Industrias Wasan Limitada to lease a workshop unit with gross floor area of approximately 678 sq.m. in Macau for a term of 3 years from 1 November 2005 at a total monthly rent of HK$85,000. We have ascribed no commercial value to this property. Please refer to page IV-72 for the details of this property.

VALUATION CERTIFICATE

Group I — Property interests held by the Group for occupation

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
1.	Industrial Complex No. 1, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two-storeys erected on a site having a site area of approximately 18,543.5 sq.m. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 12,322.11 sq.m. The floor area breakdown of the buildings is shown below. **Building** — **Gross Floor Area** *(sq.m.)* Warehouse/Staff Canteen — 3,493.75 Electric Room — 102.09 Office/Workshop — 8,726.27 The buildings include office, workshops, warehouse, staff canteen and electric room. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 25 September 2052.	The property is occupied by Zhejiang Huali Fashion Company Limited for industrial production, office and ancillary purposes.	12,200,000 (100% interests attributable to the Group: HK$12,200,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2002) 043 dated 26 June 2002 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang Huali Fashion Company Limited, the land use rights of the subject property with a site area of approximately 20,558 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,852,920.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1306 dated 4 November 2003, the land use rights of the property having a total site area of approximately 18,543.5 sq.m. for industrial use and for a term expiring on 25 September 2052 have been granted to Zhejiang Huali Fashion Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin 0015802 dated 10 September 2004, the building ownership rights of a two-storey warehouse/staff canteen, a one-storey electric room and a two-storey office/workshop, with gross floor areas of approximately 3,493.75 sq.m., 102.09 sq.m. and 8,726.27 sq.m. respectively, have been granted to Zhejiang Huali Fashion Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1306, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin 0015802, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
2.	Industrial Complex No. 6, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two-storeys erected on a site having a site area of approximately 12,182.7 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 8,797.67 sq.m. The floor area breakdown of the buildings is shown below. **Building** — **Gross Floor Area** *(sq.m.)* Office 298.60 Workshop 6,973.68 Warehouse 756.30 Staff Canteen 700.20 Electric Room 68.89 The buildings include office, workshops, warehouse, staff canteen and electric room. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 27 March 2052.	The property is occupied by Zhejiang China Ting Knitwear Company Limited for industrial production, office, warehouse and ancillary purposes.	8,000,000 (100% interests attributable to the Group: HK$8,000,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2001) 482 dated 28 December 2001 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang China Ting Knitwear Company Limited, the land use rights of the subject property with a site area of approximately 12,791 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,151,190.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1333 dated 11 November 2003, the land use rights of the property having a total site area of approximately 12,182.7 sq.m. for industrial use and for a term expiring on 27 March 2052 have been granted to Zhejiang China Ting Knitwear Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin 0015799 dated 10 September 2004, the building ownership rights of a two-storey office, two-storey workshop, one-storey warehouse, one-storey staff canteen and a one-storey electric room, with gross floor areas of approximately 298.6 sq.m., 6,973.68 sq.m., 756.3 sq.m., 700.2 sq.m. and 68.89 sq.m. respectively, have been granted to Zhejiang China Ting Knitwear Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1333, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin 0015799, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
3.	Industrial Complex No. 9, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two-storeys erected on a site having a site area of approximately 15,250.4 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 8,615.23 sq.m. The floor area breakdown of the buildings is shown below. **Building** — **Gross Floor Area** *(sq.m.)* Workshop/Warehouse — 8,059.75 Workshop — 249.18 Workshop — 249.18 Car Parking Space — 57.12 The buildings and ancillary structures include workshop, warehouse, car parking spaces and guard house. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 9 November 2054.	The property is occupied by Zhejiang China Ting Jincheng Silk Company Limited for industrial production, warehouse and ancillary purposes.	9,500,000 (100% interests attributable to the Group: HK$9,500,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2004) 234 dated 10 November 2004 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang China Ting Jincheng Silk Company Limited, the land use rights of the subject property with a site area of approximately 16,312 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,468,080.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2005) 102-177 dated 9 March 2005, the land use rights of the property having a total site area of approximately 15,250.4 sq.m. for industrial use and for a term expiring on 9 November 2054 have been granted to Zhejiang China Ting Jincheng Silk Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin 0017535 dated 3 March 2005, the building ownership rights of a two-storey workshop/warehouse, two one-storey workshops, a one-storey electric room, and a car parking space, with gross floor areas of approximately 8,059.75 sq.m., 249.18 sq.m., 249.18 sq.m. and 57.12 sq.m. respectively, have been granted to Zhejiang China Ting Jincheng Silk Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2005) 102-177, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin 0017535, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
4.	Industrial Complex No. 4, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 19,665.8 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 13,082.27 sq.m. The floor area breakdown of the buildings is shown below: **Building** — **Gross Floor Area** *(sq.m.)* Workshop/Office 10,806.41 Electric Room 100.86 Warehouse 1,087.50 Staff Canteen 1,087.50 The buildings and structures include workshops, warehouses, staff canteen, electric room and various ancillary structures. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 7 March 2052.	The property is occupied by Hangzhou China Ting Fashion Company Limited for industrial production, office, warehouse and ancillary purposes.	12,300,000 (100% interests attributable to the Group: HK$12,300,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He Zi (2001) 480 dated 28 December 2001 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Hangzhou China Ting Fashion Company Limited, the land use rights of the subject property with a site area of approximately 19,666 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,769,940.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2004) 1-254 dated 7 April 2004, the land use rights of the property having a total site area of approximately 19,665.80 sq.m. for industrial use and for a term expiring on 7 March 2052 have been granted to Hangzhou China Ting Fashion Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin 0015803 dated 10 September 2004, the building ownership rights of a two-storey workshop/office, a one-storey electric room, a two-storey warehouse and a two-storey staff canteen, with gross floor areas of approximately 10,806.41 sq.m., 100.86 sq.m., 1,087.5 sq.m. and 1,087.5 sq.m. respectively, have been granted to Hangzhou China Ting Fashion Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2004) 1-254, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin 0015803, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
5.	Industrial Complex No. 7, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 12,148.7 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 7,830.06 sq.m. The floor area breakdown of the buildings is shown below: **Building** / **Gross Floor Area** *(sq.m.)* Staff Canteen 822.46 Workshop/ Warehouse 6,819.72 Electric Room 68.89 Car Parking Spaces 118.99 The buildings and structures include workshops, warehouses, staff canteen, electric room and various ancillary structures. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 27 March 2052.	The property is occupied by Zhejiang Fuhowe Fashion Company Limited for industrial production, warehouse and ancillary purposes.	7,800,000 (100% interests attributable to the Group: HK$7,800,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He Zi (2001) 481 dated 28 December 2001 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang Fuhowe Fashion Company Limited, the land use rights of the subject property with a site area of approximately 12,149 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,093,410.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1332 dated 11 November 2003, the land use rights of the property having a total site area of approximately 12,148.7 sq.m. for industrial use and for a term expiring on 27 March 2052 have been granted to Zhejiang Fuhowe Fashion Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Zi 0015801 dated 10 September 2004, the building ownership rights of a one-storey staff canteen, a two-storey workshop/ warehouse, one-storey electric room and a one-storey car parking space, with gross floor areas of approximately 822.46 sq.m., 6,819.72 sq.m., 68.89 sq.m. and 118.99 sq.m. respectively, have been granted to Zhejiang Fuhowe Fashion Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1332, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin 0015801, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
6.	Industrial Complex No. 2, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 21,964.4 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 14,893.25 sq.m. The floor area breakdown of the buildings is shown below: **Building** — **Gross Floor Area** *(sq.m.)* Workshop/ Warehouse — 12,036.37 Warehouse — 1,558.86 Electric Room — 158.42 Staff Canteen — 1,139.60 The buildings and structures include workshops, warehouses, staff canteen, electric room and various ancillary structures. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 25 September 2052.	The property is occupied by Zhejiang Concept Creator Fashion Company Limited for industrial production, warehouse and ancillary purposes.	12,900,000 (100% interests attributable to the Group: HK$12,900,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2002) 042 dated 26 June 2002 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang Concept Creator Fashion Company Limited, the land use rights of the subject property with a site area of approximately 24,450 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB2,200,500.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1299 dated 4 November 2003, the land use rights of the property having a total site area of approximately 21,964.4 sq.m. for industrial use and for a term expiring on 25 September 2052 have been granted to Zhejiang Concept Creator Fashion Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Zi 0015805 dated 10 September 2004, the building ownership rights of a two-storey workshop/warehouse, a one-storey warehouse, one-storey electric room and a one-storey staff canteen, with gross floor areas of approximately 12,036.37 sq.m., 1,558.86 sq.m., 158.42 sq.m. and 1,139.6 sq.m. respectively, have been granted to Zhejiang Concept Creator Fashion Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1299, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin 0015805, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
7.	Industrial Complex No. 5, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 13,877.8 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 11,362.6 sq.m. The floor area breakdown of the buildings is shown below: **Building** — **Gross Floor Area** *(sq.m.)* Workshop/ Warehouse — 2,766.65 Workshop/ Warehouse — 2,720.90 Staff Canteen — 482.82 Warehouse — 5,392.23 The buildings and structures include workshops, warehouses, staff canteen and various ancillary structures. Part of the property with a floor area approximately 2,720.9 sq.m. is leased to Diny (Hangzhou) Fashion Company Limited from 1 August 2003 to 31 December 2005 at a monthly rent of RMB8,162.7. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 27 March 2052.	The property is occupied by Finity International Fashion Company Limited and Diny (Hangzhou) Fashion Company Limited for industrial production, warehouse and ancillary purposes.	10,100,000 (100% interests attributable to the Group: HK$10,100,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He Zi (2001) 479 dated 28 December 2001 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Finity International Fashion Company Limited, the land use rights of the subject property with a site area of approximately 14,228 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,280,520.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1348 dated 14 November 2003, the land use rights of the property having a total site area of approximately 13,877.8 sq.m. for industrial use and for a term expiring on 27 March 2052 have been granted to Finity International Fashion Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin 0015804 dated 10 September 2004, the building ownership rights of a two-storey workshop/warehouse, a two-storey workshop/warehouse, a one-storey staff canteen, and a one-storey warehouse, with gross floor areas of approximately 2,766.65 sq.m., 2,720.9 sq.m., 482.82 sq.m. and 5,392.23 sq.m. respectively, have been granted to Finity International Fashion Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1348, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin 0015804, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
8.	Industrial Complex No. 8, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 13,594.7 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 10,314.07 sq.m. The floor area breakdown of the buildings is shown below: **Building** — **Gross Floor Area** *(sq.m.)* Workshop/ Warehouse — 8,338.65 Warehouse — 1,057.19 Staff Canteen — 918.23 The buildings and structures include workshops, warehouses, staff canteen and various ancillary structures. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 9 November 2054.	The property is occupied by Zhejiang Fucheng Fashion Company Limited for industrial production, warehouse and ancillary purposes.	9,800,000 (100% interests attributable to the Group: HK$9,800,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2004) 233 dated 10 November 2004 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang Fucheng Fashion Company Limited, the land use rights of the subject property with a site area of approximately 14,289 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB128,010.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2005) 102-178 dated 9 March 2005, the land use rights of the property having a total site area of approximately 13,594.7 sq.m. for industrial use and for a term expiring on 9 March 2054 have been granted to Zhejiang Fucheng Fashion Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Zi 0017534 dated 3 March 2005, the building ownership rights of a two-storey workshop/warehouse, a one-storey warehouse and a one-storey staff canteen, with gross floor areas of approximately 8,338.65 sq.m., 1,057.19 sq.m. and 918.23 sq.m. respectively, have been granted to Zhejiang Fucheng Fashion Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2005) 102-178, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin Zi 0017534, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
9.	Industrial Complex No. 10, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 12,447.6 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 9,392.77 sq.m. The floor area breakdown of the buildings is shown below: **Building** — **Gross Floor Area** *(sq.m.)* Electric Room — 166.78 Warehouse — 805.87 Staff Canteen — 704.77 Workshop/ Warehouse — 7,715.35 The buildings and structures include workshops, warehouses, staff canteen and various ancillary structures. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 25 September 2052.	The property is occupied by Zhejiang Xinan Fashion Company Limited for industrial production, warehouse and ancillary purposes.	8,400,000 (100% interests attributable to the Group: HK$8,400,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2002) 040 dated 26 June 2002 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang Xinan Fashion Company Limited, the land use rights of the subject property with a site area of approximately 13,220 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,189,800.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1349 dated 14 November 2003, the land use rights of the property having a total site area of approximately 12,447.6 sq.m. for industrial use and for a term expiring on 25 September 2052 have been granted to Zhejiang Xinan Fashion Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Zi 0015800 dated 10 September 2004, the building ownership rights of a one-storey electric room, a one-storey warehouse, a one-storey staff canteen and a two-storey workshop/warehouse, with gross floor areas of approximately 166.78 sq.m., 805.87 sq.m., 704.77 sq.m. and 7,715.35 sq.m. respectively, have been granted to Zhejiang Xinan Fashion Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2003) 1-1349, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin Zi 0015800, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
10.	Industrial Complex No. 12, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 20,910.2 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 6,462.09 sq.m. The floor area breakdown of the buildings is shown below: **Building** — **Gross Floor Area** *(sq.m.)* Workshop 1,845.10 Staff Canteen 247.74 Office/Warehouse 2,488.12 Workshop 1,881.13 The buildings and structures include workshops, office, warehouses, staff canteen and various ancillary structures. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 23 August 2052.	The property is occupied by Zhejiang China Ting Textile Technology Company Limited for industrial production, office, warehouse and ancillary purposes.	8,300,000 (100% interests attributable to the Group: HK$8,300,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2003) 192 dated 5 June 2003 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Zhejiang China Ting Textile Technology Company Limited, the land use rights of the subject property with a site area of approximately 22,695 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB2,042,550.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2004) 1-257 dated 7 April 2004, the land use rights of the property having a total site area of approximately 20,910.2 sq.m. for industrial use and for a term expiring on 23 August 2052 have been granted to Zhejiang China Ting Textile Technology Company Limited.

3. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Zi 0017046 dated 6 January 2005, the building ownership rights of a one-storey workshop, a one-storey staff canteen, a two-storey office/warehouse and a one-storey workshop, with gross floor areas of approximately 1,845.1 sq.m., 247.74 sq.m., 2,488.12 sq.m. and 1,881.13 sq.m. respectively, have been granted to Zhejiang China Ting Textile Technology Company Limited.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2004) 1-257, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Yu Fang Quan Zheng Lin Zi 0017046, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
11.	An Industrial Complex, Sihong Economic Development Zone, Weisi Road North, Sihong Country, Suqian City, Jiangsu Province, the People's Republic of China	The property comprises various buildings of one to three-storeys erected on a site having a site area of approximately 21,752.00 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 8,985.96 sq.m. The floor area breakdown of the buildings is shown below. **Building** — **Gross Floor Area** *(sq.m.)* Guard House 33.45 Office 1,608.66 Workshop/ Warehouse 6,724.37 Warehouse 118.44 Electric Room 54.81 Lavatory 68.80 Simple Workshop 75.93 Changing Room 301.50 The buildings and ancillary structures include workshop, warehouse,electric room lavatory, office space, bathing box and guard house. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 13 October 2054.	The property is occupied by Jiangsu Fuze Textile Company Limited for industrial production, warehouse and ancillary purposes.	6,700,000 (52% interests attributable to the Group: HK$3,484,000)

Notes:

1. Pursuant to the State-owned Land Use Certificate Document No. Hong Guo Yong (2004) Zi Di 0402 dated 2 November 2004, the land use rights of the property having a total site area of approximately 21,752.00 sq.m. for industrial use and for a term expiring on 13 October 2054 have been granted to Jiangsu Fuze Textile Company Limited.

2. Pursuant to the Building Ownership Certificate Nos. Hong Fang Zi Di 043364, 043365 and 052214 dated 10 November 2004 and 7 September 2005, the building ownership rights of a one-storey guard house, a three-storey office and a one-storey electric room, five blocks of one to two-storey workshop/warehouse, a one-storey lavatory, a one-storey warehouse, a one-storey simple workshop and two blocks of one-

storey changing rooms, with gross floor areas of approximately 33.45 sq.m., 1,608.66 sq.m., 54.81 sq.m., 6,724.37 sq.m., 118.44 sq.m., 75.93 sq.m. and 301.5 sq.m. respectively, have been granted to Jiangsu Fuze Textile Company Limited.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hong Guo Yong (2004) Zi Di 0402, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document Nos. Hong Fang Zi Di 043364, 043365 and 052214, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
12.	An Industrial Complex, Xingxue Road South, Xitangqiao Town, Haiyan County, Jiaxing City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to two storeys and various ancillary structures erected on a site having a site area of approximately 9,332.7 sq.m.. Majority of buildings and various structures were completed during 1993. The property has a total gross floor area of approximately 7,079.87 sq.m. The floor area breakdown of the buildings is shown below:	The property is occupied by Zhejiang Huayue Silk Products Company Limited for industrial production, office, warehouse and ancillary purposes.	4,100,000 (55% interests attributable to the Group: HK$2,255,000)

Building	Gross Floor Area *(sq.m.)*
Office	536.52
Workshop	5,140.51
Warehouse	168.85
Lavatory	27.77
Boiler Room	156.14
Staff Canteen/ Dormitory	670.56
Electric Room	109.96
Guard House	208.40
Simple Warehouse	61.16

The buildings and structures include workshops, office, warehouses, staff canteen and various ancillary structures.

The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 26 April 2038.

Notes:

1. Pursuant to the State-owned Land Use Certificate Document No. Hai Yan Guo Yong (2005) Di 5-34, the land use rights of the property having a total site area of approximately 9,332.7 sq.m. for industrial use and for a term expiring on 26 April 2038 has been granted to Zhejiang Huayue Silk Products Company Limited.

2. Pursuant to the Building Ownership Certificate Nos. Fang Quan Zheng Yan Zi Di 036171, 036172, 036173 and 036174 dated 29 June 2005, the building ownership rights of a two-storey office, seven blocks of one-storey workshops, two blocks of two-storey workshops, a one-storey warehouse, a one-

storey lavatory, a one-storey boiler room,a two-storey staff canteen/dormitory, a two-storey electric room and a one-storey guard house, with gross floor areas of approximately 536.52 sq.m., 2,794.41 sq.m., 2,346.10 sq.m., 168.85 sq.m., 27.77 sq.m., 156.14 sq.m., 670.56 sq.m., 109.96 sq.m., 208.40 sq.m. respectively, have been granted to Zhejiang Huayue Silk Products Company Limited.

3. As advised by the Group, they have made application to the relevant government authority for applying the Building Ownership Certificate for the simple warehouse with gross floor area of approximately 61.16 sq.m. It is estimated that the Building Ownership Certificate will be issued in or around December 2005. We have not taken into account the value of the aforesaid simple warehouse in our value conclusion of the property.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hai Yan Guo Yong (2005) Di 5-34, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document Nos. Fang Quan Zheng Yan Zi Di 036171, 036172, 036173 and 036174, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
13.	An Industrial Complex, Ren'an Village, Xitangqiao Town, Haiyan County, Jiaxing City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to three storeys and various ancillary structures erected on a site having a site area of approximately 8,082.0 sq.m.. Majority of buildings and various structures were completed during 2004. The property has a total gross floor area of approximately 6,506.97 sq.m. The floor area breakdown of the buildings is shown below: **Building** / **Gross Floor Area** *(sq.m.)* Workshop 3,803.97 Staff Canteen/ Dormitory 2,528.00 Boiler Room 175.00 The buildings and structures include workshops, office, warehouses, staff canteen and various ancillary structures. The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 19 May 2052.	The property is occupied by Zhejiang Huayue Silk Products Company Limited for industrial production, office, warehouse and ancillary purposes.	3,900,000 (55% interests attributable to the Group: HK$2,145,000)

Notes:

1. Pursuant to the State-owned Land Use Certificate Document No. Hai Yan Guo Yong (2005) Di 5-35, the land use rights of the property having a total site area of approximately 8,082.00 sq.m. for industrial use and for a term expiring on 19 May 2052 have been granted to Zhejiang Huayue Silk Products Company Limited.

2. Pursuant to the Building Ownership Certificate No. Fang Quan Zheng Yan Zi Di 036170 dated 29 June 2005, the building ownership rights of a two-storey workshop with gross floor areas of approximately 3,803.97 sq.m. have been granted to Zhejiang Huayue Silk Products Company Limited.

3. As advised by the Group, they have made application to the relevant government authority for applying the Building Ownership Certificates for the staff canteen/dormitory and boiler room with gross floor areas of approximately 2,528 sq.m. and 175 sq.m. respectively. It is estimated that the Building Ownership Certificates will be issued in or around December 2005. We have not taken into account the value of the aforesaid buildings in our value conclusion of the property.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hai Yan Guo Yong (2005) Di 5-35, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document No. Fang Quan Zheng Yan Zi Di 036170, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
14.	An Industrial Complex, Xichang Road West, Xitangqiao Town, Haiyan County, Jiaxing City, Zhejiang Province, the People's Republic of China	The property comprises various buildings of one to five storeys and various ancillary structures erected on a site having a site area of approximately 19,831.3 sq.m.. Majority of buildings and various structures were completed during 1995. The property has a total gross floor area of approximately 12,439.40 sq.m.. The floor area breakdown of the buildings is shown below:	The property is occupied by Zhejiang Huayue Silk Products Company Limited for industrial production, office, warehouse and ancillary purposes.	11,000,000 (55% interests attributable to the Group: HK$6,050,000)

Building	Gross Floor Area *(sq.m.)*
Guard house	119.86
Office	2,220.04
Workshop	7,112.5
Electric Room	194.04
Staff Canteen/ Dormitory	1,517.91
Warehouse	746
Lavatory	32.15
Dinner house	375
Water-Treatment House	60.9
Workshop	61.00

The buildings and structures include workshops, office, warehouses, staff canteen and various ancillary structures.

The parcel of land was granted with land use rights by State-owned Land Use Certificate for industrial use and for a term expiring on 1 April 2045.

Notes:

1. Pursuant to the State-owned Land Use Certificate Document No. Hai Yan Guo Yong (2005) Di 5-36, the land use rights of the property having a total site area of approximately 19,831.30 sq.m. for industrial use and for a term expiring on 1 April 2045 have been granted to Zhejiang Huayue Silk Products Company Limited.

2. Pursuant to the Building Ownership Certificate Nos. Fang Quan Zheng Yan Zi Di 036167, 036168 and 036169 dated 29 June 2005, the building ownership rights of a one-storey guard house, a five-storey office, two blocks of 1-storey workshops, four blocks of two-storey workshops, a two-storey electric room, a two-storey staff canteen/dormitory, a two-storey warehouse/dormitory, a two-storey warehouse and a one-storey lavatory, with gross floor areas of approximately 119.86 sq.m., 2,220.04 sq.m., 1,071.45 sq.m., 6,041.05 sq.m., 194.04 sq.m., 858.33 sq.m., 659.58 sq.m., 746.0 sq.m. and 32.15 sq.m. respectively, have been granted to Zhejiang Huayue Silk Products Company Limited.

3. As advised by the Group, they have made application to the relevant government authority for applying the Building Ownership Certificates for the dinner house, water treatment house and workshop with gross floor areas of approximately 375 sq.m., 60.9 sq.m. and 61.0 sq.m. respectively. It is estimated that the Building Ownership Certificates will be issued in or around December 2005. We have not taken into account the value of the aforesaid buildings in our value conclusion of the property.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Certificate Document No. Hai Yan Guo Yong (2005) Di 5-36, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (b) According to the Building Ownership Certificate Document Nos. Fang Quan Zheng Yan Zi Di 036167, 036168 and 036169, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
15.	Unit 203, Rui Lu Court, Units 503,703 & 803, Rui Fu Court and Units A701, A702 & D1003 Rui Jing Court, Hong Rui Garden, Nanguang Road West, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises various residential units on the 2nd floor in a nine-storey residential block, 5th, 7th and 8th floors in a nine-storey residential block and 7th and 10th floors in a 11-storey residential block, which were completed in about 2000. The total gross floor area of the property is approximately 690.55 sq.m. The gross floor area breakdown of the property is shown below:	The property is occupied by the Group as staff quarters.	4,440,000 (100% interests attributable to the Group: HK$4,440,000)

Unit	Gross Floor Area *(sq.m.)*
203 Rui Lu Court	109.45
503 Rui Fu Court	106.13
703 Rui Fu Court	106.13
803 Rui Fu Court	106.13
A701 Rui Jing Court	84.50
A702 Rui Jing Court	84.50
D1003 Rui Jing Court	93.71
Total	**690.55**

Notes:

1. Pursuant to the Realty Title Certificate Nos. Shen Fang Di Zi Di 4000046205, 4000046148, 4000046206, 4000046207, 4000046178, 4000046173, 4000046147 dated 2 June 2001 issued by People's Government of Shenzhen, the building ownership rights of the residential units with total gross floor areas of approximately 690.55 sq.m. have been granted to the Group.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the Realty Title Certificate Nos. Shen Fang Di Zi Di 4000046205, 4000046148, 4000046206, 4000046207, 4000046178, 4000046173, 4000046147, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
16.	24 residential units, Xiang Tai Apartment, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises 24 residential units situated from 2nd to 7th floors in a seven-storey residential block which was completed in about 1998. The total gross floor area of the property is approximately 1,028.88 sq.m. The gross floor area breakdown of the property is shown below:	The property is occupied by the Group as staff quarters.	2,750,000 (100% interests attributable to the Group: HK$2,750,000)

Unit	Gross Floor Area *(sq.m.)*
217	42.39
317	42.39
417	42.39
517	42.39
617	42.39
717	42.39
218	41.00
318	41.00
418	41.00
518	41.00
618	41.00
718	41.00
219	42.82
319	42.82
419	42.82
519	42.82
619	42.82
719	42.82
220	45.27
320	45.27
420	45.27
520	45.27
620	45.27
720	45.27
Total	**1,028.88**

Notes:

1. Pursuant to the Realty Title Certificate Nos. Shen Fang Di Zi 4000084077, 4000084076, 4000084075, 4000084074, 4000084073, 4000084072, 4000084071, 4000084069, 4000084068, 4000084064, 4000084060, 4000084058, 4000084056, 4000084054, 4000084052, 4000084051, 4000084049, 4000084047, 4000084045, 4000084046, 4000084043, 4000084041, 4000084039 and 4000084038 dated 29 October 2002, the building ownership rights of the 24 residential units with a total gross floor areas of approximately 1,028.88 sq.m. have been granted to the Group.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the Realty Title Certificate Nos. Shen Fang Di Zi 4000084077, 4000084076, 4000084075, 4000084074, 4000084073, 4000084072, 4000084071, 4000084069, 4000084068, 4000084064, 4000084060, 4000084058, 4000084056, 4000084054, 4000084052, 4000084051, 4000084049, 4000084047, 4000084045, 4000084046, 4000084043, 4000084041, 4000084039 and 4000084038, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
17.	Units 501, 509, 609, 701, 710, 810, 910, 1010, and 1110, Block A, Qi Lin Garden, Qilin Road, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises nine residential units situated from 5th to 11th floors in a 12-storey residential block which was completed in about 2001. The total gross floor area of the property is approximately 635.99 sq.m. The gross floor area breakdown of the property is shown below:	The property is occupied by the Group as staff quarters.	3,640,000 (100% interests attributable to the Group: HK$3,640,000)

Unit	Gross Floor Area *(sq.m.)*
501	70.00
509	73.77
609	73.77
701	70.00
710	69.69
810	69.69
910	69.69
1010	69.69
1110	69.69
Total	**635.99**

Notes:

1. Pursuant to the Realty Title Certificate Nos. Shen Fang Di Zi 4000059467, 4000059465, 4000059466, 4000059463, 4000059462, 4000059460, 4000059461, 4000059464 and 4000059459 dated 25 November 2001, the building ownership rights of the residential units with a total gross floor areas of approximately 635.99 sq.m. have been granted to the Group.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the Realty Title Certificate Nos. Shen Fang Di Zi 4000059467, 4000059465, 4000059466, 4000059463, 4000059462, 4000059460, 4000059461, 4000059464 and 4000059459, the building ownership rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the buildings of the property.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 (HK$)
18.	Flat A, 36/F, Block 7, East Point City, Chung Wa Road, Tseung Kwan O, New Territories, Hong Kong The property comprises 118/457551 shares of and in Tseung Kwan O Town Lot No. 17.	The property comprises a residential unit on the 36th floor in a 37-storey residential building with four-storey commercial/car parking podium completed in 1997. The gross floor area of the property is approximately 796 sq. ft. (73.98 sq.m.). Tseung Kwan O Town Lot No. 17 is held under New Grant No. 8301 for a term expiring on 30 June 2047. The annual government rent is equivalent to 3% of the rateable value of the property.	The property is occupied by the Group as staff quarters.	2,950,000 (100% interests attributable to the Group: HK$2,950,000)

Notes:

1. The registered owner of the property is Concept Creator Fashion Limited.

2. The property is subject to following encumbrances:

   (a) Deed of Mutual Covenant and Management Agreement registered vide Memorial No. SK300672 dated 1 December 1997.

   (b) Mortgage in favour of Nanyang Commercial Bank Limited registered vide Memorial No. SK307582 dated 15 December 1997.

3. The property lies within an area zoned for “Commercial/Residential” under the relevant outline zoning plan.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
19.	Car Parking Space No. 19 on Car Park D2 and Flat A, 7/F. of Tower 18, One Beacon Hill, No. 1 Beacon Hill Road, Kowloon, Hong Kong The property comprises 130/80444 shares of and in New Kowloon Inland Lot No. 6277.	The property comprises a car parking space and a residential unit on the 7th floor in a 12-storey residential building completed in 2004. The total gross floor area of the property is approximately 1,945 sq. ft. (180.76 sq.m.). New Kowloon Inland Lot No. 6277 is held under Conditions of Sale No. 12535 for a term of 50 years from 30 June 1999. The annual government rent is equivalent to 3% of the rateable value of the property.	The property is occupied by the Group as staff quarters and car park.	19,500,000 (100% interests attributable to the Group: HK$19,500,000)

Notes:

1. The registered owner of the property is China Ting Garment MFG (Group) Limited.

2. The property is subject to following encumbrances:

   (a) Deed of Mutual Covenant and Management Agreement registered vide Memorial No. UB9312133 dated 5 August 2004.

   (b) Mortgage in favour of Nanyang Commercial Bank Limited registered vide Memorial No. UB9324502 dated 16 August 2004.

   (c) Second mortgage in favour of Match Power Investment Limited registered vide Memorial No. UB9324503 dated 16 August 2004.

3. The property lies within an area zoned for "Residential (Class C) 8" under the relevant outline zoning plan.

Group II — Property interests held by the Group for investment

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 (HK$)
20.	Flat G–J, 4/F. with portion of flat roof, Lladro Center, Nos. 72–80 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong The property comprises 25.16/2000 shares of and in Kwun Tong Inland Lot No. 87.	The property comprises various office units on the 4th floor in a 14-storey commercial building completed in 1986. The saleable floor area of the property is approximately 3,400 sq. ft. (315.99 sq.m.). Kwun Tong Inland Lot No. 87 is held under Government Lease for a term of 21 years and is renewable for 21 years from 1 July 1955. The annual government rent is HK$4,888.	The property is leased by the Group to Vastbo Industries Limited for a term of three years from 15 October 2002 at a monthly rental of HK$30,000 exclusive of all other outgoings.	4,940,000 (100% interests attributable to the Group: HK$4,940,000)

Notes:

1. The registered owner of the property is Concept Creator Limited.

2. The property is subject to following encumbrances:

   (a) Deed of Mutual Covenant registered vide Memorial No. UB3040354 dated 11 April 1986.

   (b) Flat G of the property is subject to a Mortgage in favour of Nanyang Commercial Bank Limited registered vide Memorial No. UB6455623 dated 30 October 1995.

   (c) Flat H, I and J of the property is subject to a Mortgage in favour of Nanyang Commercial Bank Limited registered vide Memorial No. UB6168742 dated 27 October 1994.

3. The property lies within an area zoned for "Other Uses" under the relevant outline zoning plan.

4. We were advised that the tenancy agreement entered into between the Group and Vastbo Industries Limited of the property was terminated on 14 October 2005 and the property is currently vacant.

Group III — Property interests held by the Group under development

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
21.	A parcel of industrial land, Hongqi Village, Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property will be developed into an industrial complex accommodating various one to five-storey industrial buildings and ancillary structures. The property comprises a site with an area of approximately 13,189.6 sq.m. It is planned to be developed into several one to five-storey industrial buildings with a total gross floor area of approximately 19,479.43 sq.m. The remainder will comprise other ancillary facilities. The property is expected to be completed by the end of 2005. The property is held under land use rights term expiring on 10 May 2054.	The property is currently under development.	20,100,000 (100% interests attributable to the Group: HK$20,100,000)

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) (2005) 38 dated 21 April 2005 entered into between Hangzhou City Yuhang District State-owned Land Resources Planning Bureau and Hangzhou China Ting Embroidery Company Limited, the land use rights of the subject property with a site area of approximately 13,194 sq.m. for industrial purpose have been granted to the Group at a consideration of RMB1,187,460.

2. Pursuant to the State-owned Land Use Certificate Document No. Hang Yu Chu Guo Yong (2005) 101–574, the land use rights of the property having a total site area of approximately 13,189.6 sq.m. for industrial use and for a term expiring on 10 May 2054 have been granted to Hangzhou China Ting Embroidery Company Limited.

3. Pursuant to the Construction Land Use Planning Permit No. (2004) Yu Gui Zheng 01533060 issued by Hangzhou City Planning Bureau dated 7 July 2004, the property with a site area of approximately 13,333.4 sq.m. (or 20 mu) is in compliance with the requirements.

4. Pursuant to the Construction Works Planning Permit Nos. (2005) Yu Gui Zheng 01533006 and 01533036, issued by Hangzhou City Planning Bureau dated 6 February 2005 and 7 July 2005, the construction works of the property, with a total floor area of approximately 16,653 sq.m., which was further adjusted to 15,191.31 sq.m. and 4,288.12 sq.m. respectively, is in compliance with the requirements and is approved.

5. Pursuant to the Construction Works Commencement Permit No. 330125200503110201, issued by Hangzhou City Yuhang District Construction Bureau dated 11 March 2005, the commencement of the construction works of the property, with a floor area of approximately 16,653 sq.m. and additional floor area of approximately 2,826.43 sq.m. is approved.

6. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According the State-owned Land Use Grant Contract No. Yu Tu He (Mao) (2005) 38, the land use rights of the property are contracted to be transferred to the Group.

   (b) According to the State-owned Land Use Certificate No. Hang Yu Chu Guo Yong (2005) Di 102-574, the land use rights of the property have been granted to the Group. The Group has the right to occupy, use, legally transfer, lease, mortgage and legally dispose the land use rights of the property.

   (c) According to the the Construction Land Use Planning Permit No. (2004) Yu Gui Zheng 01533060, the planning construction land use of approximately 13,333.4 sq,m. has been approved.

   (d) According to the the Construction Works Planning Permit Nos. (2005) Yu Gui Zheng 01533006 and 01533036, the construction works of the property, with a total floor area of approximately 19,479.43 sq.m. has been approved.

   (e) According to the the Construction Works Commencement Permit No. 330125200503110201, the commencement of the construction works of the property, with a total floor area of approximately 19,479.43 sq.m. has been approved.

   (f) The property is under development and the Group has made the approval applications as above from (c) to (e). There shall be no legal impediment to obtaining the Building Ownership Certificate for the property provided that the Completed Construction Works Certified Certificate has been obtained.

7. The capital value of the property as it completed as at 30 September 2005 would be RMB26,500,000.

8. As advised by the Group, the total construction costs incurred up to 30 September 2005 is about HK$7,566,000.

9. The estimated construction costs to completion for the property as advised by the Group is about HK$6,095,000 (excluding marketing, finance and other indirect costs).

Group IV — Other property interests held by the Group

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
22.	A parcel of industrial land, Feizhuang Village, Yunhe Town, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises a site with a site area of approximately 49,950 sq.m.. The term of the land use rights of the property will expire on 27 December 2054 for industrial use.	The property is vacant.	No commercial value *As the Group did not possess any legal title to the property interest as at the date of valuation, we have attributed no commercial value to the property interests.

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2005) 92 entered into between Yuhang Branch of Hangzhou City State-owned Land Resources Bureau and Bolinding Hangzhou Textile Technology Limited dated 13 July 2005, the land use rights of the property, with a total site area of approximately 49,950 sq.m. have been granted to the Group at a total consideration of RMB4,495,500.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2005) 92, the land use rights of the property has been transferred to the Group. The Contract is legal, valid and legally binding on both parties.

   (b) The Group has fully settled the consideration of RMB4,495,000.

   (c) There shall be no legal impediment in obtaining the State-owned Land Use Rights Certificate of the property.

3. As advised by the Group, it is estimated that the State-owned Land Use Certificate of the property can be obtained in or around December 2005.

4. Assuming the Group has obtained the State-owned Land Use Certificate, the capital value of the property would be about RMB5,250,000 as at the date of valuation.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
23.	A parcel of industrial land, Feizhuang Village, Yunhe Town, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises a site with a site area of approximately 47,572 sq.m.. The term of the land use rights of the property will expire on 28 December 2054 for industrial use.	The property is vacant.	No commercial value *As the Group did not possess any legal title to the property interest as at the date of valuation, we have attributed no commercial value to the property interests

Notes:

1. Pursuant to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2005) 91 entered into between Yuhang Branch of Hangzhou City State-owned Land Resources Bureau and China Ting (Hangzhou) Textile Technology Company Limited dated 13 July 2005, the land use rights of the property, with a total site area of approximately 47,572 sq.m. have been granted to the Group at a total consideration of RMB4,270,680.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to the State-owned Land Use Grant Contract No. Yu Tu He (Mao) Zi (2005) 91, the land use rights of the property has been transferred to the Group. The Contract is legal, valid and legally binding on both parties.

   (b) The Group has fully settled the consideration of RMB4,270,680.

   (c) There shall be no legal impediment in obtaining the State-owned Land Use Rights Certificate of the property.

3. As advised by the Group, is estimated that the State-owned Land Use Certificate of the property can be obtained in or around December 2005.

4. Assuming the Group has obtained the State-owned Land Use Certificate, the capital value of the property would be about RMB5,000,000 as at the date of valuation.

Group V — Property interests rented by the Group

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
24.	Unit Nos. 2 and 3, 23/F., 27/F. and 28/F., Futura Plaza, Nos. 111–113 How Ming Street, Kwun Tong, Kowloon, Hong Kong	The property comprises two industrial units on the 23rd floor and two industrial floors on the 27th and 28th floors in a 26-storey industrial building completed in 1990s. The total gross floor area of the property is approximately 8,982.23 sq.ft. (834.78 sq.m.). Unit Nos. 2 and 3, 23/F. of the property is leased by Elegant Lane Limited to the Group for a term of two years from 1 February 2004 to 31 January 2006 at a monthly rent of HK$21,588 exclusive of rates, government rent and management fees. 27/F., and 28/F., of the property is leased by Elegant Lane Limited to the Group for a term of two years from 1 May 2005 to 30 April 2007 at a monthly rent of HK$172,805 exclusive of rates, government rent and management fees.	The property is occupied by the Group as an office and warehouse.	No commercial value

Notes:

1. The registered owner of the property is Elegant Lane Limited.

2. We were advised that the registered owner is an Independent Third Party from the Group.

3. The property lies within an area zoned for “Other Uses” under the relevant outline zoning plan.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
25.	Unit B, 12/F., Union Building, No. 112 How Ming Street, Kwun Tong, Kowloon, Hong Kong	The property comprises an industrial unit on the 12th floor in a 13-storey industrial building completed in about 1982. The gross floor area of the property is approximately 3,380.47 sq.ft. The property is leased by Union Knitting Factory Company Limited to the Group for a term of 2 years from 16 September 2005 to 15 September 2007 at a monthly rent of HK$20,250 all exclusive of rates, government rent and management fee.	The property is occupied by the Group as a warehouse.	No commercial value

Notes:

1. The registered owner of the property is Union Knitting Factory Company Limited.

2. We were advised that the registered owner is an Independent Third Party from the Group.

3. The property lies within an area zoned for “Other Uses” under the relevant outline zoning plan.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 (HK$)
26.	Room 901 and 902, No. 561 Seventh Avenue, New York, the United States	The property comprises a combined unit on the 9th floor in a 21-storey, plus one basement floor composite commercial building completed in about 1925, with renovations completed in about 1990. The usable area of the property is approximately 1,380 sq.ft. (128.25 sq.m.). The property was leased by Handler Real Estate Services to China Ting Fashion Group (USA), LLC for a term of five years and three months from 1 July 2003 to 30 September 2008 at a monthly rent of US$5,625.	The property is occupied by the Group as an office and showroom.	No commercial value

Notes:

1. According to the registration search from the New York City, the registered owner is 151 West Associates.

2. We were advised that the registered owner is an Independent Third Party from the Group.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
27.	23 Allée des Impressionnistes Sisley Building — Paris Nord II 93420 VILLEPINTE, Paris, France	The property comprises office units on 1st floor in a seven-storey building with one underground parking. The building was completed in 1993. The gross floor area of the property is 131.8 sq m.. The property was leased by Oppenheim Immobilien to Concept Creator Limited — China Ting Group Europe for a term of nine years from 1 October 2002 to 30 September 2011 at a monthly rent of €2,027.72 per month exclusive of management fees and real estate taxes.	The property is occupied by the Group as offices and storage. The company also leases three parking lots in the underground parking.	No commercial value

Notes:

1. According to the registration search, the registered owner is Oppenheim Immobilien — Kapitalanlagegesellschaft mbG.

2. We were advised that the registered owner is an Independent Third Party from the Group.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
28.	Various office units, Headquarters Building, China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various office units in a seven-storey office building completed in 2004. The total gross floor area of the property is approximately 10,466.07 sq.m.. A gross floor area of approximately 30 sq.m. of the property is leased by Zhejiang Huading Group Company Limited to Diny (Hangzhou) Fashion Company Limited for a term of three years and 10 months from 1 December 2001 to 30 September 2005 at an annual rate which is equivalent to the depreciation cost of property. A gross floor area of approximately 10,436.07 sq.m. of the property is leased by Zhejiang Huading Group Company Limited to Hong Kong Fuhowe Fashion Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007 at a monthly rent of RMB313,083.33 exclusive of all other outgoings.	The property is occupied by the Group as office.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Zi 0017530, the registered owner of the property is Zhejiang Huading Group Company Limited.

2. We were advised that the registered owner is a connected person of the Group.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreements entered into between Zhejiang Huading Group Company Limited and Hong Kong Fuhowe Fashion Company Limited dated 1 December 2001 and 9 September 2005, respectively, are legal, valid and legally binding on both parties.

   (b) According to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Zi 0017530, Zhejiang Huading Group Company Limited has the right to lease the property.

   (c) We were advised that the tenancy agreement for the gross floor area of approximately 10,436.07 sq.m. of the property has been registered.

4. We were advised that the tenancy agreement for the gross floor area of approximately 30 sq.m. of the property was terminated on the expiry date and that part of the property is rented via the other tenancy agreement dated 9 September 2005.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
29.	16 General Staff Dormitory Blocks, a Senior Staff Dormitory Block, a Guest House and various ancillary buildings and facilities, Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises various residential units in sixteen blocks of six-storey buildings for general staff, one six-storey building for senior staff, one four-storey guest house and various ancillary buildings and facilities completed in 2004. The total gross floor area of the property is approximately 52,044.53 sq.m.. The property is leased by Zhejiang Huading Group Company Limited to Hong Kong Fuhowe Fashion Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007 at a monthly rent of RMB625,000 exclusive of all other outgoings.	The property is occupied by the Group as staff quarters and ancillary facilities.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate Nos. Yu Fang Quan Zheng Lin 0017531 and 0017533, the registered owner of the property is Zhejiang Huading Group Company Limited.

2. We were advised that the registered owner is a connected person of the Group.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreement entered into between Zhejiang Huading Group Company Limited and Hong Kong Fuhowe Fashion Company Limited dated 9 September 2005 is legal, valid and legally binding on both parties.

   (b) According to the Building Ownership Certificate Nos. Yu Fang Quan Zheng Lin 0017531 and 0017533, Zhejiang Huading Group Company Limited has the right to lease the property.

   (c) The tenancy agreement of the property has been registered.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
30.	Industrial Complex, No. 3 China Ting Industrial Complex, No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, The People's Republic of China	The property comprises an industrial complex comprises of various one to two-storey industrial buildings completed in 2004. The total gross floor area of the property is approximately 10,326.14 sq.m.. The property is leased by Zhejiang Huading Group Company Limited to Hangzhou Fuding Fashion Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007 at a monthly rent of RMB113,587.5 exclusive of all other outgoings.	The property is occupied by the Group as production and ancillary facilities.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Yi 0025305, the registered owner of the property is Zhejiang Huading Group Company Limited.

2. We were advised that the registered owner is a connected person of the Group.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreement entered into between Zhejiang Huading Group Company Limited and Hangzhou Fuding Fashion Company Limited dated 9 September 2005 is legal, valid and legally binding on both parties.

   (b) According to the Building Ownership Certificate No. Yu Fang Quan Zheng Lin Yi 0025305, Zhejiang Huading Group Company Limited has the right to lease the property.

   (c) The tenancy agreement of the property has been registered.

4. As advised by the Group, Hangzhou Fuding Fashion Company Limited has entered into an asset acquisition agreement with Zhejiang Huading Group Company Limited in respect of the property at a consideration of about RMB12,300,000. Completion of the acquisition is expected to take place after the Listing Date. If the acquisition is completed, the tenancy agreement will be terminated and hence, there will be no continuing connected transaction in this regard.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
31.	Industrial premises and staff quarters, Zhenxing Road East Hehua Road South, Yuhang Economic Development District, Hangzhou City, Zhejiang Province, The People's Republic of China	The property comprises several one to three-storey industrial buildings and several five to six-storey staff quarters buildings completed in late 2002. The total gross floor area of the property is approximately 11,058 sq.m.. A gross floor area of approximately 6,414 sq.m. of the property is leased by Hangzhou Yuhang Huaming Garment Manufacturing Company Limited to Zhejiang Huali Fashion Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007 at a monthly rent of RMB70,550.83 exclusive of all other outgoings. A gross floor area of approximately 4,644 sq.m. of the property is leased by Hangzhou Yuhang Huaming Garment Manufacturing Company Limited to Hangzhou Fuding Fashion Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007 at a monthly rent of RMB51,085 exclusive of all other outgoings.	The property is occupied by the Group as staff quarters, production and ancillary facilities.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate Nos. Yu Fang Quan Zheng Lin Zi 0003624 and 0004906, the registered owner of the property is Hangzhou Yuhang Huaming Garment Manufacturing Company Limited.

2. We were advised that the registered owner is a connected person of the Group.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreements entered into between Hangzhou Yuhang Huaming Garment Manufacturing Company Limited, Zhejiang Huali Fashion Company Limited and Hangzhou Fuding Fashion Company Limited respectively dated 9 September 2005 are legal, valid and legally binding on both parties.

   (b) According to the Building Ownership Certificate Nos. Yu Fang Quan Zheng Lin Zi 0003624 and 0004906, Hangzhou Yuhang Huaming Garment Manufacturing Company Limited has the right to lease the property.

   (c) The tenancy agreements of the property have been registered.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
32.	Industrial premises, No. 153, Xinsi Road, Yuhang Economic Development District, Hangzhou City, Zhejiang Province, The People's Republic of China	The property comprises an industrial complex which comprises of various three-storey industrial buildings completed in 1990s. The total gross floor area of the property is approximately 1,840 sq.m.. The property is leased by Hangzhou Huasheng Accessories Company Limited to Zhejiang China Ting Brand Management Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007 at a monthly rent of RMB20,240 exclusive of all other outgoings.	The property is occupied by the Group as production and ancillary facilities.	No commercial value

Notes:

1. Pursuant to the State-owned Land Use Certificate No. Hang Yu Chu Gao Yong (2004) 102–655 and the Operating Premises Use Certificate issued by the relevant local authority, the registered owner of the property is Hangzhou Huasheng Accessories Company Limited.

2. We were advised that the registered owner is a connected person of the Group.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreement entered into between Hangzhou Huasheng Accessories Company Limited and Zhejiang China Ting Brand Management Company Limited dated 9 September 2005 is legal, valid and legally binding on both parties.

   (b) According to the State-owned Land Use Certificate No. Hang Yu Chu Gao Yong (2004) 102–655 and the Operating Premises Use Certificate issued by the relevant local authority, Hangzhou Huasheng Accessories Company Limited has the right to lease the property.

4. We were advised that the tenancy agreement of the property will be registered after the issuance of the Building Ownership Certificate to the lessor.

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
33.	Industrial premises, Gudun Road, Xihu District, Hangzhou City, Zhejiang Province, the People's Republic of China	The property comprises an industrial complex which comprises of various one to three-storey industrial buildings completed in 1990s. The total gross floor area of the property is approximately 2,001.95 sq.m.. The property is leased by Hangzhou Chuangxin Silk Company Limited to Hangzhou Fucheng Fashion Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007, subject to early termination when the PRC government resumes the property for re-development purpose, at a monthly rent of RMB20,000 exclusive of all other outgoings.	The property is occupied by the Group as production and ancillary facilities.	No commercial value

Notes:

1. Pursuant to the Building Ownership Certificate No. Yang Fang Quan Zheng Xi Huan Zi 0002278, the registered owner of the property is Hangzhou Chuang Xin Silk Company Limited.

2. We were advised that the registered owner is a connected person of the Group.

3. The tenancy agreement of the property was registered via Certified Building Lease Certificate* (房屋租賃備案證) No. Xi Fang Zu Zheng (2005) 5332.

4. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) According to Certified Building Lease Certificate* (房屋租賃備案證) No. Xi Fang Zu Zheng (2005) 5332, the tenancy agreement entered into between Hangzhou Chuang Xin Silk Company Limited and Hangzhou Fucheng Fashion Company Limited dated 9 September 2005 is legal, valid and legally binding on both parties.

   (b) According to the Building Ownership Certificate No. Yang Fang Quan Zheng Xi Huan Zi 0002278, Hangzhou Chuang Xin Silk Company Limited has the right to lease the property.

   (c) According to the Notice dated 22 July 2005 issued by Commission of Town Construction, Sandun Town, Xihu District, Hangzhou City* (杭州市西湖區三墩鎮集鎮建設總指揮部), the property is subject to compulsory resumption by the government. As such, the Group shall move out from the property according to the agreed timetable.

   (d) As advised by the Group, the Group is currently considering a relocation after the resumption.

5. As advised by the Group, it is less likely that the Group will be required to re-locate before the resumption. In any event, if the Group is required to vacate the property, the tenancy agreement will be terminated, and there will be no continuing connected transaction in this regard.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
34.	5/F. and North Side of 2/F., Block C, Rooms 501–504 and 705–707 Dormitory Block 3 and Rooms 501–503, 601–618 Dormitory Block 2, Nan Yuan Industrial Park, Nanshan Avenue, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises various industrial/office units on the 2nd and 5th floors in a seven-storey industrial building and 28 residential units in two seven-storey residential building completed in about 2004. The total gross floor area of the industrial/office part of the property is approximately 4,330 sq.m.. 5/F. and North Side of 2/F., Block C of the property is leased by Shenzhen Nanyuan Industrial Company Limited* (深圳市南源實業股份有限公司) to Finity Fashion (Shenzhen) Company Limited for a term of two years from 1 March 2005 to 28 February 2007 at a monthly rent of RMB88,668 all exclusive of management fees and all other outgoings. 28 residential units of the property is leased by Nanyuan Industrial Company Limited* (南源實業股份有限公司) to Finity Fashion (Shenzhen) Company Limited for a term of one year from 1 January 2005 to 31 December 2005 at a monthly rent of RMB22,400 all exclusive of management fee and all other outgoings.	The property is occupied by the Group for industrial production, office and staff quarters.	No commercial value

Notes:

1. We were advised that the registered owner is an Independent Third Party from the Group.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreements entered into between Shenzhen Nanyuan Industrial Company Limited* (深圳市南源實業股份有限公司) and Finity Fashion (Shenzhen) Company Limited dated 19 April 2005 and 22 August 2005 are legal, valid and legally binding on both parties.

   (b) As the tenancy agreements have been registered by the related local authority, the Group has the right to use the property.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
35.	1/F., Block 1, Lianhua Garden, Nanshan Avenue, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises a canteen area and a rear vacant space on the 1st floor in a composite building completed in 1990s. The total gross floor area of the property is approximately 112.14 sq.m. The canteen area of property is leased by Shenzhen Lianhuixing Trading Company Limited* (深圳市聯惠興貿易有限公司) to Finity Fashion (Shenzhen) Company Limited for a term of ten months from 1 September 2005 to 30 June 2006 at a monthly rent of RMB4,350 exclusive of management fees and all other outgoings; the rear vacant area of the property is leased by Shenzhen Lianhuixing Trading Company Limited* (深圳市聯惠興貿易有限公司) to Finity Fashion (Shenzhen) Company Limited for a term of about four years and nine months from 12 December 2000 to 30 September 2005 at a monthly rent of RMB1,625 exclusive of management fees and all other outgoings.	The property is occupied by the Group for kitchen as ancillary facilities to the staff.	No commercial value

Notes:

1. We were advised that the registered owners are Independent Third Parties from the Group.

2. As advised by the Group, the lease for the rear vacant area of the property has been renewed on 19 October 2005 for a term from 1 October 2005 to 30 September 2006 at a monthly rent of RMB4,350 exclusive of management fees and all other outgoings.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreements entered into between Shenzhen Lianhuixing Trading Company Limited* (深圳市聯惠興貿易有限公司) and Finity Fashion (Shenzhen) Company Limited dated 11 December 2000 and 1 September 2005 are legal, valid and legally binding on both parties.

   (b) As the tenancy agreements have been registered by the related local authority, the Group has the right to use the property.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
36.	74 residential units, Block 33, 4/F., 5/F., and 6/F., Block 34 and 5/F. and 6/F., Block 36, Ma Jia Long Industrial Park, Nanshan District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises various industrial/office units on the 4th, 5th and 6th floors in a six-storey industrial building, 5th and 6th floor in a six-storey industrial building and 74 residential units in a six-storey residential building completed in about 1990. The total gross floor area of the industrial/office part of the property is approximately 7,961 sq.m.. 5/F., Block 36 of the property is leased by China Automobile Industry Import and Export Corporation* (中國汽車工業進出口總公司) to Shenzhen Fuhowe Fashion Company Limited for a term of three years from 1 April 2003 to 31 March 2006 at a monthly rent of RMB17,556 exclusive of management fees and all other outgoings. 4/F., 5/F., and 6/F., Block 34 of the property is leased by Shenzhen Oumulong Industrial Company Limited* (深圳市歐姆龍實業有限公司) to Shenzhen Fuhowe Fashion Company Limited for a term of five years from 20 October 2002 to 19 October 2007 at a monthly rent of RMB45,337.50 exclusive of management fees and all other outgoings 74 residential units, Block 33 and 6/F., Block 36 of the property are leased by Shenzhen Oumulong Industrial Company Limited* (深圳市歐姆龍實業有限公司) to Shenzhen Fuhowe Fashion Company Limited for a term of five years from 20 October 2002 to 19 October 2007 at a monthly rent of RMB43,400.50	The property is occupied by the Group for industrial production, office, warehouse and staff quarters.	No commercial value

Notes:

1. We were advised that the registered owners are Independent Third Parties from the Group.

* *for identification purposes only*

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

(a) The three tenancy agreements entered into between China Automobile Industry Import and Export Corporation* (中國汽車工業進出口總公司), Shenzhen Oumulong Industrial Company Limited* (深圳市歐姆龍實業有限公司) and Shenzhen Fuhowe Fashion Company Limited dated 18 October 2002, 5 November 2002 and 23 March 2004 respectively are legal, valid and legally binding on both parties.

(b) As the tenancy agreements have been registered by the related local authority, the Group has the right to use the property.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
37.	Shop No. 4, 1/F., Kai Li Hotel, Jiabin Road, Luohu District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises a retail shop unit on the 1st floor in a eight-storey commercial building completed in 1992. The gross floor area of the property is approximately 169 sq.m.. The property is leased by Shenzhen Kaili Guesthouse* (深圳凱利賓館) to Finity Fashion (Shenzhen) Company Limited for a term of five year from 20 March 2001 to 19 March 2006 at a monthly rent of RMB74,805 exclusive of management fees and all other outgoings.	The property is occupied by the Group as a retail shop.	No commercial value

Notes:

1. We were advised that the registered owner is Independent Third Party from the Group.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreement entered into between Shenzhen Kaili Guesthouse* (深圳凱利賓館) and Finity Fashion (Shenzhen) Company Limited dated 26 February 2001 is legal, valid and legally binding on both parties.

   (b) As the tenancy agreement has been registered by the related local authority, the Group has the right to use the property.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
38.	Shop No. 235, Middle Block, Hua Run Wan Xiang City, Luohu District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises a retail shop unit on the 2nd floor in a 31-storey commercial building completed in 2004. The gross floor area of the property is approximately 121 sq.m.. The property is leased by Huarun (Shenzhen) Company Limited* (華潤(深圳)有限公司) to Finity Fashion (Shenzhen) Company Limited for a term of about three years from 19 November 2004 to 8 December 2007 at a monthly rent of RMB70,180 exclusive of management fees and all other outgoings.	The property is occupied by the Group as a retail shop.	No commercial value

Notes:

1. We were advised that the registered owned is Independent Third Party from the Group.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreement entered into between Huarun (Shenzhen) Company Limited* (華潤(深圳)有限公司) and Finity Fashion (Shenzhen) Company Limited dated 22 November 2004 is legal, valid and legally binding on both parties.

   (b) As the tenancy agreement has been registered by the related local authority, the Group has the right to use the property.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
39.	A retail shop unit, 3/F., Wan Xiang City, No. 1881 Bao'an Road South, Bao'an District, Shenzhen City, Guangdong Province, the People's Republic of China	The property comprises a retail shop unit on the 3rd floor in a 31-storey commercial building completed in 2004. The gross floor area of the property is approximately 224 sq.m.. The property is leased by Huarun (Shenzhen) Company Limited* (華潤(深圳)有限公司) to Zhejiang China Ting Brand Management Company Limited for a term of about three years from 9 November 2004 to 8 December 2007 at a monthly rent of RMB73,920 exclusive of management fees and all other outgoings.	The property is occupied by the Group as a retail shop.	No commercial value

Notes:

1. Pursuant to a Realty Title Certificate No. Shen Fang Di Zi 2000116385, the registered owner of the property is 華潤(深圳)有限公司.

2. We were advised that the registered owners are Independent Third Parties from the Group.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreement entered into between Huarun (Shenzhen) Company Limited* (華潤(深圳)有限公司) and Zhejiang China Ting Brand Management Company Limited dated 26 October 2004 is legal, valid and legally binding on both parties.

   (b) According to the Realty Title Certificate No. Shen Fang Di Zi 2000116385, Huarun (Shenzhen) Company Limited* (華潤(深圳)有限公司) has the right to lease the property.

   (c) As the tenancy agreement has been registered by the related local authority, the Group has the right to use the property.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
40.	A retail shop unit, 2/F., Fu Ke Si World Trade Plaza, No. 2299 Yan'an Road West, Shanghai City, the People's Republic of China.	The property comprises a retail shop unit on the 1st floor in a 11-storey commercial building completed in 2003. The gross floor area of the property is approximately 76.5 sq.m.. The property is leased by Shanghai Hulicheng Industrial Development Company Limited* (上海狐狸城實業發展有限公司) to Finity International Fashion Company Limited for a term of one year from 1 May 2005 to 30 April 2006 at a monthly rent of RMB24,000 exclusive of management fees and all other outgoings.	The property is occupied by the Group as a retail shop.	No commercial value

Notes:

1. We were advised that the lessor is Independent Third Party from the Group.

2. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) As Shanghai Hulicheng Industrial Development Company Limited* (上海狐狸城實業發展有限公司) cannot provide the Realty Title Certificate of the property, whether Shanghai Hulicheng Industrial Development Company Limited* (上海狐狸城實業發展有限公司) has the right to lease the property cannot be judged. The tenancy agreement entered into between Shanghai Hulicheng Industrial Development Company Limited* (上海狐狸城實業發展有限公司) and Finity International Fashion Company Limited dated 11 May 2005 may be judged as invalid if these is controversy on the titleship of the property. The lease cannot be registered in the local authority.

* *for identification purposes only*

	Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 September 2005 *(HK$)*
41.	Room A and Room D, 19/F., Catic Tower, No. 212 Jiangning Road, Jing'an District, Shanghai City, the People's Republic of China	The property comprises two office units on the 19th floor in a 28-storey office building completed in 1990s. The total gross floor area of the property is approximately 766.88 sq.m.. The property is leased by Zhejiang Huading Group Company Limited to Hangzhou China Ting Fashion Company Limited for a term of two years and three months from 1 October 2005 to 31 December 2007 at a monthly rent of RMB110,166.67 exclusive of all other outgoings.	The property is occupied by the Group as an office.	No commercial value

Notes:

1. Pursuant to a Realty Title Certificate Nos. Hu Fang Di Jing Zi (2002) 008368 and 008369, the registered owner of the property is Zhejiang Huading Industrial Investment Company Limited* (浙江華鼎實業投資有限公司). The owner has changed its company name from Zhejiang Huading Industrial Investment Company Limited* (浙江華鼎實業投資有限公司) to Zhejiang Huading Group Company Limited subsequently.

2. We were advised that the registered owner is a connected person of the Group.

3. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, *inter alia*, the following information:

   (a) The tenancy agreement entered into between Zhejiang Huading Group Company Limited and Hangzhou China Ting Fashion Company Limited dated 9 September 2005 is legal, valid and legally binding on both parties.

   (b) According to the Realty Title Certificate No. Hu Fang Di Jing Zi (2002) 008368 and 008369, Zhejiang Huading Industrial Investment Company Limited* (浙江華鼎實業投資有限公司), which is changed to Zhejiang Huading Group Company Limited subsequently, has the right to lease the property.

4. We were advised that the tenancy agreement of the property will be registered after the completion of company name change on the Realty Title Certificate.

* *for identification purposes only*

Property leased by the Group after the date of valuation

Property	Description and tenure	Details of occupancy
Unit KK10, 10/F., No. 121-A Avenida do Almirante Lacerda, Macau	The property comprises a workshop unit in a 11-storey industrial building completed in about 1977. The gross floor area of the property is approximately 678 sq.m. The property is leased by Industrias Wasan Limitada to China Ting Garment MFG (Group) Limited for a term of 3 years from 1 November 2005 at a total monthly rent of HK$85,000 all exclusive of management fee and other outgoings.	The property is currently vacant and will be used by the Group as workshop.

Notes:

1. According to the registration search, the registered owner of the property is Industrias Wasan Limitada.

2. We were advised that the registered owner is an Independent Third Party from the Group.

3. The property was leased to the Group by Industrias Wasan Limitada after the date of valuation. The property is considered to have no commercial value.

Set forth below is a summary of certain provisions of the memorandum of association (the "Memorandum") of the Company and the Articles and of certain aspects of Cayman Islands' company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May 2005 under the Companies Law. The Memorandum and the Articles comprise its constitutional documents.

1. MEMORANDUM

(a) The Memorandum states, *inter alia*, that the liability of the Shareholders is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that it will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES

The Articles were adopted on 18 November 2005. The following is a summary of certain provisions of the Articles:—

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and the Articles and to any special rights conferred on the holders of any Shares or class of shares, any Share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and the Articles, any share may be issued on terms that, at the option of the Company or the holder(s) thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:—

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:—

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing Director, joint managing Director, or deputy managing Director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:—

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95)% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than 15 months after the holding of the last preceding annual general meeting or a period of 18 months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons a summary financial statement derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:—

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five (95)% in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:—

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty (20)% in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty (20)% per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty (20)% per annum as the Board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to the Cayman Islands law. The following is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:—

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of the company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles, by special resolution reduce its share capital in any way.

The articles of association include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles, purchase its own shares, including any redeemable shares. However, if the articles do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to payment of dividends. Based upon the English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow the English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:—

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of 20 years from 21 June, 2005.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the company's Articles.

An exempted company may, subject to the provisions of its articles, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the court or by a special resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Courts. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel as to Cayman Islands law, have delivered to the Company a letter of advice summarising certain aspects of the Cayman Islands company law. The letter, together with a copy of the Companies Law, is available for public inspection in Hong Kong as referred to under "Documents available for public inspection in Hong Kong" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he or she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 May 2005. The Company has established a place of business in Hong Kong at 28th Floor, Futura Plaza, 111–113 How Ming Street, Kwun Tong, Kowloon, Hong Kong and was registered on 9 September 2005 as an oversea company in Hong Kong under Part XI of the Companies Ordinance, with Mr. TING Man Yi of 28th Floor, Futura Plaza, 111–113 How Ming Street, Kwun Tong, Kowloon, Hong Kong appointed as the agent of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates under the Companies Law and is subject to its constitutional documents which comprise the memorandum of association (the "Memorandum") and the Articles. A summary of the Memorandum and the Articles and the relevant aspects of the Cayman Islands company law is set forth in Appendix V to this prospectus.

Changes in share capital of the Company

As at the date of incorporation, the authorised share capital of the Company was HK$1,000,000 divided into 10,000,000 Shares.

On 17 June 2005, one Share was allotted and issued nil paid to Codan Trust Company (Cayman) Limited as the initial subscriber of the Company, who then transferred such one Share to Gainchoice Investments Limited ("Gainchoice") on the same date.

On 17 June 2005, 99 Shares were allotted and issued nil paid to Gainchoice.

On 27 July 2005, all the issued 100 Shares were transferred from Gainchoice to Longerview. As at the date of this prospectus, Gainchoice is held by Mr. TING Man Yi as to 41.5%, Mr. TING Hung Yi as to 40.5% and Mr. DING Jianer as to 18% and has no business activities and investment.

Pursuant to the written resolution of the sole Shareholder passed on 1 November 2005, the authorised share capital of the Company was increased from HK$1,000,000 to HK$1,000,000,000 by the creation of additional 9,990,000,000 Shares.

Pursuant to a share exchange deed dated 18 November 2005, entered into between the Company, Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer and Longerview, an aggregate of 99,999,900 Shares, credited as fully paid, were allotted and issued to Longerview and an aggregate of the 100 nil paid Shares held by Longerview were credited as fully paid, in consideration for the acquisition of the entire issued share capital of each of Manfame, Witpower, Skyyear, Joyocean and Oceanroc. A brief summary of this share exchange deed is set forth under "Summary of material contacts" in this appendix.

Assuming that the Global Offering becomes unconditional and upon completion of the Global Offering and the Capitalisation Issue, the authorised share capital of the Company will continue to be HK$1,000,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company (without taking into account any Shares that may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme) will be HK$199,000,000 divided into 1,990,000,000 Shares, fully paid or credited as fully paid. Hence, an aggregate of 8,010,000,000 Shares will remain unissued on the Listing Date.

Other than the Shares to be issued under the Capitalisation Issue, the Shares which may fall to be issued upon the exercise of the Over-allotment Option and the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme, or pursuant to the exercise of the general mandate to issue Shares referred to under "Written resolutions of the sole Shareholder passed on 1 November 2005 and 18 November 2005" in this appendix, there is no present intention on the part of the Directors to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of new Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since its date of incorporation.

Changes in the share capital of subsidiaries of the Company

A list of the Company's subsidiaries is set forth in the accountants' report, the text of which is set out in Appendix I to this prospectus.

Concept Creator Fashion (HK)

On 7 May 2004, a total of 10,000 shares of HK$1.0 each in the share capital of Concept Creator Fashion (HK) were issued and allotted to Mr. TING Man Yi and Mr. TING Hung Yi in equal shares for an aggregate cash consideration of HK$10,000 and the issued share capital was fully paid up.

Skylite Fashion

On 15 October 2004, a total of 10,000 shares of HK$1.0 each in the share capital of Skylite Fashion were issued and allotted to Mr. TING Man Yi and Mr. TING Hung Yi in equal shares for an aggregate cash consideration of HK$10,000 and the issued share capital was fully paid up.

Jiangsu Fuze

On 22 March 2005, the registered capital of Jiangsu Fuze was increased from US$1,200,000 to US$1,375,000 for a cash consideration of US$175,000 contributed by Hong Kong Fuhowe and the registered capital was fully paid up.

Hangzhou China Ting Embroidery

On 11 May 2004, Hangzhou China Ting Embroidery was established under the laws of the PRC with a registered capital of US$1,330,000 and wholly-owned by China Ting Garment. The registered capital of Hangzhou China Ting Embroidery was fully paid up.

Bolinding Hangzhou Textile

On 28 December 2004, Bolinding Hangzhou Textile was established under the laws of the PRC with a registered capital of US$15,000,000 and wholly-owned by Intersuccess. The initial amount of US$2,250,000 in the registered capital was paid up. According to the legal opinion issued by the PRC legal advisers to the Company, the remaining balance of the registered capital is to be payable by Intersuccess on or before 27 December 2005 in accordance with the PRC laws.

China Ting (Hangzhou) Textile Technology

On 29 December 2004, China Ting (Hangzhou) Textile Technology was established under the laws of the PRC with a registered capital of US$8,000,000 and wholly-owned by Intersuccess. The initial amount of US$1,200,000 in the registered capital was paid up. According to the legal opinion issued by the PRC legal advisers to the Company, the remaining balance of the registered capital is to be payable by Intersuccess on or before 28 December 2005 in accordance with the PRC laws.

Hangzhou Fuding

On 30 June 2005, Hangzhou Fuding was established under the laws of the PRC with a registered capital of US$1,000,000 and wholly-owned by China Ting Garment. The registered capital of Hangzhou Fuding was fully paid up.

Intersuccess

On 15 December 2004, a total of 50,000 shares of US$1.0 each in the share capital of Intersuccess were issued and allotted to Concept Creator Fashion (HK) for a cash consideration of US$50,000 and the issued share capital was fully paid up.

Oceanroc

On 20 April 2005, a total of 1,000 shares of US$1.0 each in the share capital of Oceanroc were issued and allotted, for an aggregate cash consideration of US$1,000, to Mr. TING Man Yi as to 415 shares and Mr. TING Hung Yi as to 585 shares, 180 shares of which were then held by Mr. TING Hung Yi on trust for Mr. DING Jianer. The issued share capital was fully paid up.

On 9 September 2005, 180 shares of Oceanroc were transferred by Mr. TING Hung Yi as trustee to Mr. DING Jianer as beneficial owner for nil consideration.

Manfame

On 20 April 2005, a total of 1,000 shares of US$1.0 each in the share capital of Manfame were issued and allotted, for an aggregate cash consideration of US$1,000, to Mr. TING Man Yi as to 415 shares and Mr. TING Hung Yi as to 585 shares, 180 shares of which were then held by Mr. TING Hung Yi on trust for Mr. DING Jianer. The issued share capital was fully paid up.

Witpower

On 20 April 2005, a total of 1,000 shares of US$1.0 each in the share capital of Witpower were issued and allotted to Mr. TING Man Yi as to 415 shares, Mr. DING Jianer as to 180 shares and Mr. TING Hung Yi as to 405 shares for an aggregate cash consideration of US$1,000 and the issued share capital was fully paid up.

On 30 August 2005, as part of the Reorganisation, a total of 1,000 shares of US$1.0 each in the share capital of Witpower were issued and allotted to Mr. TING Man Yi as to 415 shares, Mr. DING Jianer as to 180 shares and Mr. TING Hung Yi as to 405 shares as consideration for acquiring all the issued shares of Hong Kong Fuhowe.

Joyocean

On 20 April 2005, a total of 1,000 shares of US$1.0 each in the share capital of Joyocean were issued and allotted to Mr. TING Man Yi as to 415 shares, Mr. DING Jianer as to 180 shares and Mr. TING Hung Yi as to 405 shares for an aggregate cash consideration of US$1,000 and the issued share capital was fully paid up.

On 30 August 2005, as part of the Reorganisation, a total of 3,000 shares of US$1.0 each in the share capital of Joyocean were issued and allotted to Mr. TING Man Yi as to 1,245 shares, Mr. DING Jianer as to 540 shares and Mr. TING Hung Yi as to 1,215 shares as consideration for acquiring all the issued shares of Concept Creator Fashion (HK), Concept Creator and Concept Creator Fashion.

Skyyear

On 20 April 2005, a total of 1,000 shares of US$1.0 each in the share capital of Skyyear were issued and allotted to Mr. TING Man Yi as to 415 shares, Mr. DING Jianer as to 180 shares and Mr. TING Hung Yi as to 405 shares for an aggregate consideration of US$1,000 and the issued share capital was fully paid up.

On 30 August 2005, as part of the Reorganisation, a total of 3,000 shares of US$1.0 each in the share capital of Skyyear were issued and allotted to Mr. TING Man Yi as to 1,245 shares, Mr. DING Jianer as to 540 shares and Mr. TING Hung Yi as to 1,215 shares as consideration for acquiring all the issued shares of China Ting Garment, Skylife Fashion and China Ting Group.

Save as disclosed above and under "Reorganisation" and "Information about the joint ventures of the Group" in this appendix, there has been no alteration in the share capital (or registered capital, as the case may be) of any subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

Written resolutions of the sole Shareholder passed on 1 November 2005 and 18 November 2005

Pursuant to the written resolution of the sole Shareholder passed on 1 November 2005, the authorised share capital of the Company was increased from HK$1,000,000 to HK$1,000,000,000 by the creation of additional 9,990,000,000 Shares.

Pursuant to the written resolutions of the sole Shareholder passed on 18 November 2005:—

(1) the Articles were approved and adopted by the Company;

(2) conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorised to allot and issue to Longerview the 1,390,000,000 Shares, at par, by way of capitalising a sum of HK$139,000,000 standing to the credit of the share premium account of the Company, credited as fully paid;

(3) conditional on:—

(i) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme); and

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of any waiver of any condition(s) by the Global Coordinator on behalf of all other Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before 15 December 2005 (or such later date as may be agreed between the Global Coordinator and the Company in writing),

(a) the Global Offering and the granting of the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares and any Shares which may be required to be issued if the Over-allotment Option is exercised;

(b) the Pre-IPO Share Option Deed was approved and the Directors were authorised to allot, issue and deal with the Shares issued pursuant to the exercise of the option granted under the Pre-IPO Share Option Deed; to take all such actions as they consider necessary or desirable to implement the provisions under the Pre-IPO Share Option Deed; and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and

(c) the Share Option Scheme was approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme; to allot, issue and deal with the Shares pursuant to the exercise of the options that may be granted under the Share Option Scheme; to take all such actions as they consider necessary or desirable to implement the provisions of the Share Option Scheme; and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same;

(4) a general unconditional mandate was granted to the Directors authorising them to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of a rights issue or an issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme and any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or

employees of the Company and/or any of its subsidiaries or any other person of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding the sum of (i) 20% of the aggregate nominal amount of the Shares in issue and to be issued as mentioned in this prospectus (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option) and (ii) the aggregate nominal amount of the Shares repurchased pursuant to the authority granted to the Directors as referred to in sub-paragraph (5) below, until:—

(a) the conclusion of the next annual general meeting of the Company; or

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(c) the revocation or variation by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest; and

(5) a general unconditional mandate was granted to the Directors authorising them to exercise all powers of the Company to repurchase Shares on the Stock Exchange or any other stock exchange on which Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal value of not exceeding 10% of the aggregate nominal amount of the Shares in issue and to be issued as mentioned in this prospectus (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option), until:—

(a) the conclusion of the next annual general meeting of the Company; or

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(c) the revocation or variation by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Repurchase by the Company of its own securities

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) The Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:—

(i) *Shareholders' approval*

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolutions of the sole Shareholder passed on 18 November 2005, the Repurchase Mandate was given to the Directors authorising any repurchase by the Company of the Shares on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange of up to 10% of the aggregate nominal value of the Shares in issue and to be issued as mentioned in this prospectus (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option), at any time until:—

(a) the conclusion of the next annual general meeting of the Company; or

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(c) the revocation or variation by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands.

(iii) *Trading restrictions*

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate.

A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following the repurchase of securities (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

In addition, a company shall not repurchase its shares on the Stock Exchange if the purchase price is higher than 5% or more than the average closing market price for the five preceding trading days on which the shares in the company were traded on the Stock Exchange.

A company is also prohibited from making securities repurchases on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in public hands would fall below the relevant prescribed minimum percentage under the Listing Rules, which is currently 25% in the case of equity securities.

The Company shall procure that any broker appointed by it to effect the purchase of securities shall disclose such information to the Stock Exchange with respect to re-purchases made on behalf of the Company as the Stock Exchange may request.

(iv) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued shares shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day following any day on which the company makes a repurchase of shares. In addition, a company's annual report and accounts are required to disclose details regarding securities repurchases made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the aggregate prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases.

(vii) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined under the Listing Rules) and a connected person shall not knowingly sell securities in the company to the company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,990,000,000 Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), could accordingly result in up to 199,000,000 Shares that may be repurchased by the Company during the period until:—

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held; or

(iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

(c) Reasons for repurchases

A repurchase of Shares will only be made when the Directors believe that it will benefit the Company and its Shareholders. Such repurchase may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations. The Company may not repurchase Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of the current financial position of the Company as disclosed in this prospectus and taking into account the current working capital position of the Company, the Directors believe that, if the Repurchase Mandate were to be exercised in full, it would have a material adverse effect on the working capital of the Company and/or its gearing position as compared with the position disclosed in this prospectus. The

Directors do not propose to exercise the Repurchase Mandate to such extent that it would have a material adverse effect on the working capital requirements of the Company or the gearing level of the Company, but at such time which, in the opinion of the Directors, is appropriate for the Company.

(e) General

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules, the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or any of its subsidiaries.

No connected person of the Company has notified the Company that he or she or it has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No purchase of Shares has been made by the Company within six months prior to the date of this prospectus.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of the Company and may be obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

Save as aforesaid, the Directors are not aware of any other consequence under the Takeovers Code as a result of any repurchase of Shares made immediately after the Listing.

REORGANISATION

Overall basis of the Reorganisation

The Reorganisation was implemented for the purpose of restructuring members of the Group to be held, directly or indirectly, by the Company. The Reorganisation also provides the basis for the preparation of the combined accounts of the Group, the text of which is set forth in Appendix I to this prospectus.

Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels, together with members of the Group, are considered under the common control and management of the individual Controlling Shareholders, namely Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, because all the material operating and financial policies of all members of the Group, together with those of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skyline Apparels, were jointly determined by the individual Controlling Shareholders during the Track Record Period.

In light of the above, the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels were assumed by members of the Group during the Track Record Period.

Skylite Apparels was engaged in the business of trading of apparel items which was ceased and assumed by Skylite Fashion in September 2005. All the fixed assets, such as office equipment and furniture and fixture, amounting to HK$238,046, held by Skylite Apparels have been transferred by Skylite Fashion at their aggregate net book value. Following this transfer, the assets of Skylite Apparels only consisted of cash balance, tax payables and other receivables.

As at the Latest Practicable Date, none of Zhejiang Huading Group, Hangzhou Chuangxin and Hangzhou Furun was engaged in any business activities that competed or would be likely to compete with the business of members of the Group. The garment exporting business previously conducted by Zhejiang Huading Group, during the Track Record Period, has been assumed by China Ting Garment since July 2005. The silk weaving business previously conducted by Hangzhou Chuangxin has been assumed by Hangzhou Fucheng upon completion of the acquisition of the assets and liabilities of Hangzhou Chuangxin by Hangzhou Fucheng in November 2005. Hangzhou Furun became inactive since December 2003.

For the preparation of the combined accounts of the Group, in light of the "common control and management" of the individual Controlling Shareholders over all members of the Group, Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels and the assumption of the business, assets and liabilities described above during the Track Record Period, all the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Furun, Hangzhou Chuangxin and Skylite Apparels have been included in the combined accounts of the Group.

As the investors of Zhejiang Huading Group, Hangzhou Chuangxin and Hangzhou Furun intend to retain some assets, particulars of which are set forth below, which are not crucial to the business activities of the Group, the aggregate net book value of these assets was treated as a deemed distribution made by the Group upon completion of the Reorganisation. The equity interests of Zhejiang Huading Group, Hangzhou Chuangxin and Hangzhou Furun are not held by the Company upon completion of the Reorganisation.

Excluded companies

The assumption of business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels by members of the Group, during the Track Record Period, for the above reason of common control and management, was conducted in the following ways:—

— The garment exporting business activities of Zhejiang Huading Group were terminated in July 2005 and have been assumed by China Ting Garment by way of taking up the customers' purchase orders. The staff previously employed by Zhejiang Huading Group within the China Ting Industrial Complex have been transferred to Jincheng Silk, Zhejiang China Ting Textile Technology, Zhejiang Concept Creator and Zhejiang Xinan, whereas the staff previously employed by Zhejiang Huading Group, Shanghai branch, have been transferred to Hangzhou China Ting Fashion, Shanghai branch. As at the Latest Practicable Date, the principal assets and liabilities retained by Zhejiang Huading Group included the office tower situated within the China Ting Industrial Complex, the staff quarters situated adjacent thereto, the office premises in Shanghai, its long term equity investment in Hangzhou Chuangxin and Hangzhou Furun, cash balance, trade payables and receivables previously incurred. The Directors confirm that all of these are not crucial to the business activities of members of the Group;

— Hangzhou Furun had no material business during the Track Record Period and its business activities have been assumed by Hangzhou Fucheng by way of taking up the customers' purchase orders. As at the Latest Practicable Date, the principal assets and liabilities retained by Hangzhou Furun included cash balance and trade payables and receivables previously incurred. The Directors confirm that all of these are not crucial to the business activities of members of the Group;

— Skylite Apparels has not carried on any business since September 2005 and its business registration in Hong Kong has been cancelled accordingly. The business activities of Skylite Apparels have been assumed by Skylite Fashion by way of taking up the customers' purchase orders. As at the Latest Practicable Date, the principal assets and liabilities retained by proprietor of Skylite Apparels only consisted of cash balance, tax payables and other receivable previously incurred; and

— All assets and liabilities of Hangzhou Chuangxin (except for the land and the related factory building which are to be resumed by the PRC government and certain assets and liabilities to which the legal title cannot be transferred) have been acquired by Hangzhou Fucheng pursuant to an asset acquisition agreement dated 18 November 2005 and entered into between Hangzhou Chuangxin and Hangzhou Fucheng. The business activities of Hangzhou Chuangxin have been assumed by Hangzhou Fucheng after completion of such acquisition in November 2005.

The combined accounts of the Group are based on the above overall basis of the Reorganisation.

Detailed steps of the Reorganisation

The steps involved in the Reorganisation included the following:—

(a) On 17 May 2005,

(i) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Concept Creator Fashion, as transferee, whereby Zhejiang Huading Group agreed to transfer 49% equity interest in Zhejiang Huali to Concept Creator Fashion at a cash consideration of RMB13,596,359.85, which was based on the net asset value of Zhejiang Huali as at 30 April 2005 appraised by a qualified independent valuer in the PRC;

(ii) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Concept Creator Fashion, as transferee, whereby Zhejiang Huading Group agreed to transfer 26.5% equity interest in Zhejiang

Concept Creator to Concept Creator Fashion at a cash consideration of RMB8,857,111.12, which was based on the net asset value of Zhejiang Concept Creator as at 30 April 2005 appraised by a qualified independent valuer in the PRC;

(iii) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 57% equity interest in Finity International to Hong Kong Fuhowe at a cash consideration of RMB44,653,465.16, which was based on the net asset value of Finity International as at 30 April 2005 appraised by a qualified independent valuer in the PRC;

(b) on 24 May 2005,

(i) a LLC unit transfer agreement was entered into between Mr. TING Hung Yi, as transferor, and China Ting Garment, as transferee, whereby Mr. TING Hung Yi agreed to assign and transfer all his right, title and interest in one hundred units of China Ting (USA) to China Ting Garment for good and valuable consideration effective from 30 May 2005;

(c) on 25 May 2005,

(i) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 75% equity interest in Shenzhen Fuhowe to Hong Kong Fuhowe at a cash consideration of RMB1,552,500, which was based on the original cost of investment incurred by Zhejiang Huading Group in acquiring the relevant equity interest in Shenzhen Fuhowe;

(d) on 31 May 2005,

(i) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Zhejiang China Ting Knitwear to Hong Kong Fuhowe at a cash consideration of RMB7,154,582.25, which was based on the net asset value of Zhejiang China Ting Knitwear as at 30 April 2005 appraised by a qualified independent valuer in the PRC;

(ii) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Zhejiang China Ting Textile Technology to Hong Kong Fuhowe at a cash consideration of RMB21,867,696.15, which was based on the net asset value of Zhejiang China Ting Textile Technology as at 31 May 2005 appraised by a qualified independent valuer in the PRC;

(iii) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Hangzhou

China Ting Fashion to Hong Kong Fuhowe at a cash consideration of RMB10,350,559.34, which was based on the net asset value of Hangzhou China Ting Fashion as at 30 April 2005 appraised by a qualified independent valuer in the PRC;

(iv) an equity transfer agreement was entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Zhejiang Fuhowe to Hong Kong Fuhowe at a cash consideration of RMB7,724,303.09, which was based on the net asset value of Zhejiang Fuhowe as at 30 April 2005 appraised by a qualified independent valuer in the PRC;

(v) an equity transfer agreement was entered into between Hangzhou Jincheng, as transferor, and Hong Kong Fuhowe, as transferee, whereby Hangzhou Jincheng agreed to transfer 25% equity interest in Jincheng Silk to Hong Kong Fuhowe at a cash consideration of RMB5,424,302.98, which was based on the net asset value of Jincheng Silk as at 30 April 2005 appraised by a qualified independent valuer in the PRC; or

(vi) an instrument of transfer was executed by Mr. YIP Ping, who is an Independent Third Party, as transferor, and Mr. TING Man Yi, as transferee, whereby Mr. YIP Ping transferred 1,000 shares in the share capital of Concept Creator, representing 10% of the then issued share capital of Concept Creator, to Mr. TING Man Yi at a consideration of HK$1,000, which was based on the nominal value of the 1,000 shares transferred;

(e) on 8 June 2005,

(i) Zhejiang Huayue, a sino-foreign joint venture, was established under the laws of the PRC with a total investment of US$5 million and a registered capital of US$2.5 million and held by Manfame and Haiyan Feixiang as to 55% and 45% respectively;

(f) on 30 August 2005,

(i) a reorganisation agreement was entered into between Mr. TING Man Yi and Mr. DING Jianer, as transferors, and Witpower, as transferee, whereby Mr. TING Man Yi and Mr. DING Jianer agreed to transfer to Witpower all the issued shares in the share capital of Hong Kong Fuhowe in consideration of Witpower agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(ii) a reorganisation agreement was entered into between Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi, as transferors, and Skyyear, as transferee, whereby Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi agreed to transfer to Skyyear all the issued shares in the share capital of China Ting Garment in consideration of Skyyear agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(iii) a reorganisation agreement was entered into between Mr. TING Man Yi and Mr. TING Hung Yi, as transferors, and Skyyear, as transferee, whereby Mr. TING Man Yi and Mr. TING Hung Yi agreed to transfer to Skyyear all the issued shares in the share capital of Skylite Fashion in consideration of Skyyear agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(iv) a reorganisation agreement was entered into between Mr. TING Man Yi and Mr. TING Hung Yi, as transferors, and Skyyear, as transferee, whereby Mr. TING Man Yi and Mr. TING Hung Yi agreed to transfer to Skyyear all the issued shares in the share capital of China Ting Group in consideration of Skyyear agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(v) a reorganisation agreement was entered into between Mr. TING Man Yi and Mr. TING Hung Yi, as transferors, and Joyocean, as transferee, whereby Mr. TING Man Yi and Mr. TING Hung Yi agreed to transfer to Joyocean all the issued shares in the share capital of Concept Creator Fashion (HK) in consideration of Joyocean agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(vi) a reorganisation agreement was entered into between Mr. TING Man Yi and Ms. TSE Chau Fung, as transferors, and Joyocean, as transferee, whereby Mr. TING Man Yi and Ms. TSE Chau Fung agreed to transfer to Joyocean all the issued shares in the share capital of Concept Creator in consideration of Joyocean agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(vii) a reorganisation agreement was entered into between Mr. TING Man Yi and Ms. TSE Chau Fung, as transferors, and Joyocean, as transferee, whereby Mr. TING Man Yi and Ms. TSE Chau Fung agreed to transfer to Joyocean all the issued shares in the share capital of Concept Creator Fashion in consideration of Joyocean agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

following completion of the transfers set forth in (f)(i) to (vii) above, Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer became the shareholders of Witpower, Skyyear and Joyocean;

(g) on 9 September 2005,

(i) a LLC unit transfer agreement was entered into between China Ting Garment, as transferor, and Oceanroc, as transferee, whereby China Ting Garment agreed to assign and transfer all its right, title and interest in one hundred units of China Ting (USA) to Oceanroc for good and valuable consideration effective from 9 September 2005;

(h) on 3 November 2005,

(i) each of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer confirmed, by way of a statutory declaration, that the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels, together with members of the Group, at the beginning and throughout the Track Record Period, were under their common control and management and that such common control and management has never changed. On this basis, the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chungxin, Hangzhou Furun and Skylite Apparels have been assumed by members of the Group, and their results, assets and liabilities have been included in the combined accounts of the Group for the Track Record Period;

(i) on 18 November 2005,

(i) an asset acquisition agreement was entered into between Hangzhou Fuding and Zhejiang Huading Group for the acquisition by Hangzhou Fuding of a factory building located within the China Ting Industrial Complex together with other ancillary facilities at an aggregate cash consideration of approximately RMB12.3 million which was based on net book value of the relevant assets as at 31 October 2005. Completion of the acquisition is expected to take place after the Listing Date;

(ii) an asset acquisition agreement was entered into between Hangzhou Fucheng and Hangzhou Chuangxin for the acquisition of all assets and liabilities (other than the land and the related factory building which are to be resumed by the PRC government and certain assets and liabilities to which the legal title cannot be transferred) of Hangzhou Chuangxin at a cash consideration of approximately RMB0.5 million, which was based on the net book value of the relevant assets acquired;

(iii) a share exchange deed was entered into between Mr. TING Man Yi, Mr. DING Jianer, Mr. TING Hung Yi, the Company and Longerview whereby Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi agreed to transfer to the Company all the issued shares in the share capital of each of Manfame, Witpower, Skyyear, Joyocean and Oceanroc in consideration of the Company agreeing to allot and issue to Longerview a total of 99,999,900 Shares, credited as fully paid, and to credit as fully paid the 100 nil paid Shares held by Longerview; and

(iv) a reorganisation confirmation deed was entered into between Mr. TING Man Yi, Mr. TING Hung Yi, Mr. DING Jianer and the Company confirming that the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels, together with members of the Group, at the beginning and throughout the Track Record Period, were under the common control and management of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer and that such common control and management has never changed. Accordingly, for the purpose of preparing the combined accounts set forth in Appendix I to this prospectus and as required by the applicable financial reporting standards in Hong Kong, the business, assets and liabilities of Zhejiang Huading Group, Hangzhou Chuangxin, Hangzhou Furun and Skylite Apparels have been assumed by other members of the Group during the Track Record Period, and their results, assets and liabilities have been included in the combined accounts of the Group for the Track Record Period.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:—

(a) an equity transfer agreement (in Chinese) dated 7 June 2004 and entered into between Kiteman, as transferor, and Hong Kong Fuhowe, as transferee, whereby Kiteman agreed to transfer 45% equity interest in Finity (Shenzhen) to Hong Kong Fuhowe at a cash consideration of US$1.5 million;

(b) an agreement for purchase of trademark dated 7 June 2004 and an amendment to the agreement for purchase of trademark dated 7 June 2004, both of which entered into between Hong Kong Fuhowe and Finity Acquisition Corp. ("FAC"), whereby FAC agreed to sell to Hong Kong Fuhowe, and Hong Kong Fuhowe agreed to purchase from FAC, all the right, title, benefit and interest of FAC in and to the trademark of "Finity" in the PRC and Hong Kong at a cash consideration of US$4 million;

(c) an equity transfer agreement (in Chinese) dated 17 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Concept Creator Fashion, as transferee, whereby Zhejiang Huading Group agreed to transfer 49% equity interest in Zhejiang Huali to Concept Creator Fashion at a cash consideration of RMB13,596,359.85;

(d) an equity transfer agreement (in Chinese) dated 17 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Concept Creator Fashion, as transferee, whereby Zhejiang Huading Group agreed to transfer 26.5% equity interest in Zhejiang Concept Creator to Concept Creator Fashion at a cash consideration of RMB8,857,111.12;

(e) an equity transfer agreement (in Chinese) dated 17 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 57% equity interest in Finity International to Hong Kong Fuhowe at a cash consideration of RMB44,653,465.16;

(f) a LLC unit transfer agreement dated 24 May 2005 and entered into between Mr. TING Hung Yi, as transferor, and China Ting Garment, as transferee, whereby Mr. TING Hung Yi agreed to assign and transfer all his right, title and interest in one hundred units of China Ting (USA) to China Ting Garment for good and valuable consideration effective from 30 May 2005;

(g) an equity transfer agreement (in Chinese) dated 25 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 75% equity interest in Shenzhen Fuhowe to Hong Kong Fuhowe at a cash consideration of RMB1,552,500;

(h) a sino-foreign joint venture agreement (in Chinese) dated 30 May 2005 and entered into between Manfame and Haiyan Feixiang regarding the establishment of Zhejiang Huayue with a total investment of US$5 million and a registered capital of US$2.5 million;

(i) an equity transfer agreement (in Chinese) dated 31 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Zhejiang China Ting Knitwear to Hong Kong Fuhowe at a cash consideration of RMB7,154,582.25;

(j) an equity transfer agreement (in Chinese) dated 31 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Zhejiang China Ting Textile Technology to Hong Kong Fuhowe at a cash consideration of RMB21,867,696.15;

(k) an equity transfer agreement (in Chinese) dated 31 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Hangzhou China Ting Fashion to Hong Kong Fuhowe at a cash consideration of RMB10,350,559.34;

(l) an equity transfer agreement (in Chinese) dated 31 May 2005 and entered into between Zhejiang Huading Group, as transferor, and Hong Kong Fuhowe, as transferee, whereby Zhejiang Huading Group agreed to transfer 25% equity interest in Zhejiang Fuhowe to Hong Kong Fuhowe at a cash consideration of RMB7,724,303.09;

(m) an equity transfer agreement (in Chinese) dated 31 May 2005 and entered into between Hangzhou Jincheng, as transferor, and Hong Kong Fuhowe, as transferee, whereby Hangzhou Jincheng agreed to transfer 25% equity interest in Jincheng Silk to Hong Kong Fuhowe at a cash consideration of RMB5,424,302.98;

(n) an instrument of transfer dated 31 May 2005 and executed by Mr. YIP Ping, as transferor, and Mr. TING Man Yi, as transferee, in respect of the transfer of 1,000 shares in the share capital of Concept Creator at a cash consideration of HK$1,000;

(o) an agreement for sale and purchase dated 25 July 2005 and entered into between Hong Kong Fuhowe, as vendor, and Mr. TING Man Yi, as purchaser, whereby Hong Kong Fuhowe agreed to sell to Mr. TING Man Yi a property located at Flat A, 14th Floor, Block 2, Cavendish Heights, No. 33 Perkins Road, Jardine Lookout, Hong Kong together with car parking spaces Nos. 197 and 126 on basement 1 thereof (collectively, the "Property") at a cash consideration of HK$19,900,000;

(p) an assignment dated 25 August 2005 and entered into between Hong Kong Fuhowe and Mr. TING Man Yi in respect of the assignment of the Property as set forth in item (o) above by Hong Kong Fuhowe to Mr. TING Man Yi;

(q) a reorganisation agreement dated 30 August 2005 and entered into between Mr. TING Man Yi and Mr. DING Jianer, as transferors, and Witpower, as transferee, whereby Mr. TING Man Yi and Mr. DING Jianer agreed to transfer to Witpower all the issued shares in the share capital of Hong Kong Fuhowe in consideration of Witpower agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(r) a reorganisation agreement dated 30 August 2005 and entered into between Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi, as transferors, and Skyyear, as transferee, whereby Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi agreed to transfer to Skyyear all the issued shares in the share capital of China Ting Garment in consideration of Skyyear agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(s) a reorganisation agreement dated 30 August 2005 and entered into between Mr. TING Man Yi and Mr. TING Hung Yi, as transferors, and Skyyear, as transferee, whereby Mr. TING Man Yi and Mr. TING Hung Yi agreed to transfer to Skyyear all the issued shares in the share capital of Skylite Fashion in consideration of Skyyear agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(t) a reorganisation agreement dated 30 August 2005 and entered into between Mr. TING Man Yi and Mr. TING Hung Yi, as transferors, and Skyyear, as transferee, whereby Mr. TING Man Yi and Mr. TING Hung Yi agreed to transfer to Skyyear all the issued shares in the share capital of China Ting Group in consideration of Skyyear agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(u) a reorganisation agreement dated 30 August 2005 and entered into between Mr. TING Man Yi and Mr. TING Hung Yi, as transferors, and Joyocean, as transferee, whereby Mr. TING Man Yi and Mr. TING Hung Yi agreed to transfer to Joyocean all the issued shares in the share capital of Concept Creator Fashion (HK) in consideration of Joyocean agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(v) a reorganisation agreement dated 30 August 2005 and entered into between Mr. TING Man Yi and Ms. TSE Chau Fung, as transferors, and Joyocean, as transferee, whereby Mr. TING Man Yi and Ms. TSE Chau Fung agreed to transfer to Joyocean all the issued shares in the share capital of Concept Creator in consideration of Joyocean agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(w) a reorganisation agreement dated 30 August 2005 and entered into between Mr. TING Man Yi and Ms. TSE Chau Fung, as transferors, and Joyocean, as transferee, whereby Mr. TING Man Yi and Ms. TSE Chau Fung agreed to transfer to Joyocean all the issued shares in the share capital of Concept Creator Fashion in consideration of Joyocean agreeing to allot and issue 415 shares to Mr. TING Man Yi, 180 shares to Mr. DING Jianer and 405 shares to Mr. TING Hung Yi;

(x) a supplemental shareholders' agreement dated 8 September 2005 and entered into between Tri-Star Fabric Printing and China Ting Garment in respect of the relationship amongst themselves, as shareholders of Interfield, and certain other related matters;

(y) a LLC unit transfer agreement dated 9 September 2005 and entered into between China Ting Garment, as transferor, and Oceanroc, as transferee, whereby China Ting Garment agreed to assign and transfer all its right, title and interest in one hundred units of China Ting (USA) to Oceanroc for good and valuable consideration effective from 9 September 2005;

(z) an asset acquisition agreement (in Chinese) dated 18 November 2005 and entered into between Hangzhou Fuding and Zhejiang Huading Group for the acquisition by Hangzhou Fuding of a factory building located within the China Ting Industrial Complex together with other ancillary facilities at an aggregate cash consideration of RMB12,322,131.49;

(aa) an asset acquisition agreement (in Chinese) dated 18 November 2005 and entered into between Hangzhou Fucheng and Hangzhou Chuangxin for the acquisition of assets and liabilities of Hangzhou Chuangxin as contemplated therein by Hangzhou Fucheng at a cash consideration of RMB521,954.77;

(ab) a share exchange deed dated 18 November 2005 and entered into between Mr. TING Man Yi, Mr. DING Jianer, Mr. TING Hung Yi, the Company and Longerview, whereby Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi agreed to transfer to the Company all the issued shares in the share capital of each of Manfame, Witpower, Skyyear, Joyocean and Oceanroc in consideration of the Company agreeing to allot and issue to Longerview a total of 99,999,900 Shares, credited as fully paid and, to credit as fully paid the 100 nil paid Shares held by Longerview;

(ac) a reorganisation confirmation deed in respect of reorganisation of the Company and its subsidiaries for the purpose of the Listing dated 18 November 2005 and entered into between Mr. TING Man Yi, Mr. TING Hung Yi, Mr. DING Jianer and the Company clarifying the entire arrangements under the Reorganisation and confirming the basis upon which the combined accounts of the Group for the Track Record Period were prepared;

(ad) Pre-IPO Share Option Deed;

(ae) a deed of non-competition undertakings dated 18 November 2005 and executed by the Controlling Shareholders in favour of the Company regarding certain non-competition undertakings in respect of the business activities of the Group given by the Controlling Shareholders in favour of the Company for nil consideration;

(af) a deed of indemnity dated 29 November 2005 and entered into between the Controlling Shareholders and the Company for itself and as trustee for its subsidiaries, for nil consideration, under which the Controlling Shareholders have given certain indemnities on a joint and several basis in favour of the Group containing, among other things, the indemnities referred to under "Estate duty and tax indemnity" in this appendix; and

(ag) the Hong Kong Underwriting Agreement.

Information about the joint ventures of the Group

The Group has invested in six joint ventures in the PRC. Summaries of corporate information and the principal terms of the joint venture contracts are as follows:—

(a)

Name of joint venture (which is a subsidiary of the Company)	: 浙江華越絲綢製品有限公司 (Zhejiang Huayue Silk Products Company Limited*)
Date of establishment	: 8 June 2005
Total investment	: US$5,000,000
Registered capital	: US$2,500,000
Percentage of equity interests owned by the relevant member of the Group	: Manfame — 55%
Percentages of equity interests owned by the other joint venture party	: Haiyan Feixiang — 45%
Term of joint venture	: 15 years from 8 June 2005
Scope of business	: manufacturing and selling silk fabric, clothing, embroidery
Board of directors	: the board of directors consists of five directors, three of whom shall be nominated by Manfame

(b)

Name of joint venture (which is a subsidiary of the Company)	: 江蘇富澤紡織有限公司 (Jiangsu Fuze Textile Company Limited*)
Date of establishment	: 5 December 2003
Total investment	: US$1,700,000
Registered capital	: US$1,375,000
Percentage of equity interests owned by the relevant member of the Group	: Hong Kong Fuhowe — 52%
Percentages of equity interests owned by the other joint venture parties	: Hangzhou Fuze — 26.2% Hangzhou Huaze — 21.8%
Term of joint venture	: 50 years from 5 December 2003
Scope of business	: manufacturing and selling needle, textile, silk, clothing, costume, handicraft (except for the class of products restricted or prohibited by the PRC government)
Board of directors	: the board of directors consists of three directors, one of whom shall be nominated by Hong Kong Fuhowe and the chairman of the board shall be nominated by Hong Kong Fuhowe

(c)	Name of joint venture	: 嘉興飛越針織製衣有限公司 (Jiaxing Feiyue Knitwear Garment Limited*)
	Date of establishment	: 15 March 2000
	Total investment	: US$900,000
	Registered capital	: US$660,000
	Percentage of equity interests owned by the relevant member of the Group	: Concept Creator Fashion — 45.5%
	Percentages of equity interests owned by the other joint venture party	: Haiyan Feilong — 54.5%
	Term of joint venture	: 15 years from 15 March 2000
	Scope of business	: manufacturing and selling clothing; weaving of silk materials
	Board of directors	: the board of directors consists of three directors, one of whom shall be nominated by Concept Creator Fashion
(d)	Name of joint venture	: 杭州華星絲綢印染有限公司 (Hangzhou Huaxing Silk Printing Company Limited*)
	Date of establishment	: 30 December 2002
	Total investment	: US$3,500,000
	Registered capital	: US$3,000,000
	Percentage of equity interests owned by the relevant member of the Group	: China Ting Garment — 40% (indirectly through 40% equity investment in Interfield which is the holding company of Hangzhou Huaxing)
	Percentages of equity interests owned by the other joint venture party	: Tri-Star Fabric Printing — 60% (indirectly through 60% equity investment in Interfield which is the holding company of Hangzhou Huaxing)
	Term of joint venture	: 50 years from 30 December 2002
	Scope of business	: dyeing, printing and processing of real silk, textile mixing with real silk, cotton, hemp
	Board of directors	: the board of directors of Hangzhou Huaxing consists of five directors, all of whom shall be nominated by Interfield, whereas the board of directors of Interfield consists of five directors, two of whom shall be nominated by China Ting Garment

(e)	Name of joint venture	: 鶴山三星絲綢印染企業有限公司 (Heshan Tri-Star Silk Dyeing and Printing Works Limited*)
	Date of establishment	: 27 September 1993
	Total investment	: US$3,000,000
	Registered capital	: US$3,000,000
	Percentage of equity interests owned by the relevant member of the Group	: China Ting Garment — 40% (indirectly through 40% equity investment in Interfield which is the holding company of Heshan Tri-Star)
	Percentages of equity interests owned by the other joint venture party	: Tri-Star Fabric Printing — 60% (indirectly through 60% equity interest in Interfield which is the holding company of Heshan Tri-Star)
	Term of joint venture	: 50 years from 27 September 1993
	Scope of business	: manufacturing and dyeing of silk
	Board of directors	: the board of directors of Heshan Tri-Star consists of five directors, all of whom shall be nominated by Interfield, whereas the board of directors of Interfield consists of five directors, two of whom shall be nominated by China Ting Garment
(f)	Name of joint venture	: 杭州華盛輔料有限公司 (Hangzhou Huasheng Accessories Company Limited*)
	Date of establishment	: 23 July 2003
	Total investment	: US$350,000
	Registered capital	: US$250,000
	Percentage of equity interests owned by the relevant member of the Group	: Hong Kong Fuhowe — 25%
	Percentages of equity interests owned by the other joint venture party	: Ms. ZHOU Shi Min — 75%
	Term of joint venture	: 50 years from 23 July 2003
	Scope of business	: manufacturing of clothing accessories
	Board of directors	: the board of directors consists of three directors, one of whom shall be nominated by Hong Kong Fuhowe

* *For identification purposes only*

INTELLECTUAL PROPERTY

Trademarks

As at the Latest Practicable Date, members of the Group had registered the following trademarks:—

Mark	Place of registration	Name of registrant	Registration number	Class	Period of validity
ÉLANIE PARIS	France	Concept Creator	033222252	18, 25	4 April 2003–3 April 2013
FINITY	PRC	Finity (Shenzhen)	1648685	18	14 October 2001–13 October 2011
CHINA TING GROUP * CHINA TING GROUP	Hong Kong	China Ting Group	300417195	24, 25, 40	9 May 2005–8 May 2015
*	Hong Kong	China Ting Group	300417203	24, 25, 40	9 May 2005–8 May 2015

As at the Latest Practicable Date, the following trademarks had been assigned to members of the Group:—

Trademark	Place of registration of assignment	Name of assignee	Registration number	Class	Period of validity
FINITY	Hong Kong	Hong Kong Fuhowe	199506319	25 *(Notes 1, 2)*	29 December 2004–28 December 2014
FINITY	PRC	Hong Kong Fuhowe	787390	25 *(Notes 1, 3, 5)*	28 October 1995–27 October 2005
FINITY	PRC	Hong Kong Fuhowe	1963475	35 *(Notes 1, 4, 5)*	21 February 2003–20 February 2013
dbn	PRC	Diny (Hangzhou)	3346922	25	21 August 2004–20 August 2014

* *colours red (pantone 181C) and grey (pantone 447C)*

As at the Latest Practicable Date, members of the Group had applied for registration of the following trademarks and such applications were still being processed:—

Mark	Place of application	Applicant	Application number	Class	Application date
ÉLANIE	PRC	Finity International	3590006, 3590208	18, 25	11 June 2003
ÉLANIE RIESE	PRC	Finity International	4916398, 4916399	18, 25	26 September 2005
dbn!	PRC	Diny (Hangzhou)	1120051023	25	11 April 2005
Dbni	PRC	Diny (Hangzhou)	4913332	25	26 September 2005
RIVERSTONE	PRC	China Ting Brand Management	2005070328	25	18 July 2005
瑞弗史東	PRC	China Ting Brand Management	2005070329	25	18 July 2005
FINITY FINITY FINITY	Hong Kong	Hong Kong Fuhowe	300517734	3, 14, 18, 20, 21, 24, 27, 32, 33, 35, 42	26 October 2005

As at the Latest Practicable Date, Finity International had submitted applications for the transfer from Zhejiang Huading Group of the following trademark registration applications:—

Trademark	Place of application	Transferee	Application number	Class	Application date
FINITY	PRC	Finity International	4514993 *(Note 6)*	3	26 July 2005
FINITY	PRC	Finity International	4514981 *(Note 6)*	14	26 July 2005
FINITY	PRC	Finity International	4514994 *(Note 6)*	20	26 July 2005
FINITY	PRC	Finity International	4514995 *(Note 6)*	21	26 July 2005
FINITY	PRC	Finity International	4514976 *(Note 6)*	24	26 July 2005
FINITY	PRC	Finity International	4514977 *(Note 6)*	27	26 July 2005

Trademark	Place of application	Transferee	Application number	Class	Application date
FINITY	PRC	Finity International	4514978 *(Note 6)*	32	26 July 2005
FINITY	PRC	Finity International	4514979 *(Note 6)*	33	26 July 2005
FINITY	PRC	Finity International	4514980 *(Note 6)*	42	26 July 2005

As at the Latest Practicable Date, the following trademarks and tradename were licensed to be used by the Group:—

Trademark	Place of registration	Licensee	Name of registrant	Registration number	Class
	PRC	Finity International	Burlington Industries, Inc.	1640964 *(Note 7)*	24
BURLINGTON	PRC	Finity International	Burlington Industries, Inc.	1636957 *(Note 7)*	24
MAX STUDIO	PRC	China Ting Group	LEON MAX, INC.	979379 *(Note 8)*	25
MAXSTUDIO COM	PRC	China Ting Group	LEON MAX. INC.	3215059 *(Note 8)*	25

Notes:—

1. According to an agreement for purchase of trademark dated 7 June 2004 and entered into between Hong Kong Fuhowe and Finity Acquisition Corp. ("FAC"), which is an Independent Third Party, Hong Kong Fuhowe acquired from FAC all rights, title, benefits and interests in and to the trademark "*FINITY*" in the PRC and Hong Kong. Accordingly, by way of an assignment of the same date, FAC assigned, sold, transferred, conveyed and granted to Hong Kong Fuhowe, its successors and assigns, any and all rights, title and interests in and to the trademark "Finity" in the PRC and Hong Kong together with the goodwill of the business appurtenant thereto and symbolized thereby.

2. The assignment of the trademark was entered in the register maintained by the Trade Marks Registry of Hong Kong on 28 June 2004.

3. According to a certificate of assignment of registered trademark issued by the Trademark Office of the State Administration for Industry and Commerce of the PRC on 21 December 2004, the assignment of the trademark of "*FINITY*" in class 25 under registration no. 787390 in the PRC, pursuant to the assignment aforesaid, to Hong Kong Fuhowe was approved. On 30 June 2005, Hong Kong Fuhowe filed an application to the Trademark Office of the State Administration for Industry and Commerce of the PRC for extension of the validity period of the trademark.

4. According to a certificate of assignment of registered trademark issued by the Trademark Office of the State Administration for Industry and Commerce of the PRC on 21 December 2004, the assignment of the trademark of "*FINITY*" in class 35 under registration no. 1963475 in the PRC, pursuant to the assignment aforesaid, to Hong Kong Fuhowe was approved.

5. On 18 April 2005, Finity International submitted an application to the Trademark Office of the State Administration for Industry and Commerce of the PRC to transfer the trademark from Hong Kong Fuhowe to Finity International. On 19 May 2005, the Trademark Office of the State Administration for Industry and Commerce of the PRC accepted the transfer application.

6. On 31 August 2005, the Trademark Office of the State Administration for Industry and Commerce of the PRC accepted the application for transfer.

7. Pursuant to an agreement relating to license contract dated 12 October 2005 and entered into between Burlington House, a division of Burlington Industries LLC ("Burlington") and Finity International, Burlington granted to Finity International, inter alia, an exclusive right to sell and distribute, and the non-exclusive right to manufacture, home textile products bearing certain licensed marks of *BURLINGTON HOUSE* in the PRC from 12 October 2005 to 31 December 2010.

8. Pursuant to a licence agreement dated 5 March 2003 and entered into between Leon Max, Inc. and Global Star Garment Limited ("Global Star"), Global Star has been granted a sole and exclusive right to manufacture, promote, distribute and sell women's apparel clothing, accessories, and related products under the "MAX STUDIO" trademarks and the tradename of MAXSTUDIO.COM (the "Licensed Products") in Hong Kong, the PRC and certain other jurisdictions. Pursuant to a distribution and licence agreement entered into between Global Star and China Ting Group on 3 June 2003, China Ting Group has been granted a sole and exclusive right to carry on the business of promoting, selling, distributing and retailing the Licensed Products by itself or together with any member of its group in the PRC (including Hong Kong). A supplemental agreement was dated 14 July 2005 and entered into between Global Star and China Ting Group whereby, inter alia, (i) the territory granted to China Ting Group for carrying on the business of promoting, selling, distributing and retailing the Licensed Products has been restricted to the PRC; (ii) the licence period has been extended to 31 December 2006 and (iii) China Ting Group has been granted the non-exclusive licence to carry on the production of the Licensed Products for distribution in the PRC.

9. Description of the classes for trademarks:—

Class No.	**Specifications of goods and/or services**
3	Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices
14	Precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments
18	Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery
20	Furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics
21	Household or kitchen utensils and containers (not of precious metal or coated therewith); combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steel wool; un-worked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes
24	Textiles and textile goods, not included in other classes; bed and table covers
25	Clothing, footwear, headgear
27	Carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile)
32	Beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages
33	Alcoholic beverages (except beers)
35	Advertising; business management; business administration; office functions
40	Treatment of materials
42	Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; legal services

Save as aforesaid, there were no other trademarks or service marks, patents and other intellectual property rights which are material in relation to the business activities of the Group as at the Latest Practicable Date.

FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

Interests and/or short positions of Directors and chief executive in the Shares, underlying shares or debentures of the Company and its associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), the interests and the short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions) immediately upon the Listing, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained immediately upon the Listing, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange immediately upon the Listing, will be as follows:—

(i) *Beneficial interests in the Shares*

Name of Directors	Capacity	Number of Shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. TING Man Yi	Interest of controlled corporation	1,490,000,000 (L) *(Note 2)*	74.87
		75,000,000 (S) *(Note 5)*	3.77
Mr. TING Hung Yi	Interest of controlled corporation	1,490,000,000 (L) *(Note 3)*	74.87
		75,000,000 (S) *(Note 5)*	3.77
Mr. DING Jianer	Interest of controlled corporation	1,490,000,000 (L) *(Note 4)*	74.87
		75,000,000 (S) *(Note 5)*	3.77

Notes:—

1. The letters "L" and "S" stand for the Director's long position and short position (within the meaning stated in the form for notification specified pursuant to the SFO) respectively in the Shares.

2. Longerview is owned as to 41.5% by Firmsuccess which is wholly-owned by Mr. TING Man Yi. Longerview is a controlled corporation (within the meaning of the SFO) of Mr. TING Man Yi. As such, under the SFO, Mr. TING Man Yi is deemed to be interested in the 1,490,000,000 Shares held by Longerview.

3. Longerview is owned as to 40.5% by In Holdings which is wholly-owned by Mr. TING Hung Yi. Longerview is a controlled corporation (within the meaning of the SFO) of Mr. TING Hung Yi. As such, under the SFO, Mr. TING Hung Yi is deemed to be interested in the 1,490,000,000 Shares held by Longerview.

4. Pursuant to a shareholders' agreement dated 18 November 2005 and entered into between the Controlling Shareholders, each of the Controlling Shareholders (other than Longerview) has agreed to enter into pre-emptive arrangements in respect of their shareholding in Longerview. For the purpose of Part XV of the SFO, each of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer is therefore deemed to have effective voting power in respect of the 1,490,000,000 Shares held by Longerview. As such, under the SFO, Mr. DING Jianer is also deemed to be interested in the 1,490,000,000 Shares held by Longerview under the SFO.

5. Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer are also deemed to have a short position of 75,000,000 Shares pursuant to the Stock Borrowing Agreement.

(ii) *Beneficial interests in the shares of associated corporations*

Name of Directors	**Name of associated corporation**	**Nature of Interest**	**Total number of ordinary shares**	**Approximate percentage of interest in the associated corporation**
Mr TING Man Yi	Firmsuccess	Personal interest	1	100%
	Longerview	Corporate interest	415 *(Note 1)*	41.5%
Mr. TING Hung Yi	In Holdings	Personal interest	1	100%
	Longerview	Corporate interest	405 *(Note 2)*	40.5%
Mr. DING Jianer	Willport	Personal interest	1	100%
	Longerview	Corporate interest	180 *(Note 3)*	18%

Notes:—

1. The 415 shares in Longerview are held by Firmsuccess, which is wholly-owned by Mr. TING Man Yi.

2. The 405 shares in Longerview are by In Holdings, which is wholly-owned by Mr. TING Hung Yi.

3. The 180 shares in Longerview are held by Willport, which is wholly-owned by Mr. DING Jianer.

Save as disclosed above, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), none of the Directors and chief executive of the Company will have any interest and/or short position in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions) immediately upon the Listing, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be maintained immediately upon the Listing, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interests and/or short positions of substantial shareholders in the Shares, underlying shares or debentures of the Company

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), the persons (other than the Directors or chief executive of the Company) who have interests or short positions in the Shares or underlying shares or debentures of the Company which will have to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO will be as follows:—

Name of substantial Shareholders	**Capacity**	**Number of Shares** *(Note 1)*	**Approximate percentage of interest in the Company**
Longerview	Beneficial owner	1,490,000,000 (L)	74.87
		75,000,000 (S) *(Note 2)*	3.77
Firmsuccess	Interest of controlled corporation	1,490,000,000 (L) *(Note 3)*	74.87
		75,000,000 (S) *(Note 6)*	3.77
In Holdings	Interest of controlled corporation	1,490,000,000 (L) *(Note 4)*	74.87
		75,000,000 (S) *(Note 6)*	3.77
Willport	Interest of controlled corporation	1,490,000,000 (L) *(Note 5)*	74.87
		75,000,000 (S) *(Note 6)*	3.77

Notes:—

1. The letters "L" and "S" stand for the substantial Shareholder's long position and short position (within the meaning stated in the form for notification specified pursuant to the SFO) respectively in the Shares.

2. Longerview has a short position of 75,000,000 Shares pursuant to the Stock Borrowing Agreement.

3. Longerview is owned as to 41.5% by Firmsuccess. As such, Longerview is a controlled corporation (within the meaning of the SFO) of Firmsuccess. Firmsuccess is therefore deemed to be interested in the 1,490,000,000 Shares held by Longerview.

4. Longerview is owned as to 40.5% by In Holdings. As such, Longerview is a controlled corporation (within the meaning of the SFO) of In Holdings. In Holdings is therefore deemed to be interested in the 1,490,000,000 Shares held by Longerview.

5. Pursuant to a shareholders' agreement dated 18 November 2005 and entered into between the Controlling Shareholders, each of the Controlling Shareholders (other than Longerview) has agreed to enter into pre-emptive arrangements in respect of their shareholding in Longerview. For the purpose of Part XV of the SFO, each of Firmsuccess, In Holdings and Willport is therefore deemed to have effective voting power in respect of the 1,490,000,000 shares held by Longerview. As such, Willport is also deemed to be interested in the 1,490,000,000 Shares held by Longerview.

6. Firmsuccess, In Holdings and Willport are also deemed to have a short position of 75,000,000 Shares pursuant to the Stock Borrowing Agreement.

Save as disclosed above, so far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation issue (without taking into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme), there are no other persons (other than the Directors or chief executive of the Company) who have interests or short positions in the Shares or underlying shares or debentures of the Company which will have to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO.

Interests of substantial Shareholders in any member of the Group

So far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, the persons (other than the Directors or chief executive of the Company) who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company) will be as follows:—

Name of subsidiary of the Company	**Name of investor**	**Approximate percentage of interest in the subsidiary**
Jiangsu Fuze	Hangzhou Fuze	26.2% *(Note 1)*
	Hangzhou Huaze	21.8% *(Note 1)*
Zhejiang Huayue	Haiyan Feixiang	45% *(Note 2)*

Notes:—

1. The registered capital of Jiangsu Fuze is held as to 26.2% by Hangzhou Fuze and as to 21.8% by Hangzhou Huaze. As Jiangsu Fuze is a limited liability company established in the PRC with its registered capital represented by equity interest, the equity interest held by Hangzhou Fuze and Hangzhou Huaze in Jiangsu Fuze are represented by a percentage of the equity interest and not by shares.

2. The registered capital of Zhejiang Huayue is held as to 45% by Haiyan Feixiang. As Zhejiang Huayue is a limited liability company established in the PRC with its registered capital represented by equity interest, the equity interest held by Haiyan Feixiang in Zhejiang Huayue are represented by a percentage of the equity interest and not by shares.

Save as disclosed above, so far as the Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue, there are no persons (other than the Directors or chief executive of the Company) who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company).

Particulars of service agreements

Each of the executive Directors has entered into a service agreement dated 18 November 2005 with the Company. Particulars of these agreements, except as indicated, are in all material respects identical and are summarised below:—

(i) each service agreement is of an initial term of three years commencing from 18 November 2005 and shall continue thereafter until terminated in accordance with the terms of the service agreement. Under the service agreement, either party may, after the expiry of the relevant first year of service of the relevant executive Director, terminate the service agreement by giving to the other not less than six months' prior written notice;

(ii) the annual salary for each of Mr. TING Man Yi, Mr. TING Hung Yi, Mr. DING Jianer and Mr. WONG Sin Yung from 18 November 2005 to 17 November 2006 shall be HK$3 million, HK$3 million, HK$2 million and HK$0.8 million respectively. As from 18 November 2006, the annual salary of each executive Director shall be determined by the Board and subject to the annual review by the Remuneration Committee, provided that any increment of which shall not be more than 15% of the annual salary received by each executive Director for the immediate preceding year;

(iii) each of the executive Directors is entitled to a management bonus, the amount of which is determined with reference to the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items (the "Net Profits") as the Board may, in its absolute discretion, approve, provided that the aggregate amount of the management bonus payable to all executive Directors in respect of any financial year shall not exceed 2% of the Net Profits for the relevant financial year; and

(iv) each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary and management bonus payable to himself.

Each of the independent non-executive Directors has signed a letter of appointment dated 18 November 2005 with the Company under which each of them agreed to act as an independent non-executive Director for a period of three years, commencing from 18 November 2005, unless terminated in accordance with the terms and conditions specified therein. The initial annual fee payable to Dr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit is HK$300,000, HK$200,000 and HK$200,000 respectively.

Save for the annual remuneration mentioned above, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of the Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

Directors' remuneration

The Company's policies concerning remuneration of the executive Directors are as follows:—

(i) the amount of remuneration is determined by the Remuneration Committee on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package; and

(iii) the executive Directors may be granted, at the discretion of the Board with the endorsement of the Remuneration Committee, options pursuant to the Share Option Scheme, as part of their remuneration package.

An aggregate of HK$2.7 million, HK$3.5 million, HK$4.1 million and HK$1.6 million respectively were paid to the Directors as remuneration for the three financial years ended 31 December 2004 and the five months ended 31 May 2005. Further information in respect of the Directors' remuneration is set out in Appendix I to this prospectus.

It is expected that an aggregate of approximately HK$4.6 million (without taking into account any management bonus which may be paid) will be paid as remuneration to the Directors by the Group in respect of the financial year ending 31 December 2005 pursuant to the present arrangement.

None of the Directors or any past directors of any member of the Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining the Company or (ii) for loss of office as a director of any member of the Group or of any other notice in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the Track Record Period.

Save as disclosed in Appendix I to this prospectus, none of the Directors received any remuneration or benefits in kind from the Group during the Track Record Period. Particulars of emoluments paid to the five persons who received the highest emoluments from the Group for the Track Record Period are set out in Note 29 to the accountants' report set out in Appendix I to this prospectus.

Disclaimers

Save as disclosed in this prospectus:—

(1) none of the Directors or chief executive of the Company is aware of any other Director or chief executive of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation (within the meaning of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, once the Shares are listed;

(2) none of the Directors nor any of the persons whose names are listed under "Consents of experts" below is interested in the promotion of the Company or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(3) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

(4) none of the persons whose names are listed under "Consents of experts" below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(5) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transaction as mentioned in this prospectus; and

(6) so far as is known to the Directors, none of the Directors, their respective associates (as defined in the Listing Rules) or shareholders who are interested in 5% or more of the Shares in issue have any interests in the five largest customers or the five largest suppliers of the Group.

PRE-IPO SHARE OPTION DEED AND SHARE OPTION SCHEME

Summary of the terms of the Pre-IPO Share Option Deed

The Pre-IPO Share Option Deed was dated 18 November 2005 and entered into between the Company and Ms. LI Yuet Mui, Xera ("Ms. LI"), being a senior management staff of the Group, whereby the Company has granted Ms. LI an option to subscribe for certain number of Shares upon and subject to the terms and conditions set forth in the Pre-IPO Share Option Deed.

The purpose of the Pre-IPO Share Option Deed is to provide incentive and reward to Ms. LI for her contribution to the management and business growth of the Group.

The principal terms of the Pre-IPO Share Option Deed, as approved by the written resolutions of the sole Shareholder passed on 18 November 2005, are substantially the same as the terms of the Share Option Scheme except that:—

(i) the subscription price for each Share subject to the option granted under the Pre-IPO Share Option Deed shall be the par value of each Share;

(ii) the period within which Ms. LI may exercise the option under the Pre-IPO Share Option Deed is eight years following the Listing Date. During the exercise period, Ms. LI can exercise the option in each year no more than one-eighth of the total number of the Option Shares (as defined below) granted, provided that Ms. LI cannot exercise any option granted under the Pre-IPO Share Option Deed during the period of six months immediately after the Listing Date;

(iii) the total number of the Shares subject to the Pre-IPO Share Option Deed shall be up to 10,000,000 Shares (the "Option Shares"), representing 0.5% of the enlarged number of the Shares in issue, upon full exercise of the option under the Pre-IPO Share Option Deed, immediately following completion of the Global Offering and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised and no Shares may fall to be issued upon the exercise of any options granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Shares that may fall to be issued upon full exercise of the option granted under the Pre-IPO Share Option Deed shall represent approximately 0.48% of the enlarged number of the Shares; and

(iv) save for the option which has been granted (the exercise of which is conditional on the same conditions as that for the Share Option Scheme mentioned below), no further options will be granted under the Pre-IPO Share Option Deed.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the option granted under the Pre-IPO Share Option Deed.

Option granted under the Pre-IPO Share Option Deed

Subject to the requirements under the Listing Rules and such other applicable rules and regulations, the option granted under the Pre-IPO Share Option Deed may be exercised by Ms. LI in part, during a period of eight years from the Listing Date, representing no more than one-eighth of the total number of the Option Shares in each calendar year, provided that Ms. LI cannot exercise any option granted under the Pre-IPO Share Option Deed within a period of six months immediately after the Listing Date. Particulars of the outstanding option, as at the date of this prospectus, granted to Ms. LI entitling her to subscribe for up to 10,000,000 Shares are set as follows:—

Name of grantee	Address	Number of Shares subject to the option	Percentage of Shares in issue as enlarged by full exercise of the option *(Note)*
LI Yuet Mui, Xera	Flat C, 24/F, Tower I Granville Garden 18 Pik Tin Street Tai Wai, Shatin New Territories Hong Kong	10,000,000	0.5%

Note:—

The percentage is based on the number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue assuming that Over-allotment Option is not exercised and no Shares may fall to be issued upon the exercise of any options granted under the Share Option Scheme, as enlarged by the number of Shares to be issued upon full exercise of the option granted under the Pre-IPO Share Option Deed.

Particulars on the option granted under the Pre-IPO Share Option Deed, as required under paragraph 10 of the Third Schedule to the Companies Ordinance and rule 17.02(1)(b) of and paragraph 27 of Part A of appendix 1 to the Listing Rules, are available for public inspection in Hong Kong as set forth in the paragraphs under "Documents available for public inspection in Hong Kong" in Appendix VII to this prospectus.

Assuming that the option granted under the Pre-IPO Share Option Deed is exercised in full on the Listing Date, the shareholding of the public Shareholders and Longerview will be reduced from approximately 25.13% and 74.87% respectively of the Shares in issue prior to the exercise of such option to approximately 25.0% and 74.5% respectively of the Shares in issue as enlarged by the issue of Shares pursuant to the full exercise of the option, without taking into account any Shares that may fall to be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme.

Pursuant to the Hong Kong Accounting Standard 33 "Earnings per Share" issued by the Hong Kong Institute of Certified Public Accountants, if the subscription price of the option equals to the fair value of the existing ordinary share of a company, the option is regarded as not having dilutive effect on the earnings per share of that company. Nonetheless, the total number of Shares which may fall to be issued upon the full exercise of the option granted under the Pre-IPO Share Option Deed will represent only 0.5% of the enlarged number of the Shares in issue. The unaudited pro forma fully diluted earnings per Share taking into account the option granted under the Pre-IPO Share Option Deed for the year ended 31 December

2004 and the five months ended 31 May 2005 are HK$0.096 and HK$0.099 per Share, respectively. The diluting effect on the earnings per Share arising from the full exercise of the option granted under the Pre-IPO Share Option Deed is less than HK$0.001 per Share for the year ended 31 December 2004 and the five months ended 31 May 2005. Hence, the Directors consider that the full exercise of the option granted under the Pre-IPO Share Option Deed, albeit that the subscription price is equivalent to the par value of each Share, should not have any material dilutive effect on the earnings per Share for the year ended 31 December 2004 and the five months ended 31 May 2005.

Summary of the terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of the sole Shareholder passed on 18 November 2005:—

(1) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to allow the Company to grant Options (as defined in paragraph (2) below) to Participants (as defined in paragraph (2) below) as incentives or rewards for their contribution to the Group.

(2) *Who may join*

The Board may, at its discretion, invite (i) employees of the Company (whether full-time or part-time) or any of its subsidiaries; and (ii) Directors (whether executive Directors or non-executive Directors or independent non-executive Directors) or any director of its subsidiaries (together, the "Participants" and each a "Participant"), to take up options (the "Options") to subscribe for Shares at a price calculated in accordance with paragraph (5) below. No performance target is required to be achieved before an Option can be exercised.

In determining the basis of eligibility of each Participant, the Directors would mainly take into account the experience of the Participant in the Group's business, the length of service of the Participant with the Group, the amount of effort and contributions the Participant has exerted and given towards the success of the Group and/or the amount of potential effort and contributions the Participant is likely to be able to give or make towards the success of the Group in the future.

(3) *Grant of Options*

Any grant of Options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the relevant results announcement, no Option may be granted.

(4) *Payment on acceptance of option offer*

An amount of HK$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant.

(5) *Subscription price of Shares*

Subject to any adjustments made as described in paragraph (12) below, the subscription price in respect of each Share issued under the Share Option Scheme will be a price determined by the Board and notified to a Participant and will be no less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to the Participant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "Trading Day"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive Trading Days immediately preceding the date of offer to the Participant (provided that the new issue price for the listing of the Shares shall be used as the closing price for any Trading Day falling within the period before listing of the Shares if the Shares have been listed for less than five Trading Days before the offer date); and (iii) the nominal value of a Share.

(6) *Maximum number of Shares available for subscription*

(i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 199,000,000 Shares (the "Scheme Mandate Limit") (representing 10% of the total number of Shares in issue immediately following completion of the Global Offering (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option)), unless the Company obtains an approval from the shareholders pursuant to sub-paragraph (ii) below. Options lapsed in accordance with paragraph (17) below shall not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) The Company may seek approval of the shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% (the "Refreshed Limit") of the issued share capital of the Company as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised Options) shall not be counted for the purpose of calculating the Refreshed Limit. In such a case, the Company shall send a circular to its shareholders containing the information and disclaimer as required under the Listing Rules.

(iii) The Company may grant Options to specified Participant(s) beyond the Scheme Mandate Limit or Refreshed Limit if the grant of such Options is specifically approved by the shareholders in general meeting. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

Notwithstanding the above and subject to paragraph (12) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue.

Any further grant of Options to a Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue shall be subject to the shareholders' approval in general meeting with such Participant and his associates (as defined in the Listing Rules) abstaining from voting. The number of Shares subject to the Options to be granted and the terms of the Options to be granted to such Participant shall be fixed before the shareholders' approval and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

(7) *Requirements on granting Options to connected persons*

Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (each as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) must be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the relevant grantee). Where the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates and such Option which, if exercised in full, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted pursuant to the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the date of grant being proposed by the Board (the "Relevant Date"):—

(i) representing in aggregate more than 0.1% of the total number of Shares in issue on the Relevant Date; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date, in excess of HK$5,000,000,

such proposed grant of Options must be approved by the shareholders on a poll in general meeting with the Participant concerned and all other connected persons (as defined in the Listing Rules) of the Company abstaining from voting in favour of the resolution at such general meeting.

(8) *Time of exercise of Option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the Board to each grantee. Such period shall commence on the date on which an offer of the grant of an Option is accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the Board.

Unless otherwise determined by the Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option, there is neither any performance target that needs to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before it can be exercised.

(9) *Rights are personal to grantee*

An Option may not be transferred or assigned and is personal to the grantee.

(10) *Rights on ceasing employment or engagement*

If the grantee of an Option ceases to be a Participant for any reason other than on his death or termination of his employment, directorship, office or appointment on one or more of the grounds specified in paragraph (17) (vi) below, the Option granted to such grantee will lapse on the date of such cessation (to the extent that it has not already been exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the discretion of the Board in which event the grantee may exercise the Option within such period of extension and up to a maximum entitlement directed at the discretion of the Board on the date of grant of extension (to the extent that it has not already been exercised) and subject to any other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant.

(11) *Rights on death*

If the grantee of an Option dies before exercising the Option in full and none of the events which would be a ground for termination of his employment or directorship under paragraph (17) (vi) below arises, his personal representative(s) shall be entitled within a period of six months or such longer period as the Board may determine from the date of death, to exercise the Option up to the entitlement of such grantee as at the date of death (to the extent that the Option has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to paragraphs (13), (14) and (15) below.

(12) *Reorganisation of capital structure*

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital in the Company (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party) at any time after the date on which dealings in the Shares first commence on the Stock Exchange, such corresponding alterations (if any) certified in writing by an independent financial adviser appointed by the Company or the auditors for the time being of the Company as fair and reasonable in his or their opinion either generally or as regards any particular grantee will be made to the subscription price at which the offeror gives notice to acquire the remaining Shares and/or the number or nominal amount of Shares subject to the Option so far as unexercised and/or the method of exercise of the Option (if applicable), provided that any such alterations shall give a grantee as nearly as possible the same proportion of the issued share capital of the Company as that to the Option he was previously entitled, but so that no such alterations shall be made to the effect that any Share would be issued at less than its nominal value.

(13) *Rights on take-over*

If a general offer by way of take-over (other than by way of scheme of arrangement pursuant to paragraph (14) below) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) (the "Dissenting Shareholders") and if such offer becomes or is declared unconditional and the offeror is entitled to and does not give notice pursuant to the Companies Law of the Cayman Islands to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant option period, the grantee (or his or her personal representative(s)) may by notice in writing to the Company within 21 days of such notice exercise the Option (to the extent that the Option has become exercisable on the date of the offeror's notice and not already been exercised) to its full extent or to the extent specified in such notice.

(14) *Rights on scheme of arrangement*

If a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary majority of holders of Shares at the requisite meetings, the grantee (or his or her personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option (to the extent the Option has become exercisable and not already been exercised) to its full extent or to the extent specified in such notice.

(15) *Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may forthwith and until the expiry of the period commencing on such date and ending on the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court, exercise any of his or her Options (to the extent the Option has become exercisable and not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(16) *Voluntary wind-up*

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purpose of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all grantees and thereupon, the grantees (or their respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company within two Trading Days prior to the proposed general meeting of the Company, exercise the Option (to the extent the Option has become exercisable and not already been exercised) in accordance with the Share Option Scheme whereupon the Company shall as soon as possible and, in any event, no later than the Trading Day immediately prior to the date of the proposed general meeting allot the relevant Shares to the grantee credited as fully paid.

(17) *Lapse of Options*

An Option shall lapse automatically and not be exercisable (to the extent not already been exercised) on the earliest of:—

(i) the expiry of the option period; or

(ii) the expiry of the periods referred to in paragraphs (10), (11) or (13) respectively; or

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (14); or

(iv) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph (15); or

(v) subject to the expiry of the period of extension (if any) referred to in paragraph (10), the date on which the grantee ceases to be a Participant for any reason other than on his death or the termination of his employment or directorship on one or more grounds specified in sub-paragraph (vi) below; or

(vi) the date on which the grantee ceases to be a Participant by reason of the termination of his employment or directorship on grounds including, but not limited to, misconduct, breach of material terms of employment contract or service contract, bankruptcy, insolvency and conviction of any criminal offence; or

(vii) the close of two Trading Days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of commencement of the winding-up of the Company referred in paragraph (16); or

(viii) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any Option in breach of the Share Option Scheme; or

(ix) the date on which the Option is cancelled by the Board as set forth in paragraph (19).

(18) *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made in respect of a record date which falls on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue. References to "Shares" in the Share Option Scheme include references to shares in the Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification, redenomination or reconstruction of the share capital of the Company from time to time.

(19) *Cancellation of Options granted*

With the consent of the relevant grantee, the Board may by resolution at any time cancel any Option granted but not exercised. Where the Company cancels Options and offers to holders of such Options new Options, the offer of such new Options may only be made under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the shareholders as mentioned in paragraph (6).

(20) *Period of Share Option Scheme*

The Share Option Scheme will remain valid for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted by written resolution of the shareholders of the Company, after which period no further Options will be granted but in respect of all Options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(21) *Alteration to Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions relating to matters contained in rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of grantees or Participants except with the prior approval of a resolution of the Company in general meeting (with grantees and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected grantees as would be required of the shareholders under the Articles for the time being in force for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The terms of the Share Option Scheme, as it may from time to time be amended, must comply with the relevant requirements of Chapter 17 of the Listing Rules.

(22) *Termination*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

(23) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon (i) the passing of an ordinary resolution approving the adoption of the Share Option Scheme by the Shareholders and authorising the Directors to grant rights to subscribe for Shares pursuant to the terms of the Share Option Scheme; (ii) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of the Options; (iii) the agreement on the final Offer Price to be determined between the Global Coordinator (on behalf of the Underwriters) and the Company pursuant to the Underwriting Agreements; (iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of any waiver of any such condition(s)) and not being terminated in accordance with the terms of the relevant agreements or otherwise.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

OTHER INFORMATION

Estate duty and tax indemnity

Each of the Controlling Shareholders as indemnifiers has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for its subsidiaries), which is one of the material contracts referred to under "Summary of material contracts" in this appendix, to provide indemnities on a joint and several basis in respect of, among other matters, (i) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of the Group on or before the date on which the Global Offering becomes unconditional; and (ii) any tax liability which may be payable by any member of the Group resulting from or with reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date on which the Global Offering becomes unconditional.

The Controlling Shareholders will, however, not be liable under the deed of indemnity where:—

(i) provision or allowance has been made for such taxation in the audited consolidated accounts of the Group for the Track Record Period (the "Accounts");

(ii) the taxation arises or is incurred as a result of a retrospective change in law or an increase in tax rates coming into force after the date on which the Global Offering becomes unconditional;

(iii) the taxation or liability would not have arisen but for any act, transaction or omission by any Controlling Shareholders voluntarily effected after the date on which the Global Offering becomes Unconditional outside the ordinary course of business (other than pursuant to a binding commitment existing at the date of the deed of indemnity) without the prior acquiescence of the Controlling Shareholders;

(iv) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve; and

(v) a penalty is imposed on any member of the Group defaulting on any obligation to give information under section 42(1) of the Estate Duty Ordinance after the date on which the Global Offering becomes unconditional.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, the BVI or the PRC.

Litigation

No member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may fall to be issued upon the exercise of the Over-allotment Option, the option granted under the Pre-IPO Share Option Deed and any options that may be granted under the Share Option Scheme).

Preliminary expenses

The estimated preliminary expenses of the Company are approximately HK$50,000 and are payable by the Company.

Promoters

The promoters of the Company are Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer. Save as disclosed in this prospectus, no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to the promoters in connection with the Global Offering or related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

Qualifications of experts

The following sets out the qualifications of the experts who have given opinion or advice which are contained or summarised in this prospectus:—

Name	Qualifications
BNP Paribas Peregrine	Licensed corporation holding a licence under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
CB Richard Ellis Limited	Property valuer
Commerce & Finance Law Offices	Legal advisers on PRC laws
Conyers Dill & Pearman	Legal advisers on Cayman Islands laws

None of the Sponsor, PricewaterhouseCoopers, CB Richard Ellis Limited, Commerce & Finance Law Offices and Conyers Dill & Pearman:—

(i) is interested beneficially or non-beneficially in any Shares or any shares of any other member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares or any shares of any other member of the Group.

Consents of experts

Each of the Sponsor, PricewaterhouseCoopers, CB Richard Ellis Limited, Commerce & Finance Law Offices and Conyers Dill & Pearman has given, and has not withdrawn, its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

Miscellaneous

Save as disclosed in this prospectus:—

(i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founder, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and

(iv) within the two years preceding the date of this prospectus, no commission, discount, brokerage or other special terms have been granted in connection with the issue or sale of any share capital of the Company or any of its subsidiaries.

No member within the Group is presently listed on any stock exchange or traded on any trading system.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to under "Consents of experts" under "Other information" in Appendix VI to this prospectus, the statement of adjustments and copies of the material contracts referred to under "Summary of material contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG

Copies of the following documents will be available for public inspection at the offices of Paul, Hastings, Janofsky & Walker at 22nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including Monday, 19 December 2005:—

(a) the Memorandum and the Articles;

(b) the accountants' report on the Group, the text of which is set out in Appendix I to this prospectus, together with the statement of adjustments;

(c) the audited financial statements prepared for members of the Group where there is a statutory audit requirement for each of the three years ended 31 December 2004 or from their respective dates of incorporation where there is a shorter period;

(d) the letter relating to the unaudited proforma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to the profit forecast of the Company for the financial year ending 31 December 2005, the texts of which are set out in Appendix III to this prospectus;

(f) legal opinions prepared by Commerce & Finance Law Offices in respect of the establishment and operation of certain members of the Group in the PRC and their interests in properties situated at the PRC;

(g) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law;

(h) the Companies Law;

(i) the letter, summary of valuations and valuation certificate prepared by CB Richard Ellis Limited, the text of which is set out in Appendix IV to this prospectus;

(j) the rules of the Share Option Scheme;

(k) the materials contracts referred to under "Summary of material contracts" in Appendix VI to this prospectus;

(l) the written consents referred to under "Consents of experts" in Appendix VI to this prospectus; and

(m) the service agreements referred to under "Particulars of service agreements" in Appendix VI to this prospectus.

WAIVER FROM THE STOCK EXCHANGE

Pursuant to rule 19.10(6) of the Listing Rules, certified English translations of documents mentioned in paragraph 53 of part A of appendix 1 to the Listing Rules to be offered for public inspection in Hong Kong must be made available for public inspection. Due to the reasons that (a) the Group has entered into a significant number of material contracts within the two years preceding the date of this prospectus which are in the Chinese language; (b) the Companies Ordinance permits material contracts to be either in the English or the Chinese language for the purpose of registration with the Registrar of Companies in Hong Kong; and (c) the legal opinions issued by Commerce & Finance Law Offices, the legal advisers to the Company as to the PRC law, on certain issues relevant to members of the Group in the PRC under the PRC law and regulatory provisions is prepared in Chinese, the translation of all the material contracts and the PRC legal opinions will be unduly burdensome, extremely onerous, time consuming and costly. The Company has therefore applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with rule 19.10(6) of the Listing Rules. Accordingly, no certified English translation of each of those material contracts and the PRC legal opinions, all of which are in the Chinese as referred to in items (f) and (k) under "Documents available for public inspection in Hong Kong" above will be available for inspection.