



QingMei

QINGMEI GROUP HOLDINGS LIMITED

清美集團控股有限公司

(Incorporated in the Cayman Islands with limited liability on 28 August 2009)
(Company Registration Number: CT-230192)



Invitation in respect of 184,000,000 ordinary shares
of S\$0.10 each comprising 160,000,000 New Shares and
24,000,000 Vendor Shares as follows:

- (a) 2,000,000 Offer Shares at S\$0.31 each by way of public offer; and
(b) 182,000,000 Placement Shares at S\$0.31 each by way of placement,
payable in full on application.

Joint Issue Managers



寶通資本亞洲(私人)有限公司
Boulton Capital Asia Pte. Limited

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200404514G)



SAC Capital

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200401542N)



Underwriter and Placement Agent

UOB KayHian

(Incorporated in the Republic of Singapore)
(Company Registration Number: 197000447W)

Sub-Placement Agent



SAC Capital

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200401542N)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

We have made an application to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and for quotation of, the ordinary shares of S\$0.10 each (the "Shares") in the capital of Qingmei Group Holdings Limited 清美集團控股有限公司 (the "Company") already issued (including the Vendor Shares (as defined herein)), the new Shares which are the subject of this Invitation (the "New Shares") and the new Shares which may be issued upon the exercise of the options to be granted under the Qingmei Employee Share Option Scheme (the "Option Shares"). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. The dealing in and quotation of the Shares will be in Singapore dollars.

Acceptance of applications for the Invitation Shares will be conditional upon, *inter alia*, permission being granted to deal in, and for quotation of, all of the existing issued Shares (including the Vendor Shares), the New Shares and the Option Shares. If the completion of the Invitation does not occur because the SGX-ST's permission is not granted or for any other reasons, monies paid in respect of any application accepted will be returned to you subject to applicable laws at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claims whatsoever against us, the Vendor (as defined herein), the Joint Issue Managers (as defined herein) or the Underwriter and Placement Agent (as defined herein).

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

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

Investing in our Shares involves risks which are described in the section entitled "Risk Factors" in this Prospectus. No Shares will be allotted or allocated on the basis of this Prospectus later than 6 months after the date of registration of this Prospectus by the Authority.



our
business

AN ODM OF MID-END & HIGH-END SPORTS SHOE SOLES IN THE PRC



Principally engaged in the original design manufacturing (ODM) of mid-end and high-end sports shoe soles under our own trademark  and brand name

Products comprise (i) MD II shoe soles (ii) MD I shoe soles & (iii) RB shoe soles

- Wide range of features and functionalities such as shock absorption, breathability, anti-skid, cushioning, traction, lightweight and durability
- Used in the manufacture of sports shoes catering to athletic, sporting and physical activities such as basketball, running, tennis, cross-training, climbing and casual-wear sports
- Sold to well known sports shoe manufacturers in the PRC who directly or through their distributors, sell their sports shoes to end-consumers in the PRC and various parts of the world, under their brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361°), 特步 (Xtep) and 鸿星尔克 (ERKE)




Strong emphasis on product design and development

- Responsive to current market trends and changing demands
- Successfully commercialised 239 designs in aggregate in the 3 years ended 30 June 2009
- Technological research to improve production formulas of semi-processed raw materials
 - Improved quality, appearance, durability and functionality
- Ergonomics studies to ensure that sports shoe soles are functional and comfortable

Maximum production capacity:

- Approximately 45.6 million pairs of shoe soles for FY2009



competitive strengths

STRONG PRODUCT DESIGN AND DEVELOPMENT CAPABILITIES




Strong product design and development capabilities

- Ability to produce shoe soles with desired features in keeping with the latest fashion trends and customers' requirements
- Product design and development team of 39 staff as at the Latest Practicable Date keeps abreast of the latest trends
- Close interactions with customers to fine-tune product features and functions, materials and styles

Vertically integrated operations for sports shoe soles

- Ability to process and produce semi-processed raw materials, namely EVA compound pellets, TPU pellets and RB
- Ability to experiment with raw materials and additives to derive different functions and features for shoe soles
- Better quality control of products, lower production costs and timely availability of key semi-processed raw materials

Established as a reliable manufacturer of quality products

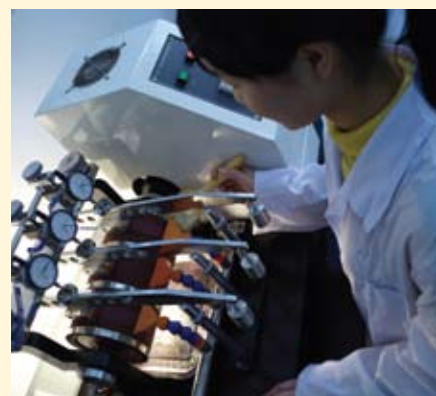
- Ability to produce quality products on a timely basis
-  trademark and brand name has gained strong market recognition
- Increasingly able to attract and retain well known sports shoe manufacturers in the PRC

Strategic location in Jinjiang City

- One of the largest sports footwear manufacturing capitals in the PRC
- Close proximity to customers
 - Enable regular meetings with customers to introduce our new products and offer better after-sales service
- High density of suppliers
 - Readily available supply of raw materials at competitive prices

Strong management team

- Young and strong management team led by Executive Chairman and CEO, Mr. Su Qingyuan, who has more than 10 years of experience in the sports shoe industry
- Goal-oriented and focussed on the execution of our Group's strategies



prospects

Growing affluence of the PRC population

- Changing lifestyle spending habits and growing fashion consciousness
- Increasing awareness of the different functionalities of sports shoes
- Willingness to purchase specific types of sports shoes to cater to different sports activities as well as to make a fashion statement

Growing interest in and passion for sports

- Promotion of healthy living and lifestyle by the PRC government
- Success of PRC sporting personalities in the international arena such as NBA basketball star Yao Ming, Olympics 110m hurdles gold medallist Liu Xiang, and tennis players Li Na and Zheng Jie

Increase in sporting events in the PRC

- Boost in demand for sports shoe products given the hosting of major sporting events by the PRC such as:
 - 2009 East Asian Games in Hong Kong;
 - 2010 Asian Games in Guangzhou; and
 - 2011 World University Games
- These sporting events will ensure growth and sustenance of interest in sports

strategy and future plans

Expand and increase production capacity

- Acquire new production equipment and machineries
- Construct additional building facilities and supporting infrastructure
- Maximum production capacity per annum, after the completion of each stage of installation, to increase to:
 - Stage 1: approx 65 million pairs of sports shoe soles
 - Stage 2: approx 84 million pairs of sports shoe soles

Construct a new R&D centre and strengthen R&D capabilities

- Purchase equipment and machineries
- Increase staff strength of R&D team
- Explore collaborative ventures with other related institutions

Focus marketing efforts on high growth PRC sports shoes manufacturers

- Identified some of our existing customers with strong growth potential
- Ensure repeated patronage, more orders and a greater reliance on our products
- Target new customers with high growth potential

Strengthen reputation as a manufacturer of high quality sports shoe soles

- Continued focus on product design and development and quality control
- Increase participation in sports shoe trade fairs and exhibitions
- Increase advertising and promotion activities
- Continue to act as sponsors for various sports activities within Quanzhou City to increase profile within the industry

Expansion of business through acquisitions, joint ventures and strategic alliances

- Access to new markets, customers and businesses
- Brings about greater economies of scale
- Not engaged in any discussion as at the Latest Practicable Date

financial highlights (FY: Financial year ended 30 June)

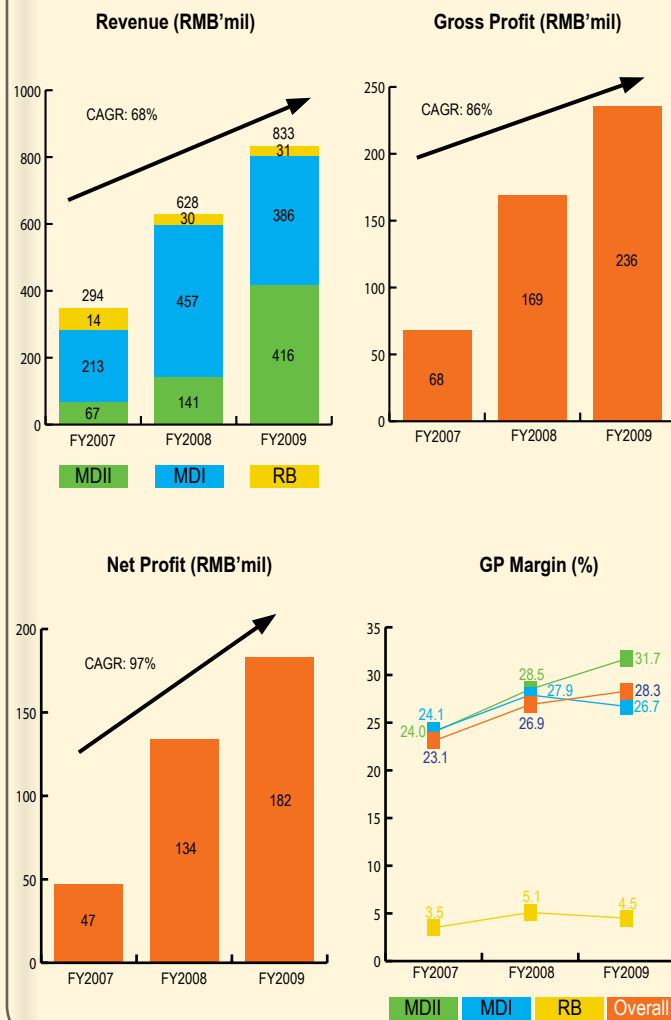


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CORPORATE INFORMATION

BOARD OF DIRECTORS	: Su Qingyuan (苏清远) (Executive Chairman and CEO) Su Qingjiang (苏清江) (Executive Director) Su Shubiao (苏树标) (Executive Director) Tan Siok Sing (Lead Independent Director) Foo Say Tun (Independent Director) Ni Xiaorong (倪晓嵘) (Independent Director)
JOINT COMPANY SECRETARIES	: Au-Yeung Yu Ching, CPA Codan Trust Company (Cayman) Limited Cheam Heng Haw, LLB (Hons)
REGISTERED OFFICE	: Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS	: 中国福建省晋江市陈埭苏厝村 Sucuo Village Chendai Town, Jinjiang City Fujian Province 362200 PRC
REGISTRAR FOR THE INVITATION AND SHARE REGISTRAR	: Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
JOINT ISSUE MANAGERS	: Boulton Capital Asia Pte. Limited 47 Scotts Road #18-01 Goldbell Towers Singapore 228233 SAC Capital Private Limited 79 Anson Road #15-03 Singapore 079906
UNDERWRITER AND PLACEMENT AGENT	: UOB Kay Hian Private Limited 8 Anthony Road #01-01 Singapore 229957
SUB-PLACEMENT AGENT	: SAC Capital Private Limited 79 Anson Road #15-03 Singapore 079906
SOLICITORS TO THE INVITATION	: Rajah & Tann LLP 9 Battery Road #25-01 Straits Trading Building Singapore 049910

SOLICITORS TO THE JOINT ISSUE MANAGERS, UNDERWRITER AND PLACEMENT AGENT	:	Drew & Napier LLC 20 Raffles Place #17-00 Ocean Towers Singapore 048620
LEGAL ADVISORS TO THE COMPANY ON PRC LAW	:	Jingtian & Gongcheng 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 PRC
LEGAL ADVISORS TO THE COMPANY ON HONG KONG LAW	:	Robertsons 57 th Floor, The Center 99 Queen's Road Central Hong Kong
LEGAL ADVISORS TO THE COMPANY ON CAYMAN ISLANDS LAW	:	Conyers Dill & Pearman Pte. Ltd. 9 Battery Road #20-01 Straits Trading Building Singapore 049910
AUDITORS AND JOINT REPORTING ACCOUNTANTS	:	Grant Thornton 6 th Floor, Nexxus Building 41 Connaught Road Central Hong Kong Partner-in-charge: Lo Ngai Hang
JOINT REPORTING ACCOUNTANTS	:	Foo Kon Tan Grant Thornton LLP 47 Hill Street #05-01 Singapore Chinese Chamber of Commerce and Industry Building Singapore 179365 Partner-in-charge: Tei Tong Huat
RECEIVING BANK	:	HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319

PRINCIPAL BANKERS

: 中国农业银行晋江市支行
(Agricultural Bank of China, Jinjiang Branch)
福建省晋江市青阳镇曾井金融小区农行大厦
Nonghang Building, Zengjing Economic Zone
Qingyang Town, Jinjiang City
Fujian Province 362200
PRC

中国工商银行股份有限公司晋江市支行
(China ICBC Bank, Jinjiang Branch)
福建省晋江市青阳镇崇德路
Chongde Road, Qingyang Town, Jinjiang City
Fujian Province 362200
PRC

VENDOR

: CIM XX Limited
PO Box 957, Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

DEFINITIONS

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

Our Group Companies

“Company”	:	Qingmei Group Holdings Limited 清美集團控股有限公司, an exempted company incorporated with limited liability under the laws of the Cayman Islands on 28 August 2009
“Group”	:	Our Company and its subsidiaries following the completion of the Restructuring Exercise
“Qingmei (BVI)”	:	Qing Mei International Investment Limited 清美國際投資有限公司, a business company incorporated in the BVI with limited liability on 12 August 2008 and a wholly-owned subsidiary of our Company
“Qingmei (HK)”	:	HK Qingmei Trading Group Develop Limited, an investment holding company incorporated in Hong Kong with limited liability on 24 January 2006 and a wholly-owned subsidiary of Qingmei (BVI)
“Qingmei (PRC)”	:	清美(中国)有限公司 (Qingmei (China) Co., Ltd.), a WFOE wholly-owned by Qingmei (HK)

Other Corporations and Agencies

“Authority”	:	The Monetary Authority of Singapore
“Boulton Capital”	:	Boulton Capital Asia Pte. Limited
“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief Executive Officer
“CIM XX”	:	CIM XX Limited, an investment holding company incorporated in the BVI on 13 August 2009, which is wholly-owned by Centurion Investment Management Holdings (BVI) Limited
“CPF”	:	The Central Provident Fund
“CTMO”	:	国家工商行政管理总局商标局 (Trademark Office of the State Administration for Industry and Commerce)
“Fujian Qingmei”	:	福建省清美鞋材发展有限公司 (Fujian Qingmei Shoes Materials Development Co., Ltd), a limited liability company incorporated in the PRC
“High Crown”	:	High Crown Limited, an investment holding company incorporated in the BVI with limited liability on 20 July 2009, which is wholly-owned by Mr. Su Qingyuan, our Executive Chairman and CEO
“Joint Issue Managers”	:	Boulton Capital and SAC Capital
“New Times”	:	New Times Group Limited, a business company incorporated in the BVI with limited liability on 5 April 2007, which is wholly-owned by Mr. Lee Wing Wan, an independent third party

<i>“Rainbow Magic”</i>	:	Rainbow Magic International Limited, an investment holding company incorporated in the BVI with limited liability on 8 July 2009, which is wholly-owned by Mr. Lam Yick Lam, an independent third party
<i>“SAC Capital”</i>	:	SAC Capital Private Limited
<i>“SCCS”</i>	:	Securities Clearing & Computer Services (Pte) Ltd. of Singapore
<i>“SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Sub-Placement Agent”</i>	:	SAC Capital
<i>“Super Riches”</i>	:	Super Riches Limited 富超有限公司, a business company incorporated in the BVI with limited liability on 22 July 2009
<i>“UOBKH” or “Underwriter and Placement Agent”</i>	:	UOB Kay Hian Private Limited

General

<i>“Agreed Proportion”</i>	:	In relation to our Company, the proportion that the number of New Shares bears to the total number of Invitation Shares and in relation to the Vendor, the proportion that the number of Vendor Shares bears to the total number of Invitation Shares
<i>“Application Forms”</i>	:	The official printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
<i>“Application List”</i>	:	The list of applications for subscription for and/or purchase of the Invitation Shares
<i>“Articles”</i>	:	The articles of association of our Company, as amended, supplemented or modified from time to time
<i>“Associate”</i>	:	(a) in relation to an entity, means: <ul style="list-style-type: none"> (i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or (ii) in any other case, (A) a director or an equivalent person, (B) where the entity is a corporation, a controlling shareholder of the entity, (C) where the entity is not a corporation, a controlling interest-holder of the entity, (D) a subsidiary, a subsidiary entity, an associated company, or an associated entity, or (E) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interestholder, as the case may be, of the entity; and

(b) in relation to an individual, means:

- (i) his immediate family (being spouse, child, adopted child, step-child, sibling and parent);
- (ii) a trustee of any trust of which the individual or any member of the individual's immediate family is (A) a beneficiary or, (B) where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or
- (iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares

The terms "associated company", "associated entity", "controlling interest-holder", "related corporation", "related entity", "subsidiary", "subsidiary entity" and "substantial interest-holder" shall have the same meanings ascribed to them respectively in the Fourth Schedule of the SFR

<i>"ATM"</i>	:	Automated teller machines of a Participating Bank
<i>"Audit Committee"</i>	:	The audit committee of our Company as at the date of this Prospectus
<i>"Board" or "Board of Directors"</i>	:	The board of Directors of our Company as at the date of this Prospectus
<i>"business day"</i>	:	A day on which banks in Singapore are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Singapore
<i>"business trust"</i>	:	Has the same meaning as in Section 2 of the Business Trusts Act 2004, Chapter 31A of Singapore
<i>"BVI"</i>	:	The British Virgin Islands
<i>"Cayman Companies Law"</i>	:	The Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
<i>"Combined Financial Information"</i>	:	Independent Joint Reporting Accountants' Report on the Audited Combined Financial Statements of our Group for FY2007, FY2008 and FY2009 set out in Appendix A to this Prospectus
<i>"Controlling Shareholder"</i>	:	<p>In relation to a corporation, means:</p> <ul style="list-style-type: none">(a) a person who has an interest in the voting shares of a corporation and who exercises control over the corporation; or(b) a person who has an interest of 15% or more of the aggregate of the nominal amount of all the voting shares in a corporation, unless he does not exercise control over the corporation
<i>"Convertible Notes"</i>	:	The convertible notes issued by Super Riches, as defined in the section entitled "Restructuring Exercise" in this Prospectus
<i>"Directors"</i>	:	The directors of our Company as at the date of this Prospectus

<i>“Electronic Applications”</i>	:	Applications for the Offer Shares made through an ATM or the IB website of one of the relevant Participating Banks in accordance with the terms and conditions of this Prospectus
<i>“entity”</i>	:	Has the same meaning as in Section 2 of the SFA
<i>“EIT”</i>	:	Enterprise Income Tax
<i>“EPS”</i>	:	Earnings per Share
<i>“ESOS”</i>	:	The Qingmei Employee Share Option Scheme adopted by our Company on 29 December 2009 and as described in the section entitled “Qingmei Employee Share Option Scheme” in this Prospectus
<i>“ESOS Offer Date”</i>	:	The date on which an offer to grant an Option is made pursuant to the ESOS
<i>“Executive Directors”</i>	:	The executive Directors of our Company as at the date of this Prospectus
<i>“Executive Officers”</i>	:	The executive officers of our Company as at the date of this Prospectus
<i>“FY”</i>	:	Financial year ended or ending 30 June, as the case may be
<i>“Group Employee”</i>	:	A confirmed employee of our Company and/or our Group (including any Executive Director) selected by our Remuneration Committee to participate in the ESOS
<i>“HK” or “Hong Kong”</i>	:	Hong Kong Special Administrative Region of the PRC
<i>“IB”</i>	:	Internet Banking
<i>“Independent Directors”</i>	:	The independent Directors of our Company as at the date of this Prospectus
<i>“Invitation”</i>	:	The invitation by our Company and the Vendor to the public to subscribe for and/or purchase the Invitation Shares, subject to and on the terms and conditions of this Prospectus
<i>“Invitation Shares”</i>	:	The 184,000,000 Shares which are the subject of the Invitation, comprising 160,000,000 New Shares and 24,000,000 Vendor Shares
<i>“Issue Price”</i>	:	S\$0.31 for each Invitation Share
<i>“Latest Practicable Date”</i>	:	17 December 2009, being the latest practicable date prior to the lodgment of this Prospectus with the Authority
<i>“Listing Manual”</i>	:	The Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
<i>“Management and Underwriting Agreement”</i>	:	The management and underwriting agreement dated 8 March 2010 entered into between our Company, Boulton Capital and SAC Capital as the Joint Issue Managers, and UOBKH as the Underwriter
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities

<i>“Memorandum of Association” or “Memorandum”</i>	:	The memorandum of association of our Company
<i>“NAV”</i>	:	Net asset value
<i>“New Shares”</i>	:	The 160,000,000 new Shares for which our Company invites applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus
<i>“Nominating Committee”</i>	:	The nominating committee of our Company as at the date of this Prospectus
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The offer by our Company and the Vendor of the Offer Shares to the public in Singapore for subscription and/or purchase at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>“Offer Shares”</i>	:	2,000,000 of the Invitation Shares which are the subject of the Offer
<i>“Option”</i>	:	The right to subscribe for Shares granted or to be granted to a Group Employee pursuant to the ESOS and for the time being subsisting
<i>“Option Shares”</i>	:	The new Shares which may be issued upon the exercise of the options to be granted under the ESOS
<i>“Participating Banks”</i>	:	United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the “UOB Group”), DBS Bank Ltd (including POSB) (“DBS Bank”) and Oversea-Chinese Banking Corporation Limited (“OCBC”)
<i>“PBT”</i>	:	Profit before income tax
<i>“PER”</i>	:	Price earnings ratio
<i>“Period under Review”</i>	:	The period which comprises FY2007, FY2008 and FY2009
<i>“Placement”</i>	:	The placement by the Placement Agent on behalf of our Company and the Vendor of the Placement Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Agreement”</i>	:	The placement agreement dated 8 March 2010 entered into between our Company and UOBKH as the Placement Agent
<i>“Placement Shares”</i>	:	182,000,000 of the Invitation Shares which are the subject of the Placement
<i>“PRC” or “China”</i>	:	The People’s Republic of China which, for the purpose of this Prospectus, excludes Hong Kong and Macau Special Administrative Regions of the PRC, and Taiwan
<i>“PRC Government” or “State”</i>	:	The central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
<i>“Pre-Invitation Investors”</i>	:	CIM XX, Rainbow Magic and New Times
<i>“Pro Forma NAV”</i>	:	NAV based on the Pro Forma Report
<i>“Pro Forma NTA”</i>	:	NTA based on the Pro Forma Report

<i>“Pro Forma Report”</i>	:	Report from the Independent Joint Reporting Accountants on the Unaudited Pro Forma Combined Financial Information of our Group for the Financial Year ended 30 June 2009 as set out in Appendix B to this Prospectus
<i>“Prospectus”</i>	:	This prospectus dated 8 March 2010 issued by our Company in respect of the Invitation
<i>“Remuneration Committee”</i>	:	The remuneration committee of our Company as at the date of this Prospectus
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise to be undertaken in connection with the Invitation, as described in the section entitled “Restructuring Exercise” in this Prospectus
<i>“R&D”</i>	:	Research and development
<i>“SAFE”</i>	:	中华人民共和国国家外汇管理局 (The State Administration of Foreign Exchange of the People’s Republic of China)
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
<i>“Service Agreements”</i>	:	The service agreements entered into between our Company and each of our Executive Directors as described in the section entitled “Service Agreements” in this Prospectus
<i>“SFA” or “Securities and Futures Act”</i>	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, supplemented or modified from time to time
<i>“SFR”</i>	:	The Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, as amended, supplemented or modified from time to time
<i>“SGXNET”</i>	:	The corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
<i>“Shareholders”</i>	:	Registered holders of Shares
<i>“Shares”</i>	:	Ordinary shares of S\$0.10 each in the capital of our Company
<i>“Singapore Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore, as amended, supplemented or modified from time to time
<i>“Singapore Take-over and Merger Laws and Regulations”</i>	:	The take-over laws and regulations in Singapore, comprising Sections 138, 139 and 140 of the SFA and the Singapore Code on Take-overs and Mergers
<i>“Substantial Shareholder”</i>	:	A person who has an interest in Shares, the nominal amount of which represents 5% or more of the nominal amount of all the voting Shares in our Company
<i>“Vendor”</i>	:	CIM XX
<i>“Vendor Shares”</i>	:	The 24,000,000 issued and fully paid-up Shares for which the Vendor invites applications to purchase, subject to and on the terms and conditions of this Prospectus
<i>“WFOE”</i>	:	Wholly foreign-owned enterprise established under the laws of the PRC

Currencies, Units and Others

<i>“HK\$” and “HK cents”</i>	:	Hong Kong dollars and cents respectively
<i>“n.m.”</i>	:	Not meaningful
<i>“RMB” and “RMB cents”</i>	:	Renminbi yuan and Renminbi cents respectively
<i>“sq m”</i>	:	Square metre
<i>“S\$” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“US\$” and “US cents”</i>	:	United States of America dollars and cents respectively
<i>“%” or “per cent.”</i>	:	Per centum

Any reference in this Prospectus, the Application Forms and the Electronic Applications to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted.

Any word defined under the Singapore Companies Act, the SFA, the Cayman Companies Law or any statutory modification thereof and used in this Prospectus and the Application Forms shall have the meaning assigned to it under the Singapore Companies Act, the Securities and Futures Act, the Cayman Companies Law or such statutory modification, as the case may be.

Any reference in this Prospectus and the Application Forms and, in relation to Electronic Applications, the instructions appearing on the screens of the ATMs of the Participating Banks, to Shares being allotted or allocated to an applicant includes allotment or allocation, as the case may be, to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus is a reference to Singapore time unless otherwise stated.

The expressions “we”, “us”, “our”, “ourselves”, or other grammatical variations thereof shall, unless otherwise stated, mean our Company and our subsidiaries or any member of our Group as the context requires.

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

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

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

Unless otherwise stated, translation between RMB and S\$ are made at the exchange rate of RMB4.865: S\$1.00 at the Latest Practicable Date. Such translations are provided solely for the convenience of investors based in Singapore and should not be construed as representations that the RMB amounts actually represent such S\$ amounts as could be converted into S\$ at the rate provided or at any other rate or at all.

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

GLOSSARY OF TECHNICAL TERMS

To facilitate better understanding of the business of our Group, the following glossary contains an explanation and description of certain terms used in this Prospectus in connection with our Group. The terms and their assigned meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms.

<i>“EVA”</i>	:	Ethylene vinyl acetate, a raw material used to produce a type of soft and light foam material. As EVA contains tiny bubbles, it has good shock absorption and cushioning abilities.
<i>“EVA base chemicals”</i>	:	The base chemicals used in the production of EVA compound pellets such as polyolefin elastomer.
<i>“EVA compound pellets”</i>	:	A semi-finished product in the form of pellets made of EVA produced from EVA base chemicals and which are then used in the production of EVA II and I Midsoles.
<i>“EVA I Midsole”</i>	:	A midsole that is manufactured by way of a one-stage moulding process where EVA compound pellets are first liquefied in a revolving furnace and then injected into pre-designed moulds. Upon undergoing a controlled cooling process, the requisite shape and size specifications are achieved.
<i>“EVA II Midsole”</i>	:	A midsole that is manufactured by way of a two-stage process. EVA II — Stage 1 is the foam moulding process where EVA compound pellets are placed in the cavity of pre-heated moulds, where they will undergo a foaming process to produce the rough foamed sole; which will then undergo preliminary surface trimming. EVA II — Stage 2 of moulding involves the trimmed rough foamed sole being placed into another mould unit, which is heated, pressurised and cooled so as to form an embossed sole with a predetermined pattern. The embossed sole is trimmed so as to form a finished EVA II Midsole.
<i>“Inner sole” or “Insole”</i>	:	A layer of material sandwiched between the Insole board and the sole of the foot inside the shoe which may be detachable or glued to the midsole. The Insole provides support for the arch of the foot and thus provides a better fit. An Insole also serves to provide some cushioning.
<i>“Insole board”</i>	:	A board made for the attachment of the upper and the midsole and is placed just below the Insole and above the midsole.
<i>“MD I shoe sole”</i>	:	An integrated shoe sole unit that typically comprises an RB Outsole and an EVA I Midsole. TPU components and air cushioning gels may also be included depending on the design, functionality and specifications of such shoe sole unit.
<i>“MD II shoe sole”</i>	:	An integrated shoe sole unit that typically comprises an RB Outsole and an EVA II Midsole. TPU components and air cushioning gels may also be included depending on the design, functionality and specifications of such shoe sole unit.

<i>“midsole”</i>	:	A part of the shoe positioned between the outsole and Inner sole which controls excessive foot motion, provides stability and cushioning, and absorbs shock.
<i>“ODM”</i>	:	Original Design Manufacturer.
<i>“OEM”</i>	:	Original Equipment Manufacturer.
<i>“outsole”</i>	:	The outsole is the treaded layer of the sole that comes in direct contact with the ground. The outsole provides traction, absorbs shock, has anti-slip, anti-skid, anti-oil skid and water resistant qualities, reduces wear and tear of the midsole and hence improves durability of the shoe sole.
<i>“RB”</i>	:	Synthetic rubber, a type of material that is processed mainly from polybutadiene rubber and is highly resistant to wear and abrasion. RB is commonly used in the production of outsoles and RB shoe soles.
<i>“RB Outsole”</i>	:	An outsole that is made primarily from RB.
<i>“RB shoe sole”</i>	:	A shoe sole unit made from compressed RB sheets that functions as both the midsole and outsole. TPU components may be added for aesthetic and functionality purposes.
<i>“TPU”</i>	:	Thermoplastic polyurethane. It is a class of plastics with many useful properties, including elasticity, transparency, and resistance to oil, grease and abrasion and it is used for the production of components that are assembled onto shoe soles for aesthetic and functionality purposes. This material is typically used in the production of external heel counters which enhances performance and further improves the ergonomic qualities of our shoe soles. They are also used in the production of gel packs or air packs which are often included in shoe soles.
<i>“TPU pellets”</i>	:	A semi-finished product in the form of pellets made of TPU and used in the production of TPU components.
<i>“upper”</i>	:	The top part of footwear that is stitched and/or glued to the shoe sole.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by us, the Vendor, the Joint Issue Managers, the Underwriter and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions.

Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

SELLING RESTRICTIONS IN HONG KONG

This Prospectus does not constitute an offer to the public in Hong Kong to subscribe for the Invitation Shares.

This Prospectus has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this Prospectus may not be issued, circulated or distributed in Hong Kong.

A copy of this Prospectus may, however, be distributed by the Placement Agent or its designated sub-placement agents to a limited number of prospective applicants for the Placement Shares in Hong Kong in a manner which does not constitute an offer of the Placement Shares to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The offer of the Placement Shares is personal to the person named in the accompanying Application Form, and application for the Placement Shares will only be accepted from such person. An application for the Placement Shares is not invited from any persons in Hong Kong other than a person to whom a copy of this Prospectus has been issued by the Placement Agent or its designated sub-placement agents, and if made, will not be accepted, unless the applicant satisfies the Placement Agent or its respective designated sub-placement agents that he is a professional investor within the meaning of the Securities and Futures Ordinance (Chapter 572 of the Laws of Hong Kong).

No person to whom a copy of this Prospectus is issued may issue, circulate or distribute this Prospectus in Hong Kong or make or give a copy of this Prospectus to any other person, other than their legal, financial, tax or other appropriate advisers who are subject to a duty of confidentiality to such person.

The Placement Agent has agreed with our Company that it (and its sub-placement agents, if any) has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any of our Shares other than to a professional investor within the meaning of the Securities and Futures Ordinance (Chapter 572 of the Laws of Hong Kong), or in circumstances which do not constitute an offer of the Placement Shares to the public within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Securities and Futures Ordinance (Chapter 572 of the Laws of Hong Kong).

This Prospectus may not be issued in Hong Kong other than to a person whose ordinary business is to buy or sell shares, whether as principal or agent.

SELLING RESTRICTIONS IN THE PRC

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares or any other securities of our Company in the PRC. Under the laws of the PRC, such offer, solicitation or invitation to PRC citizens within the PRC (excluding qualified domestic institutional investors as approved by the PRC government) is unlawful. The distribution of this Prospectus and the offering of the Invitation Shares in the PRC are not permitted under the laws of the PRC.

DETAILS OF THE INVITATION

LISTING ON THE SGX-ST

We have applied to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued (including the Vendor Shares), the New Shares and the Option Shares on the Official List of the SGX-ST. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications for the Invitation Shares will be conditional upon permission being granted by the SGX-ST to deal in and for the quotation of all our issued Shares (including the Vendor Shares), the New Shares and the Option Shares. If the said permission is not granted or for any other reasons, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendor, the Joint Issue Managers, or the Underwriter and Placement Agent.

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

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

We are subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure. In particular, if after this Prospectus is registered but before the close of the Invitation, we become aware of:

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

that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority pursuant to Section 241 of the SFA.

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

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

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

An applicant who wishes to exercise his option under paragraph (a)(i) and (a)(ii) to withdraw his application shall, within 14 days from the date of lodgment of the supplementary or replacement prospectus, notify our Company of this, whereupon our Company (as well as on behalf of the Vendor) shall, within seven days from the receipt of such notification, pay to him all monies paid by him on account of his application for those Shares without interest or a share of revenue or benefit arising therefrom, at the applicant's risk.

An applicant who wishes to exercise his option under paragraph (b)(i) and (c)(i) to return the Invitation Shares issued and/or transferred to him shall, within 14 days from the date of lodgment of the supplementary or replacement prospectus, notify our Company of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares, to our Company, whereupon our Company (as well as on behalf of the Vendor) shall, subject to compliance with the Cayman Companies Law and our Articles, within seven days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Shares, without interest or a share of revenue or benefit arising therefrom, at the applicant's risk and the issue of those Shares shall be deemed to be void.

Under the SFA, the Authority may, in certain circumstances, issue a stop order (the "Stop Order") to our Company, directing that no Shares or no further Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where this Prospectus (i) contains a statement, which in the opinion of the Authority is false or misleading, (ii) omits any information that should be included in accordance with the SFA, (iii) does not, in the opinion of the Authority comply with the requirements of the SFA, or (iv) if the Authority is of the opinion that it is in the public interest to do so.

Where applications to subscribe for and/or purchase the Invitation Shares to which this Prospectus relates have been made prior to the Stop Order, and:

- (a) where the Invitation Shares have not been issued and/or transferred to the applicants, the SFA provides that applications shall be deemed to have been withdrawn and cancelled and our Company shall (as well as on behalf of the Vendor) within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares;
- (b) where the Invitation Shares have been issued to the applicants, the SFA provides that the issue of our Shares shall be deemed to be void and our Company is required to, within 14 days from the date of the Stop Order, pay to the applicants all monies paid by them for the Invitation Shares; or
- (c) where the Invitation Shares have been transferred to the applicants, the SFA provides that sale of the Invitation Shares shall be deemed to be void and if documents purporting to evidence title have been issued to the applicants, our Company shall (as well as on behalf of the Vendor) within seven days from the date of the Stop Order, inform all applicants to return such documents to our Company within 14 days from that date; and within seven days from the date of receipt of such documents (if applicable) or the date of the Stop Order, whichever is later, pay to the applicants, all monies the applicants have paid for the Invitation Shares.

If our Company is required by applicable Singapore laws to cancel issued Invitation Shares and repay application monies to applicants (including instances where a Stop Order under the SFA is issued), subject to compliance with the Cayman Companies Law and our Articles, our Company (as well as on behalf of the Vendor) will purchase the Invitation Shares at the Issue Price. Information relating to the purchase of Shares by our Company is set out in the section entitled "Purchase by our Company of our own Shares" in this Prospectus.

Where monies are to be returned to applicants for the Invitation Shares, such monies shall be paid to the applicants without interest or share of revenue or other benefit arising therefrom, and at the applicant's own risk and applicants will not have any claim against our Company, the Vendor, the Joint Issue Managers or the Underwriter and Placement Agent.

This Prospectus has been seen and approved by our Directors and the Vendor, and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no material facts the omission of which would make any statements in the Prospectus misleading, and that the profit forecast (if any) has been stated by the Directors after due and careful enquiry.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendor, the Joint Issue Managers, or the Underwriter and Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the Latest Practicable Date. Where such changes occur, we may make an announcement of the same to the SGX-ST and will comply with the requirements of the SFA and the Listing Manual. All applicants should take note of any such announcement and, upon release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

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

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

Boulton Capital Asia Pte. Limited

47 Scotts Road #18-01
Goldbell Towers
Singapore 228233

SAC Capital Private Limited

79 Anson Road #15-03
Singapore 079906

UOB Kay Hian Private Limited

8 Anthony Road #01-01
Singapore 229957

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore.

A copy of this Prospectus is also available on the SGX-ST website <http://www.sgx.com> and the Authority's OPERA website at <http://masnet.mas.gov.sg/opera/sdrposp.nsf>.

The Application List will open at 10.00 a.m. on 15 March 2010 and will remain open until noon on the same day or for such further period or periods as the Company and the Vendor may, in consultation with the Joint Issue Managers and the Underwriter and Placement Agent, decide, subject to any limitation under all applicable laws. In the event a supplementary prospectus or replacement prospectus is lodged pursuant to Section 241 of the SFA, the Application List will remain open for at least 14 days after the lodgment of the supplementary or replacement prospectus.

Details for the procedure for application and acceptance of the Invitation Shares are set out in Appendix I — “Terms, Conditions and Procedures for Application and Acceptance” to this Prospectus.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for your reference:

Indicative date/time	Event
15 March 2010, 12.00 noon	Close of Application List
16 March 2010	Balloting of applications, if necessary or otherwise approved by the SGX-ST (in the event of over-subscription for the Offer Shares)
17 March 2010, 9.00 a.m.	Commence trading on a “ready” basis
22 March 2010	Settlement date for all trades done on a “ready” basis

The above timetable is only indicative as it assumes that the date of closing of the Application List is 15 March 2010, the date of admission of our Company to the Official List of the SGX-ST is 17 March 2010, the SGX-ST’s shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 17 March 2010. The actual date on which our Shares will commence trading on a “ready” basis will be announced when it is confirmed by the SGX-ST.

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

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

- (a) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (b) in a local English newspaper, such as The Straits Times or the Business Times.

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our officers, Directors or employees acting on our behalf, or the Vendor, that are not statements of historical fact, constitute 'forward-looking statements'. You can identify some of these statements by forward-looking terms such as 'expect', 'believe', 'plan', 'intend', 'estimate', 'forecast', 'project', 'future', 'intend', 'probable', 'possible', 'anticipate', 'may', 'will', 'would', and 'could' or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to our revenue and profitability, expected growth in demand and production capacity, cost measures, planned strategy, expected industry trends and anticipated expansion plans and any other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, undue reliance must not be placed on these statements.

Neither our Company, the Vendor, the Joint Issue Managers, the Underwriter and Placement Agent, nor any other person represents or warrants that our Group's actual future results, performance or achievements will be as discussed in those statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us.

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

EXCHANGE RATES

The financial statements of our Company are prepared in RMB.

As at the Latest Practicable Date, the exchange rate for RMB/S\$ was RMB4.865: S\$1.00.

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

2009	RMB/S\$ Rate	
	High	Low
June	4.763	4.667
July	4.754	4.653
August	4.773	4.703
September	4.850	4.723
October	4.926	4.811
November	4.953	4.863

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

	RMB/S\$ Rate	
	Average	Closing
FY2007	5.049	4.975
FY2008	5.074	5.041
FY2009	4.665	4.719

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

Please refer to the section entitled "Exchange Controls" in this Prospectus for a description of the exchange controls that exist in the PRC and the Cayman Islands.

Note:


- (1) We have not asked Bloomberg L.P. for their consent for the inclusion of the exchange rates quoted under this section and Bloomberg L.P. is therefore not liable for the statements under Section 253 and 254 of the SFA. Our Company has included the above exchange rates in their proper form and context in this Prospectus and has not verified the accuracy of these statements.

PROSPECTUS SUMMARY

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

Under no circumstances should any information in this summary be regarded as a representation or warranty by our Company, the Joint Issue Managers or the Underwriter and Placement Agent that such information will not change.

OVERVIEW OF OUR BUSINESS ACTIVITIES

We are principally engaged in the original design manufacturing of mid-end and high-end sports shoe soles under our trademark “” and “Qingmei” (“清美”) brand name. Our products comprise three types of sports shoe soles, namely MD II, MD I and RB shoe soles, which are used in the manufacture of shoes used for various athletic, sporting and physical activities.

We sell our products to well known sports shoe manufacturers in the PRC who directly or through their distributors, sell their sports shoes to end-consumers in the PRC and various parts of the world, under their brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361°), 特步 (Xtep) and 鸿星尔克 (ERKE).

As at the Latest Practicable Date, we have a maximum production capacity of approximately 45.6 million pairs of sports shoe soles per annum at our production facilities located in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC.

Further details are set out in the section entitled “Business” in this Prospectus.

COMPETITIVE STRENGTHS

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

(i) We have strong product design and development capabilities

We believe that our strong product design and development capabilities allow us to produce sports shoe soles with the desired features that can keep up with the latest fashion trends and meet the requirements of our customers. Our product design and development team keeps abreast of the latest trends from various sources such as sports shoes industry journals, magazines and internet websites. We are also able to keep up with the latest trends due to our close interactions with customers which enable us to fine-tune our product features and functions, materials and styles through customers’ feedback.

(ii) Vertically-integrated operations for sports shoe soles


We are a vertically integrated manufacturer with the ability to:

- (a) carry out product design and development as set out above; and

- (b) process and produce the key semi-processed raw materials used in the production of our products. We are able to experiment with our raw materials and additives to produce semi-processed raw materials of various formulations and compositions, to derive different functions and features for our shoe soles.

Being vertically integrated enables us to exercise better quality control of our products.

(iii) We have established ourselves as a reliable manufacturer of quality products

Since we commenced our operations in 2006, we have established good relationships with our customers as we are able to produce quality products that meet their requirements on a timely basis. We believe that our products, marketed and sold under our trademark “” and “Qingmei” (“清美”) brand name, have gained a strong recognition in the market as a reliable manufacturer of quality products. We are increasingly able to attract and retain well known sports shoe manufacturers in the PRC.

(iv) Strategic location in Jinjiang City

Our production facilities are located in Jinjiang City, which is one of the largest sports footwear manufacturing capitals of PRC. We are able to meet up regularly with customers to keep up with the latest market trends in the industry, to introduce our new products and to better serve their needs. Further, by having our production facilities located in an area with a high density of suppliers of raw materials for shoes and shoe sole manufacturing provides us with a timely and readily available supply of raw materials at competitive prices. Our proximity to customers and suppliers has also enabled us to benefit from lower transportation costs.

Our location also provides us with a large pool of skilled employees with shoe manufacturing experience to fulfil our human resource needs.

(v) Strong management team

We have a relatively young and strong management team led by our Executive Chairman and CEO, Mr. Su Qingyuan, who has more than 10 years’ experience in the sports shoe industry. The management team is goal oriented and focused on the execution of our Group’s strategies. With their strong industry experience, coupled with their dedication and diligence, we believe that our Group will continue to grow and expand.

Further details are set out in the section entitled “Competitive Strengths” in this Prospectus.

STRATEGY AND FUTURE PLANS

(i) Expand and increase our production capacity

We intend to expand our production capacity by purchasing new equipment and machinery for the production of our sports shoe sole products and constructing new building facilities and infrastructure. We intend to implement the installation of equipment and machineries for production in two stages and expect to increase our maximum production capacity per annum to approximately 65 million and 84 million pairs of sports shoe soles, after completion of the first and second stage installation respectively.

As soon as practicable after our listing on the SGX-ST, we will commence the construction of building facilities. Construction of these building facilities and first stage installation is expected to take approximately seven months to complete. Second stage installation will commence six months thereafter and is expected to take one month to complete.

We also intend to construct additional building facilities for our staff hostel on our existing site area. The new staff hostel when constructed will be able to accommodate approximately 2,000 employees. Completion is expected to take approximately seven months from the date of listing.

(ii) Construction of a new R&D centre

We intend to construct building facilities to set up a dedicated self-contained research and development centre, and purchase necessary equipment and machineries for research and testing purposes. We expect completion to be approximately seven months after our date of listing. We may also upgrade our existing equipment, machinery and software to further enhance our production design and development capabilities and explore other possible collaborative ventures with research institutions and other institutions in the sports shoe sole industry.

(iii) Focussing our marketing efforts on high growth PRC sports shoe manufacturers

We believe that there are still significant opportunities to increase the sales revenue of our products within our group of existing customers. We have identified some of our existing customers who have great potential and are likely to achieve high growth within the next couple of years. We intend to place greater emphasis of the marketing and sales of our products to this targeted group of customers. Further, we intend to increase our customer base by targeting new customers with high growth potential. We will continue to attract new customers by leveraging on our competitive strengths.

(iv) Strengthen our Group's reputation

We intend to strengthen the good reputation of our trademark and brand name by continuing to focus on product design and development and quality control, increase our participation of sports shoe trade fairs and exhibitions as well as advertising and promotion activities by way of billboards, print media, television and on the internet.

(v) Expansion of our business

We may also expand our business through acquisitions, joint ventures and strategic alliances that we believe will complement our current and future businesses. We believe that this will give us access to new markets and customers as well as new businesses and provide an impetus for our future growth.

Further details are set out in the section entitled "Strategy and Future Plans" in this Prospectus.

OUR FINANCIAL PERFORMANCE

The following table represents a summary of the financial highlights of and should be read in conjunction with the Combined Financial Information set out in Appendix A to this Prospectus.

Selected items from the Operating Results of our Group

RMB'000	Audited		
	FY2007	FY2008	FY2009
Revenue	293,921	627,390	833,752
Gross profit	67,909	168,902	236,158
Profit before income tax	48,970	137,913	199,977
Profit attributable to equity holders	46,961	134,413	182,468
EPS (RMB cents) ⁽¹⁾	9.8	28.0	38.0
Adjusted EPS (RMB cents) ⁽²⁾	7.3	21.0	28.5

Notes:

- (1) For comparative purposes, EPS for the Period under Review has been computed based on the profit attributable to equity holders for each respective year and our pre-Invitation share capital of 480,000,000 Shares.
- (2) The adjusted EPS for the Period under Review has been computed based on the profit attributable to equity holders for each respective year and our post-Invitation share capital of 640,000,000 Shares.

Selected items from the Financial Position of our Group

RMB'000	Audited		
	As at 30 June 2007	As at 30 June 2008	As at 30 June 2009
Non-current assets	280,534	275,823	282,981
Current assets	120,421	169,952	245,388
Current liabilities	300,100	293,992	228,309
Net current (liabilities)/assets	(179,679)	(124,040)	17,079
Non-current liabilities	—	3,500	2,500
Net assets	100,855	148,283	297,560
NAV per Share (RMB cents) ⁽¹⁾	21.0	30.9	62.0

Note:

- (1) For comparative purposes, our NAV per share as at 30 June 2007, 30 June 2008 and 30 June 2009 have been computed based on our pre-Invitation share capital of 480,000,000 Shares.

OUR COMPANY

Our registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and our principal place of business is located at 中国福建省晋江市陈埭苏厝村 Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC. Our telephone number is (86) 0595 8560 2999 and our facsimile number is (86) 0595 8560 2888.

THE INVITATION

Size	:	The Invitation Shares comprising 160,000,000 New Shares and 24,000,000 Vendor Shares. The New Shares upon issue and allotment shall rank <i>pari passu</i> in all respects with the existing issued Shares.
Issue Price	:	S\$0.31 for each Invitation Share.
The Offer	:	The Offer comprises an invitation by our Company and the Vendor to the public in Singapore to subscribe for and/or purchase the 2,000,000 Offer Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus.
The Placement	:	The Placement comprises 182,000,000 Placement Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus.
Purpose of the Invitation	:	<p>Our Directors believe that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance the public image of our Group locally and overseas and enable us to tap the capital markets for the expansion of our operations.</p> <p>The Invitation will also provide investors and members of the public with an opportunity to participate in the equity of our Company.</p>
Listing Status	:	Prior to the Invitation, there had been no market for our Shares. Our Shares will be quoted on the Official List of the SGX-ST in Singapore dollars, subject to admission of our Company to the Official List of the SGX-ST and permission for dealing in and for quotation of our Shares being granted by the SGX-ST and the Authority not issuing a stop order.
Risk Factors	:	Investing in our Shares involves risks which are described in the section entitled “Risk Factors” of this Prospectus.
Trading Currency	:	Our Shares will be quoted in Singapore dollars on the Main Board of the SGX-ST and traded under the book-entry settlement system of the CDP.

USE OF PROCEEDS AND EXPENSES OF THE INVITATION

NET PROCEEDS

The net proceeds to be raised from the issue and sale of the Invitation Shares (after deducting the estimated issue expenses) are estimated to be approximately S\$51.2 million (approximately RMB249.1 million⁽¹⁾).

The net proceeds to be raised by our Company from the issue of the New Shares (after deducting our share of the estimated amount of expenses of the Invitation, including underwriting and placement commissions, brokerage, management, audit and legal fees, advertising and printing expenses, fees payable to the SGX-ST and the Authority and all other incidental expenses in relation to this Invitation) are estimated to be approximately S\$44.1 million (approximately RMB214.5 million⁽¹⁾).

USE OF PROCEEDS

We intend to use the net proceeds of approximately S\$44.1 million (approximately RMB214.5 million⁽¹⁾) raised by our Company under the Invitation in the following manner:

- (a) approximately RMB144.0 million (approximately S\$29.6 million⁽¹⁾) for the expansion of our production capacity, including the purchase of new equipment and machineries, the construction of new building facilities to house them, the construction of new building facilities for our administrative functions and a staff hostel;
- (b) approximately RMB67.0 million (approximately S\$13.8 million⁽¹⁾) for the construction of a new dedicated research and development centre, including the construction of building facilities to house this centre and new testing and research equipment, and the funding of collaborative ventures with research institutions and other institutions in the sports shoe sole industry; and
- (c) the balance of the proceeds to be used as general working capital of our Group.

Note:

(1) Based on the exchange rate of RMB4.865: S\$1.00 as at the Latest Practicable Date.

For further details of the above, please refer to the section entitled “Strategy and Future Plans” in this Prospectus.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, we may use the funds as working capital for our Group or place the same in short-term deposits as our Directors may, in their absolute discretion, deem fit.

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

In the opinion of our Directors, no minimum amount must be raised by the New Shares. In the event the Invitation is cancelled, such amounts proposed to be provided for the items above will be provided out of funds generated from our operations/external borrowings and other fund-raising exercises or we may scale down our future development plans.

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

NET PROCEEDS FROM THE SALE OF VENDOR SHARES

The estimated expenses associated with the sale of the Vendor Shares of approximately S\$297,600, which includes the underwriting commission, placement commission and brokerage in the Agreed Proportion, will be borne by the Vendor.

The estimated net proceeds attributable to the Vendor from the sale of the Vendor Shares (after deducting the Vendor's share of the underwriting commission, placement commission and brokerage in the Agreed Proportion of approximately S\$297,600) will be approximately S\$7.1 million.

EXPENSES OF THE INVITATION

The estimated amount of expenses of the Invitation and of the application for listing to be borne by us, including underwriting and placement commissions, brokerage, management, audit and legal fees, advertising and printing expenses, fees payable to the SGX-ST and the Authority and all other incidental expenses in relation to this Invitation is approximately S\$5.5 million (approximately RMB26.8 million).

The following table sets out the breakdown of the use of proceeds and the estimated expenses to be incurred by us:

Use of proceeds	S\$'000	As a percentage of gross proceeds from the issue of the New Shares (%)	Per dollar of gross proceeds (S\$)
Purchase of new equipment and machineries, the construction of new building facilities to house them, the construction of new building facilities for our administrative functions and a staff hostel	29,599	59.7	0.60
Construction of a new dedicated research and development centre, including the construction of building facilities to house this centre and new testing and research equipment, and the funding of collaborative ventures with research institutions and other institutions in the sports shoe sole industry	13,772	27.8	0.28
General working capital	709	1.4	0.01
Total	44,080	88.9	0.89

Expenses to be borne by our Company	S\$'000	As a percentage of gross proceeds from the issue of the New Shares (%)	Per dollar of gross proceeds (S\$)
Listing fees	70	0.1	n.m.
Professional fees	2,970	6.0	0.06
Underwriting commission, placement commission and brokerage	1,984	4.0	0.04
Miscellaneous expenses	496	1.0	0.01
Total	5,520	11.1	0.11

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

Listing expenses that are directly attributable to the issue of New Shares would be deducted from equity, and the expenses, otherwise not incremental and directly attributable to the issue of New Shares, would be recorded as an expense in the income statement. We do not expect any such indirect expenses to have a material impact on our financial results in FY2010.

PLAN OF DISTRIBUTION

Prior to the Invitation, there has been no prior market for the Invitation Shares. The Issue Price is determined by us and the Vendor, in consultation with the Joint Issue Managers and the Underwriter and Placement Agent, after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for our Shares determined through a book-building process. The Issue Price is the same for all Invitation Shares and is payable in full on application.

The Invitation comprises the following:

Offer Shares

The Offer Shares are made available to the members of the public in Singapore for subscription and/or purchase at the Issue Price. Applications for the Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications. The terms, conditions and procedures for application and acceptance are described in Appendix I to this Prospectus.

Pursuant to the terms and conditions contained in the Management and Underwriting Agreement signed between our Company, the Vendor, the Joint Issue Managers and the Underwriter dated 8 March 2010, the Vendor and the Company have appointed Boulton Capital and SAC Capital to manage the Invitation, and the Underwriter has agreed to underwrite our Offer Shares. The Underwriter may, at its absolute discretion, appoint sub-underwriters.

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

In the event of an over-subscription for the Offer Shares as at the close of the Application List and the Placement Shares are fully subscribed for or over-subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by the Company and the Vendor, in consultation with the Joint Issue Managers and the Underwriter and Placement Agent and approved by the SGX-ST.

Placement Shares

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

Pursuant to the terms and conditions in the Placement Agreement signed between our Company, the Vendor and the Placement Agent dated 8 March 2010, the Placement Agent has agreed to subscribe for and/or purchase and/or procure subscribers and/or purchasers for the Placement Shares at the Issue Price. The Placement Agent may at its absolute discretion appoint sub-placement agents and has appointed SAC Capital as a sub-placement agent.

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

Subscription for and Purchase of Invitation Shares

None of the members of our Company's management or employees intends to subscribe for and/or purchase more than 5% of the Invitation Shares.

None of our Directors or Substantial Shareholders intends to subscribe for and/or purchase the Invitation Shares.

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

Further, no Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

MANAGEMENT AND UNDERWRITING AND PLACEMENT ARRANGEMENTS

Pursuant to the Management and Underwriting Agreement, our Company and the Vendor have appointed the Joint Issue Managers to manage the Invitation, and the Underwriter to underwrite the Offer Shares. The Joint Issue Managers will each receive management fees from our Company for their services rendered in connection with the Invitation. The Underwriter has agreed to underwrite the Offer Shares for a commission of 3.75% of the Issue Price for each Share, payable by our Company and the Vendor, in the Agreed Proportion. The Underwriter may, at its discretion, appoint one or more sub-underwriters for the Offer Shares.

Brokerage will be paid by our Company and the Vendor in the Agreed Proportion to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at the rate of 0.25% (UOB Group and OCBC) or 0.5% (DBS Bank) of the Issue Price for each Offer Share. In addition, DBS Bank will levy a minimum brokerage fee of S\$10,000.

Pursuant to the Placement Agreement, the Placement Agent agreed to subscribe or procure subscriptions for the Placement Shares for a placement commission of 4.0% of the Issue Price for each Placement Share, payable by our Company and the Vendor, in the Agreed Proportion. The Placement Agent may, at its discretion, appoint one or more sub-placement agents for the Placement Shares and had appointed SAC Capital as a sub-placement agent.

Subscribers of Placement Shares may be required to pay a brokerage of up to 1.0% of the Issue Price to the Placement Agent or any sub-placement agent that may be appointed by the Placement Agent, as well as stamp duties and any other similar charges (subject to the Singapore Goods and Services Tax ("GST") at the current rate of 7%, if applicable).

Save as aforesaid, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares or debentures in our Company.

The Management and Underwriting Agreement may be terminated by the Joint Issue Managers or the Underwriter by notice in writing at any time on or before the close of the Application List on the occurrence of certain events including:

- (i) any breach of warranties in the Management and Underwriting Agreement;
- (ii) any occurrence of an event after the date of the Management and Underwriting Agreement and prior to the close of the Application List, which if it had occurred before the date of the Management and Underwriting Agreement, would have rendered any of the warranties contained in the Management and Underwriting Agreement untrue or incorrect in any material respect which comes to the knowledge of the Joint Issue Managers or the Underwriter;
- (iii) any adverse change or any development involving a prospective adverse change, in the condition (financial or otherwise), performance or general affairs of our Company or of our Group as a whole;
- (iv) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive, notice or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST, or relevant authorities in the PRC, Hong

Kong, or elsewhere) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore or the PRC, Hong Kong or elsewhere;

- (v) any change, or any development involving a prospective change or any crisis in local, national, regional or international, political, industrial, economic, legal, financial or monetary conditions, taxation or exchange controls (including stock market, foreign exchange market, inter-bank market or interest rates or money market, in Singapore or any other jurisdiction) or a combination of any such changes or development or crisis or deterioration thereof;
- (vi) any local, national, regional or international occurrence, outbreak or escalation of hostilities, whether war has been declared or not, terrorist attacks, insurrection or armed conflict (whether or not involving financial markets);
- (vii) any regional or local outbreak of disease that may have an adverse effect on the financial markets; or
- (viii) any other occurrence of any nature whatsoever, which event or events shall in the opinion of the Joint Issue Managers or the Underwriter:
 - (a) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or elsewhere; or
 - (b) be likely to prejudice the success of the offer, subscription or sale of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or
 - (c) make it impossible, impracticable or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement; or
 - (d) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or
 - (e) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement; or
 - (f) result or be likely to result in the issue of a Stop Order by the Authority pursuant to the SFA; or
 - (g) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriting in Singapore for the Underwriter to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement.

Notwithstanding anything herein contained, the Joint Issue Managers or the Underwriter may by notice in writing to our Company terminate the Management and Underwriting Agreement if:

- (i) at any time up to the trading date, a Stop Order shall have been issued by the Authority in accordance with Section 242 of the SFA;
- (ii) at any time after registration of the Prospectus with the Authority but before the close of the Application List, our Company and the Vendors fail and/or neglect to lodge a supplementary or replacement prospectus (as the case may be) if they or either of them becomes aware of:
 - (a) a false or misleading statement or matter in the Prospectus;
 - (b) an omission from the Prospectus of any information that should have been included in it under Section 243 of the SFA; or

- (c) a new circumstance that has arisen since the Prospectus was lodged with Authority and would have been required by Section 243 of the SFA to be included in the Prospectus if it had arisen before the Prospectus was lodged,

that is materially adverse from the point of view of an investor; and

- (iii) the Shares (including the New Shares and the Vendor Shares) have not been admitted to the Official List of the SGX-ST on or before 17 March 2010 (or such other date as our Company, the Vendor, the Joint Issue Managers and the Underwriter may agree).

The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement and may be terminated on the occurrence of certain events, including those specified above.

In the event that the Management and Underwriting Agreement is terminated, our Company and the Vendor shall forthwith terminate the Invitation, and shall in this regard authorise the Joint Issue Managers and the Underwriter and Placement Agent to act on behalf of the Company and to do such acts and things as they may deem necessary or advisable to terminate the Invitation.

Pursuant to the Management and Underwriting Agreement, our Company shall not, for a period of 12 months from the date of listing of our Company on the SGX-ST, issue any new Shares without the prior written consent of the Underwriter (such consent shall not be unreasonably withheld).

Save as disclosed in the section entitled "Shareholders" in this Prospectus, in the reasonable opinion of our Directors, we do not have any material relationships with any of the Joint Issue Managers or the Underwriter and Placement Agent.

CLEARANCE AND SETTLEMENT

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

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. The CDP itself, and not persons named as direct securities account holders and Depository Agents in the Depository Register maintained by CDP, will be treated, under our Articles and the Cayman Companies Law, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts. Accordingly, Depositors and Depository Agents may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies and the right to receive shareholders' circulars, proxy forms, annual reports, prospectuses and take-over documents. In such an event, Depositors and Depository Agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Persons holding the Shares in Securities Account(s) with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Articles. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S\$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S\$0.20 per S\$100 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$20.00 is payable upon the deposit of each instrument of transfer with CDP.

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

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.04 per cent of the transaction value subject to a maximum of S\$600.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to GST of 7.0 per cent.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a Depository Agent. The Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

RISK FACTORS

Prospective investors should carefully consider and evaluate the following considerations and all the other information contained in this Prospectus before deciding to invest in our Shares. Some of the following risk factors relate principally to the industry in which our Group operates and the business of our Group in general. Other considerations relate principally to general economic and political conditions and the securities market and ownership of the Shares, including possible future sales of Shares.

If any of the following considerations and uncertainties develop into actual events, our business, results of operations and financial condition could be materially and adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations and uncertainties, and you may lose all or part of your investment in our Shares.

To the best of the knowledge and belief of our Directors and the Vendor, all risk factors which are material to investors in making an informed judgment in our Company have been set out below.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

We have entered into contracts with farmers in respect of our acquisition of land use rights to new parcels of land which may be void

On December 2008, Qingmei (PRC) entered into separate agreements on the transfer of land use rights (土地使用权转让合同) (the “Transfer Agreements”) with 21 farmers in respect of the acquisition of land use rights of new parcels of land of an aggregate land area of 11,920 sq m, being adjacent to our existing production facility at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村). Pursuant to these agreements, Qingmei (PRC) was required to pay these farmers an aggregate amount of approximately RMB16.6 million as acquisition costs and such payment has been made.

However, according to applicable PRC laws, these parcels of land may only be used for agricultural purposes by these farmers and shall not be transferred, re-transferred or rented out for non-agricultural construction. Before obtaining the necessary approvals and certificates from the PRC authorities, Qingmei (PRC) must not carry out any construction of facilities on the land. In the event that we do so, fines or penalties may be imposed by the authorities on us. Jingtian & Gongcheng, our legal advisors on PRC Law have opined that the Transfer Agreements are neither valid nor binding as they are not in compliance with the Land Administration Law of PRC. However, they have also advised that the land use rights may be legalised in accordance with certain steps as described under the section entitled “Properties and Fixed Assets” in this Prospectus. As at the Latest Practicable Date, Qingmei (PRC) has not carried out any of the steps to legalise the land use rights. We cannot give any assurance that we will succeed in our attempt to obtain the land use rights under the Transfer Agreements. If we fail to do so and we are not able to reclaim the sum of RMB16.6 million paid out as acquisition costs from the 21 farmers, we will suffer a loss arising from such acquisition and our financial condition may be adversely affected. Please refer to the section entitled “Properties and Fixed Assets” in this Prospectus for further details.

We have a limited operating history

Our Group's main operating subsidiary, Qingmei (PRC), was only established in the PRC in April 2006. Accordingly, our Group has a limited operating history of only three full financial years. As such, it may be more difficult for potential investors to assess our Group's likely future performance as its past operating results may not be indicative of its future financial performance. Please refer to the section entitled “History & Development” in this Prospectus for further details on our past operating history.

If we are unable to optimise and adjust our product mix, our sales and profit margins may be adversely affected

Our ability to achieve and maintain increased profitability depends on our ability to optimise and adjust our product mix. Our products comprise three types of sports shoe soles, namely MD II, MD I and RB shoe soles, which are used in the manufacture of shoes used for athletic, sporting and physical activities such as running, tennis, basketball, climbing, cross-training and casual-wear sports. As we adjust our product mix, our gross profit will be affected both by any change in revenue and cost of sales attributable to each product category. We place greater emphasis on the sales and marketing of higher end shoes soles with a higher gross profit margin, such as our MD II and MD I shoe soles. Any change in consumer preferences resulting in a decrease in demand for these higher end products may adversely affect our results of operation. If our current strategies to optimise and adjust our product mix does not enable us to produce sports shoe soles that will meet the demand and preferences of our customers and end-consumers, our sales and profit margins may be adversely affected.

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

The sports shoe sole manufacturing industry in the PRC is highly competitive in light of the lack of government regulations and licensing requirements for operators to enter or leave the industry. Our competitors may have greater resources, longer operating histories, larger client base, wider range of products or be better entrenched in the markets that we operate in or intend to venture into. We may face price cutting pressure from our competitors in their bid to maintain or expand their market share. If we are unsuccessful in differentiating our products from those of our competitors or maintaining the quality of our shoe soles, we may lose customers to competitors who have adopted price cutting measures. Furthermore, we have not entered into formal long-term contracts with our customers. In light of the highly competitive nature of our industry, there is no assurance that we will be able to retain our existing customers. In the event that our customers cease to purchase from us or reduce their purchases of our products significantly, our results of operation and financial performance will be adversely affected.

Please refer to the section entitled “Competition” in this Prospectus for more information on our competitors in the sports shoe sole industry of the PRC.

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

We believe that our success depends upon our ability to adopt the latest production technologies and develop new and innovative products to adapt to the constant changes in consumer trends on a timely basis. If we do not anticipate or adopt the latest production methods and technologies or keep pace with the changes in our customers’ demands, the demand for our products may decline and our financial performance will be adversely affected.

In the event that we are unable to successfully commercialise our designs, the time and resources committed to each new design will be wasted. In such event, our financial results may be adversely affected. In addition, there can be no assurance that we will be able to continue to design and develop products which will successfully meet the constantly changing demands of the end-customers. If we are continuously unable to produce products that meet the demands of the end-customers, our customers may cease to purchase our products and our business, operating results and financial condition will be adversely affected.

In addition, in the event that our competitors are able to come up with new and innovative technology to manufacture shoe soles resulting in products with better functionality and technology, the demand for our products may decrease and our business, operating results and financial condition will be adversely affected.

We are dependent on the performance of our customers and the sports-footwear industry

Our Group is engaged in the business of manufacturing sports shoe soles and does not participate in downstream activities of the PRC footwear industry such as the manufacture of finished sport shoes and marketing and distribution activities to end-consumers. As such, we are largely dependent on the sales performance of our customers' sport shoe products. A high demand for their sports shoe products is likely to result in an increase in demand for our products. Our ability to retain our customers, in particular those who are our major customers, is important for the continued success of our Group. In the event that they cease or reduce significantly their purchases of our products and we are unable to widen our customer base, our results of operation and financial performance will be adversely affected.

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

The success of our Group to-date has largely been attributable to the contributions and experience of our key management personnel who are familiar with our business and understand our customers' needs and requirements. In particular, our success to date has been due largely to the vision and contribution of our Executive Chairman and CEO, Mr. Su Qingyuan. Together with the other Executive Directors and Executive Officers, he has steered the growth and expansion of our Group. Our continued success is therefore dependent, to a large extent, on our ability to retain their services, and our ability to identify, recruit, train and retain qualified employees for technical and production, product design and development, marketing and managerial positions. Notwithstanding that our Executive Directors have entered into service agreements with our Company for a period of three years, there is no assurance that we will be successful in retaining them. The loss of the services of any of our key management personnel, in particular our Executive Chairman and CEO, Mr. Su Qingyuan, without suitable and timely replacements would inevitably affect the business and profitability of our Group. Please refer to the section entitled "Directors, Executive Officers and Staff" in this Prospectus for further details.

Major disruptions at our production facilities will affect our business

Our revenue is dependent on the continued operation of our production facilities. As a vertically integrated sports shoe sole manufacturer that engages in the production of semi-processed raw materials such as EVA compound pellets, TPU pellets and RB, we are exposed to risks associated with flammable, explosive, reactive, hazardous or toxic raw materials or other chemicals involved in our production processes. Our production facilities could also be adversely affected by events such as fire, explosions, chemical leakages, industrial accidents and natural disasters. Although we have insured our production facilities, there is no assurance that such incidents would not fall outside the scope of our insurance coverage, or that our insurance coverage insures against all such business disruptions. In addition, the occurrence of power failure or power surges at our production plants may also result in damage to our production equipment and facilities or cause a production halt or delay in our production schedule. There can be no assurance that any production interruptions will not occur in the future or that such interruptions will not have a material adverse effect on our financial condition and results of operations.

We may face rising production costs in the PRC

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

We may fail to implement successfully our expansion plans

As set out in the section entitled “Strategy and Future Plans” in this Prospectus, our Directors intend to, *inter alia*, establish a new R&D and technology centre and expand our production capacity by constructing new production facilities. Our growth and future success will be dependent on, among others, the successful completion of such expansion plans proposed to be undertaken by us. Should we fail to implement our expansion plans successfully, our business, results of operations and financial position will be materially and adversely affected.

We are subject to the credit risk of our customers

We typically grant credit terms of up to 60 to 90 days to our customers, depending on our assessment of their creditworthiness. Our average trade receivables’ turnover days for FY2007, FY2008 and FY2009 were 84, 65, and 69 days respectively. Although we have not experienced any significant problems associated with debt collection from our customers during the Period under Review and as at the Latest Practicable Date, we are unable to assure you that our customers will pay us on time and that they will be able to fulfil their payment obligations. Should we experience any unexpected delay or difficulty in collections from our customers, our operating results and financial condition may be adversely affected. Further, as our customer base grows, we may be exposed to further credit risks from new customers and we will not be able to assure you that the risk of default by these customers will not occur in the future. Please refer to the section entitled “Credit Management” in this Prospectus for more information.

We may be subject to claims for infringement of third parties’ intellectual property rights

As at the Latest Practicable Date, we are not aware of any violations or infringements of intellectual property rights of third parties by our Group. Nevertheless, we cannot give any assurance that our products do not and will not infringe other registered trademarks or intellectual property rights belonging to third parties in the future, with such risk increasing as we continue to expand and diversify our product lines and designs. As such, we may be subject to legal proceedings and claims relating to such alleged infringement. In the event of any claims or litigation involving alleged infringement of the intellectual property rights of third parties, whether with or without merit, it could result in a diversion of our management time and resources, and our business operations may be materially and adversely affected. In the event of a successful claim against us arising out of such proceedings, we may be subject to substantial monetary liability which may materially affect our reputation and the continued sale of the affected products and consequently, our business and financial performance.

Our reputation may be affected by the quality of our products

We are dependent on the goodwill of our reputation which we have established through, *inter alia*, the quality of our products for the continued growth of our business. Failure to consistently produce quality shoe soles or maintain our high standards necessary to develop and maintain our reputation may materially and adversely affect our ability to retain our existing long term and recurring customers, secure new customers or develop new market segments, thereby hampering our future business growth. There may be complaints from customers from time to time in relation to any defects in our products. Such negative publicity, regardless of their validity or severity, may result in a diminution in the goodwill associated with our products. In such events, our reputation may be adversely affected and consequently our business operations and financial performance will be adversely affected.

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

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza or H1N1 influenza) in the PRC, will materially and adversely

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

We do not have insurance coverage for certain types of claims

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

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

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

RISKS RELATING TO THE PRC

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

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

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

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

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

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

On 8 August 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission (中国证券监督管理委员会) (the “CSRC”), promulgated a new regulation with respect to mergers and acquisitions of domestic enterprises by foreign investors (the “M&A Regulations”). The M&A Regulations came into force on 8 September 2006 (the “Effective Date”). Essentially, the M&A Regulations will apply to mergers and acquisitions of domestic investment enterprises by foreign investors. Pursuant to Articles 39 and 40 of the M&A Regulations, the listing of offshore special purpose vehicles (the “SPV”), which are directly or indirectly established or controlled by PRC domestic companies or individuals, is subject to the CSRC’s approval prior to the listing and trading of such SPV’s securities on an overseas stock exchange. The M&A Regulations were supplemented by the Guidelines on Domestic Enterprises indirectly issuing securities overseas or listing and trading their securities overseas (the “CSRC Guidelines”) issued by the CSRC on 21 September 2006.

Jingtian & Gongcheng, the legal advisors to our Company on PRC Law, have opined that as our PRC subsidiary, Qingmei (PRC), was a WFOE with its entire equity interests owned by Qingmei (HK), a Hong Kong company, prior to the Effective Date, the M&A Regulations and the CSRC Guidelines are not applicable and the Restructuring Exercise is legal and valid under PRC laws.

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

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

Qingmei (PRC), our PRC subsidiary, is subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Currently, foreign investment enterprises (the “FIEs”) are required to apply to SAFE for “Foreign Exchange Registration Certificates for FIEs” (which Qingmei (PRC), our PRC subsidiary which is a FIE, has obtained). With such registration certifications (which need to be examined annually), FIEs are allowed to open foreign currency accounts including the “current account” and “capital account”. Currently,

conversion within the scope of the “current account” (e.g. remittance of foreign currencies for payment of dividends, etc.) can be effected without requiring the approval of SAFE. However, conversion of currency in the “capital account” (e.g. for capital items such as direct investments, loans, securities, etc.) still requires the approval of SAFE.

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

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

In order to regulate PRC domestic resident to engage in trans-territorial capital transaction involved in investment and financing activities via overseas special purpose companies, on 21 October 2005, SAFE promulgated the Notice Concerning the Foreign Exchange Administration in the Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicle Companies (国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知) (the “Notice 75”). According to the Notice 75, a domestic resident shall, before establishing or controlling an SPV, bring the prescriptive materials to the local branch of SAFE (the “SAFE Branch”) to apply for and go through the procedures for foreign exchange registration of overseas investments. The SAFE Branch shall, after examining and checking the materials to be inerrant, affix the special seal for foreign exchange business for capital account transactions on the “Certificate of Foreign Exchange Registration of Overseas Investments” or the “Form of Foreign Exchange Registration of Overseas Investments of the Domestic Individual Resident”. Where a domestic resident contributes the assets or stock rights of a domestic enterprise it owns into a SPV, or engages in stock right financing abroad after contributing assets or stock rights into a SPV, it shall go through the procedures for modification of foreign exchange registration of overseas investments with regard to the net asset equities of the SPV it holds. After an SPV accomplishes overseas financing, the domestic resident may, according to the plan on use of funds as stated in the business plans or the prospectus, transfer the funds which ought to be arranged for use inside the PRC into the PRC. A domestic resident, may after accomplishing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, stock right assignment expenses, capital decrease expenses, etc. to the SPV. Where an SPV meets with a major capital modification event such as capital increase or decrease, stock rights or credits or provision of guarantee to a foreign party, and is not involved in return investment (the “Major Events”), the PRC resident shall, within 30 days as of a Major Event, apply to the SAFE Branch for going through the procedures for modification or filing of the foreign exchange registration of the overseas investment. Notice 75 has been in effect as of 1 November 2005.

Jingtian & Gongcheng, the legal advisors to the Company on PRC Law, have opined that Mr. Su Qingyuan, who is a PRC domestic resident and indirectly holds Shares in our Company, has already complied with the registration requirements under Notice 75.

Pursuant to the amendment of 5 August 2008 by the State Council of the PRC, the Regulations on Management of Foreign Exchange of the PRC (the “Revised Regulation”) simplified the procedure for administrative examination and approval in relation to foreign direct investment. The Revised Regulation provides that the foreign exchange income of a domestic institution or individual may be

transferred back into the territory of the PRC or deposited overseas instead of the compulsory exchange settlement stipulated by the original Regulation.

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

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

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

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

We are subject to withholding income tax on capital gains on sales of shares in PRC and dividends on shares in the PRC payable to shareholders

Capital gains realised by shareholders from sale of shares and dividends payable on shares in PRC are subject to the PRC income tax. Under the New EIT Law and its implemental regulations that became effective in January 2008, dividends distributed by foreign invested enterprises to its overseas shareholders should be subject to a withholding tax at a rate of 10.0%.

According to the Arrangement between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, which became effective on 1 January 2007, dividends paid from Qingmei (PRC) to Qingmei (HK) may be subject to a lower withholding tax at a rate of 5.0%.

However, according to the Circular regarding the Implementation of Dividend-related Provisions in the Tax Treaty issued by the State Administration of Taxation on 22 February 2009 and Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation) on 24 August 2009, Qingmei (HK) need to obtain approval from the relevant PRC tax authorities in order to enjoy the aforesaid lower withholding tax rate and if the main purpose of our offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to not give Qingmei (HK) the aforesaid lower tax rate. Due to the lack of implementation rules in Fujian Province in respect of the procedures to be undertaken for the aforesaid approval, we cannot assure you that dividends paid from Qingmei (PRC) to Qingmei (HK) will continue to be taxed at the lower withholding tax rate of 5.0%.

Any further upward revisions in the withholding tax rate may adversely affect the amount of dividends to be distributed to Shareholders.

We are subject to exchange rate fluctuations as our revenues and profits are denominated in RMB

The value of the RMB against foreign currency is subject to changes in the PRC Government's policies and international economic and political developments. Under the unified floating exchange rate system, the conversion of RMB into foreign currencies, has been based on rates set by the People's Bank of China (the "PBOC"), which have generally been stable.

However, the PRC Government reformed the exchange rate regime on 21 July 2005 by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 23 September 2006, the PRC Government widened the daily trading band for RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

There has been pressure from foreign countries for the PRC to adopt a more flexible currency system that could lead to further appreciation of the RMB. The RMB may be revalued further against foreign currencies or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against foreign currencies.

Since our revenues and profit are denominated in RMB, any depreciation of RMB would materially and adversely affect our financial position and the value of, and any dividends payable on, our Shares in foreign currency terms, as well as our ability to serve any of our foreign currency obligations. The appreciation of the RMB against the Singapore dollar may result in funds raised by our Company in Singapore dollars to be less than required by our Group for our future plans and strategies, after conversion into RMB.

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

In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises" and its implementing rules (the "Old EIT Law"), our PRC Subsidiary, namely Qingmei (PRC), which is a WFOE, has obtained approvals from the PRC tax authorities entitling it to full exemption from EIT for the first two years and a 50.0% reduction in EIT for the next three years, commencing from the first profitable year (after deducting losses carried forward). Qingmei (PRC) has since 1 January 2007 enjoyed full exemption from EIT.

On 16 March 2007, the National's People's Congress of the PRC passed the new EIT Law (the "New EIT Law") of the PRC and invalidated the Old EIT Law. Pursuant to the New EIT Law which took effect on 1 January 2008, the EIT rate applicable to all resident enterprises, including foreign investment enterprises and domestic companies, in the PRC shall be 25.0%. According to the New EIT Law, any enterprise established prior to the promulgation of the New EIT Law and which enjoys tax incentives, is entitled to continue to enjoy such incentive for the rest of the tax incentive term, but if any enterprise starts to make profit later than 1 January 2008, the tax incentive term shall be regarded as starting from 1 January 2008. Accordingly, commencing from FY2012, the applicable EIT rate for Qingmei (PRC) will be 25.0%.

Notwithstanding the foregoing, any removal, loss, suspension or reduction of the aforesaid tax benefits will result in our PRC subsidiary, Qingmei (PRC), being subject to higher tax, which will have an impact on its financial performance.

We are subject to various labour and safety laws and regulations in the PRC which may have a negative impact on our results of operation

We are subject to various labour and safety laws and regulations in the PRC, among others, the PRC Labour Law, the PRC Labour Contract Law (the “New Labour Law”), as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for our operations in the PRC.

The New Labour Law, which became effective on 1 January 2008, calls for stricter requirements in human resources management in terms of signing labour contracts with employees, stipulating probation and violation penalties, dissolving labour contracts, paying remuneration and economical compensation, as well as social security premiums.

According to the PRC Labour Law and the New Labour Law, we must enter into labour contracts if we are to establish labour relationships with our employees. We must provide wages, which are no lower than the local minimum wage standards, to such employees. We are required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to our employees. We must also provide our employees with working conditions that meet PRC rules and standards for safety and sanitation and we must regularly examine the health of our employees engaged in hazardous occupations.

We have taken a variety of proactive measures to improve our employment relationship management and fulfil our obligations under the New Labour Law and other applicable PRC laws. As confirmed by the relevant PRC authorities, we have fully paid social securities insurance, including health, accident and safety insurance under PRC laws and regulations. In addition, we will structure the terms of employment with our employees to comply with the new law.

Our PRC legal advisors, Jingtian & Gongcheng, and our Directors have confirmed that, during the Period under Review and up to the Latest Practicable Date, we have complied with all applicable labour and safety laws and regulations, including but not limited to the New Labour Law, in all material respects and that any additional expenditure incurred resulting from the compliance with these laws will not adversely affect our results of operation.

Notwithstanding the foregoing, any changes or further amendments made to the PRC Labour Law or the New Labour Law may require our Group to take further steps to ensure compliance with these amended laws. Our Group may incur additional expenditure in order to comply with these new restrictions or additions to these compliance standards, which may in turn adversely affect our results of operation. We may be subject to fines or penalties in the event that we fail to comply with these new standards.

We are subject to PRC environmental laws and regulations

We are subject to PRC environmental laws and regulations, which include the Environmental Protection Law of the PRC, Law of the PRC on the Prevention and Control of Water Pollution, Law of the PRC on the Prevention and Control of Atmospheric Pollution, Law of the PRC on the Prevention and Control of Pollution From Environmental Noise and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

According to current PRC national and local environmental protection laws and regulations, any enterprise which discharges wastewater, waste products, or polluted air is required to seek approval for the establishment of such an enterprise in the PRC from the relevant environmental protection authorities. The relevant PRC laws and regulations also require any such enterprise to carry out an environmental impact assessment before commencing construction of its production facilities and ensure that such production facilities meet the relevant environmental standards to treat wastewater,

waste products and polluted air treatment before discharging such waste. In addition, the current PRC national and local environmental protection laws and regulations impose fees for the discharge of pollutants and, in cases where the pollutants have not been properly treated, fines for such discharge. The relevant environmental laws and regulations empower certain governmental authorities to shut down any enterprise that violates such laws and regulations by the discharge of pollutants.

We have carried out the relevant environmental impact assessments before commencing construction of our production facilities and have obtained all the required permits and environmental approvals for our production facilities. We were granted an environmental compliance confirmation letter from the Jinjiang City Environmental Protection Bureau for complying with its environmental protection standards. In this respect, our PRC legal advisors, Jingtian & Gongcheng, have opined that (i) we are in compliance with the relevant environmental rules and regulations and have obtained all the required permits and environmental approvals for our production facilities, (ii) no environmental pollution incident was discovered, and (iii) no penalty of any kind was imposed on us.

However, there is no assurance that these environmental compliance standards imposed by the PRC authorities will not be amended or raised in the future. In such an event, we may be required to take additional and costly steps to ensure compliance with these new compliance standards which may in turn have an impact on our results of operations if we are unable to pass on such additional costs to our customers. We may be subject to fines or penalties in the event that we fail to comply with these environmental laws and regulations.

RISKS RELATING TO INVESTMENT IN OUR SHARES

We are a Cayman Islands incorporated company and the rights and protection accorded to our Shareholders may be different from those applicable to shareholders of a Singapore-incorporated company

We are incorporated in the Cayman Islands as an exempted company under the Cayman Companies Law. The Singapore Companies Act may provide shareholders of Singapore incorporated companies rights and protection to which there may be no corresponding or similar provisions under the Cayman Companies Law. As such, if you invest in our Shares, you may or may not be accorded the same level of shareholder rights and protection that a shareholder of a Singapore incorporated company may be accorded under the Singapore Companies Act. We have set out in Appendix D to this Prospectus a summary of certain provisions under the Cayman Companies Law and in Appendix C to this Prospectus a summary of the Memorandum of Association and selected Articles of our Company. Explanatory statements on specific issues have been set out in the sections entitled “Purchase By Our Company of Our Own Shares”, “Attendance at General Meetings” and “Take-overs” in this Prospectus. Each of the summaries and explanatory statements is not intended to be and does not constitute legal advice and any person wishing to have advice on the differences between the Cayman Companies Law and the Singapore Companies Act and/or the laws of any jurisdiction with which he is not familiar is recommended to seek independent legal advice. Copies of our Memorandum of Association and Articles are available for inspection at such place and time as set out in the section entitled “Documents available for inspection” in this Prospectus.

Control by our controlling shareholder, High Crown, may limit your ability to influence the outcome of decisions requiring the approval of Shareholders

Upon the completion of the Invitation, our controlling shareholder, High Crown, which is wholly-owned by our Executive Chairman and CEO, Mr. Su Qingyuan, will beneficially own approximately 64.0% of our enlarged issued share capital after the Invitation. As a result, he will be able to indirectly exercise significant influence over all matters requiring Shareholders’ approval. Such concentration of ownership will place him in a position to affect significantly our corporate actions such as mergers or takeover attempts in a manner that could conflict with the interests of our public Shareholders. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group which may benefit our Group’s Shareholders.

New investors will incur immediate dilution and may experience further dilution

Our Issue Price of S\$0.31 per Share is substantially higher than our Group's Pro Forma NAV per Share of 18.39 cents (adjusted for the net proceeds from the Invitation). Investors who subscribe for and/or purchase the Invitation Shares will therefore experience immediate dilution in the value of their Shares. If we were liquidated immediately following this Invitation, each investor holding Shares pursuant to this Invitation would receive less than the price paid for its Shares. Please refer to the section entitled "Dilution" in this Prospectus for further details.

Our assets are located in the PRC and our Executive Directors are residing outside Singapore, hence it is more difficult to commence legal action against them

We are incorporated in the Cayman Islands and our principal operating subsidiary, Qingmei (PRC), and its operations and assets are located in the PRC. In addition, all our Executive Directors as at the Latest Practicable Date are non-residents of Singapore and the assets of these persons are mainly located outside Singapore. As such, it is more difficult for Shareholders to commence a legal action against our Group or our Executive Directors, as service of process will have to be effected outside Singapore against our Company, its subsidiaries and those of our Directors residing outside Singapore, or to enforce a judgement obtained in Singapore against our Group or any such Directors.

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

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

Any substantial future sale of our Shares could adversely affect the Share price

Any future sale or availability of Shares can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Invitation, or the perception that such sales may occur, could materially affect the market price of Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in the section entitled "Moratorium" in this Prospectus, there will be no restriction on the ability of the substantial Shareholders to sell their Shares either on the SGX-ST or otherwise.

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

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

INVITATION STATISTICS

Issue Price	31.00 cents (equivalent to approximately RMB1.51 ⁽¹⁾)
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NTA⁽²⁾

The Pro Forma NTA per Share of our Group as at 30 June 2009:

(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 480,000,000 Shares	11.16 cents
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 640,000,000 Shares	15.26 cents

Premium of Issue Price over the Pro Forma NTA per Share:

(a) before adjusting for the estimated net proceeds of the New Shares and based on the pre-Invitation share capital of 480,000,000 Shares	178%
(b) after adjusting for the estimated net proceeds of the New Shares and based on the post-Invitation share capital of 640,000,000 Shares	103%

EPS⁽³⁾

Historical net EPS of our Group for FY2009 based on the pre-Invitation share capital of 480,000,000 Shares	8.15 cents
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Historical net EPS of our Group for FY2009 based on the pre-Invitation share capital of 480,000,000 Shares, assuming that the Service Agreements had been in place since the beginning of FY2009	8.10 cents
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Price Earnings Ratio

Historical net PER based on the historical net EPS of our Group for FY2009 and the pre-Invitation share capital of 480,000,000 Shares	3.80 times
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Historical net PER based on the historical net EPS of our Group for FY2009 assuming that the Service Agreements had been in place since the beginning of FY2009 and the pre-Invitation share capital of 480,000,000 Shares	3.83 times
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Net Operating Cash Flow⁽³⁾⁽⁴⁾

Historical net operating cash flow per Share of our Group for FY2009 based on the pre-Invitation share capital of 480,000,000 Shares	9.42 cents
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Historical net operating cash flow per Share of our Group for FY2009 based on our pre-Invitation share capital of 480,000,000 Shares assuming that the Service Agreements had been in place since the beginning of FY2009	9.37 cents
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Price to Net Operating Cash Flow Ratio

Ratio of Issue Price to historical net operating cash flow per Share for FY2009 3.29 times

Ratio of Issue Price to historical net operating cash flow per Share for FY2009 (using the pre-Invitation share capital of 480,000,000 Shares), assuming that the Service Agreements had been in place since the beginning of FY2009 3.31 times

Market Capitalisation

Market capitalisation based on the Issue Price and the post-Invitation share capital of 640,000,000 Shares S\$198.4 million

Notes:

- (1) The conversion was based on the exchange rate of RMB4.865: S\$1.00 as at the Latest Practicable Date.
- (2) The calculation of NTA excludes deposits from land use rights and land use rights. The NTA computation has been computed at an exchange rate of RMB4.719: S\$1.00 as at 30 June 2009.
- (3) Earnings and net operating cash flow for FY2009 are converted based on the exchange rate of RMB4.665: S\$1.00 which was the average exchange rate for FY2009.
- (4) Net operating cash flow extracted from our Group's cash flow statement found in the Combined Financial Information for FY2009.
- (5) No representation is made that any RMB amount referred to above can be converted at the abovestated rates or at any rate or at all.

SELECTED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the full text of this Prospectus, including the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Combined Financial Information as set out in Appendix A to this Prospectus.

OPERATING RESULTS OF OUR GROUP⁽¹⁾

Selected Combined Income Statement Information

The selected combined income statement information presented below in RMB for the financial years ended 30 June 2007, 2008 and 2009 are derived from our combined financial statements included in the accountants’ report set out in Appendix A to this Prospectus.

RMB’000	← Audited →		
	FY2007	FY2008	FY2009
Revenue	293,921	627,390	833,752
Cost of sales	(226,012)	(458,488)	(597,594)
Gross profit	67,909	168,902	236,158
Other income and gains	215	1,046	2,209
Selling and distribution expenses	(6,258)	(10,625)	(11,891)
Administrative expenses	(12,835)	(18,099)	(21,072)
Finance costs	(61)	(3,311)	(5,325)
Other expenses	—	—	(102)
Profit before income tax	48,970	137,913	199,977
Income tax expense	(2,009)	(3,500)	(17,509)
Profit attributable to equity holders⁽²⁾	46,961	134,413	182,468
EPS (RMB cents)⁽³⁾	9.8	28.0	38.0
Adjusted EPS (RMB cents)⁽⁴⁾	7.3	21.0	28.5

Selected Combined Income Statement Information (Translated into Singapore dollars)⁽¹⁾

S\$'000	FY2007	FY2008	FY2009
Revenue	58,214	123,648	178,725
Cost of sales	(44,764)	(90,360)	(128,102)
Gross profit	13,450	33,288	50,623
Other income and gains	42	206	474
Selling and distribution expenses	(1,239)	(2,094)	(2,549)
Administrative expenses	(2,542)	(3,567)	(4,517)
Finance costs	(12)	(653)	(1,141)
Other expenses	—	—	(22)
Profit before income tax	9,699	27,180	42,868
Income tax expense	(398)	(690)	(3,753)
Profit attributable to equity holders⁽²⁾	9,301	26,490	39,115
EPS (S\$ cents)⁽³⁾	1.9	5.5	8.1
Adjusted EPS (S\$ cents)⁽⁴⁾	1.5	4.1	6.1

Notes:

- (1) The operating results of our Group for the Period under Review have been prepared on the basis that our Group structure had been in place as set out in note 3 to the Combined Financial Information. Where the results are presented in Singapore dollars, they have been translated in accordance with reference to the RMB/S\$ exchange rate as shown in the section entitled "Exchange Rates" in this Prospectus. The translations have not been audited and should not be construed as a representation that S\$1.00 actually represents such RMB or could be converted into RMB at such rate indicated.
- (2) Had the Service Agreements (set out in the section entitled "Service Agreements" in this Prospectus) been in place since 1 July 2008, the profit before income tax and profit attributable to equity holders for FY2009 would have been approximately RMB198.7 million (S\$42.6 million) and RMB181.3 million (S\$38.9 million) respectively, determined based on the average exchange rate of FY2009.
- (3) For comparative purposes, the EPS for the Period under Review has been computed based on the profit attributable to equity holders for the year and our pre-Invitation share capital of 480,000,000 Shares.
- (4) For comparative purposes, the adjusted EPS for the Period under Review has been computed based on the profit attributable to equity holders for the year and our post-Invitation share capital of 640,000,000 Shares.

FINANCIAL POSITION OF OUR GROUP⁽¹⁾

	Audited As at 30 June 2009 (RMB'000)	As at 30 June 2009 (Translated into S\$'000)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	188,403	39,924
Land use rights	77,937	16,516
Deposits paid for land use rights	16,641	3,526
	<hr/> 282,981 <hr/>	<hr/> 59,966 <hr/>
Current assets		
Inventories	25,537	5,412
Trade and other receivables	190,848	40,442
Prepayments	135	29
Pledged bank deposits	12,733	2,698
Cash and cash equivalents	16,135	3,419
	<hr/> 245,388 <hr/>	<hr/> 52,000 <hr/>
Current liabilities		
Trade and bills payables	106,676	22,606
Other payables and accruals	48,431	10,263
Interest-bearing bank borrowings	62,000	13,138
Current income tax liabilities	11,202	2,374
	<hr/> 228,309 <hr/>	<hr/> 48,381 <hr/>
Net current assets	<hr/> 17,079 <hr/>	<hr/> 3,619 <hr/>
Total assets less current liabilities	<hr/> 300,060 <hr/>	<hr/> 63,585 <hr/>
Non-current liabilities		
Deferred tax liabilities	<hr/> 2,500 <hr/>	<hr/> 530 <hr/>
Net assets	<hr/> 297,560 <hr/>	<hr/> 63,055 <hr/>
EQUITY		
Share capital	68	14
Reserves	<hr/> 297,492 <hr/>	<hr/> 63,041 <hr/>
Total equity	<hr/> 297,560 <hr/>	<hr/> 63,055 <hr/>
NAV per Share (RMB cents)⁽²⁾	62.0	N/A
NAV per Share (cents)⁽²⁾	N/A	13.1
Pro Forma NAV per Share (RMB cents)⁽³⁾	72.4	N/A
Pro Forma NAV per Share (cents)⁽³⁾	N/A	15.3

Notes:

- (1) The financial position of our Group has been prepared on the basis that the current Group structure had been in place as set out in note 3 to the Combined Financial Information. Where the results are presented in Singapore dollars, they have been translated in accordance with reference to the RMB/S\$ exchange rate as shown in the section entitled "Exchange Rates" in this Prospectus. The translations have not been audited and should not be construed as a representation that S\$1.00 actually represents such RMB or could be converted into RMB at such rate indicated.
- (2) For comparative purposes, our NAV per Share and Pro Forma NAV per Share as at 30 June 2009 have been computed based on our pre-Invitation share capital of 480,000,000 Shares.
- (3) The Pro Forma NAV per Share is based on the Pro Forma Report as set out in Appendix B to this Prospectus. Please refer to the section entitled "Restructuring Exercise" and Appendix B to this Prospectus for more details.

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

The following discussion and analysis of our Group's financial position and results of operations for the Period under Review should be read together with the Combined Financial Information set out in Appendix A to this Prospectus. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in the section entitled "Risk Factors" in this Prospectus. Under no circumstances should the inclusion of such forward-looking statements herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Company, the Vendor, the Joint Issue Managers, the Underwriter and Placement Agent or any other persons. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" in this Prospectus.

BASIS OF PRESENTATION


The operations of the Group were carried out by our subsidiary, Qingmei (PRC), which was established with limited liability in the PRC on 29 April 2006. Qingmei (PRC) is engaged in the business of manufacturing and trading shoe soles. Qingmei (PRC) is held by an investment holding company incorporated in Hong Kong, namely Qingmei (HK). Qingmei (HK) was incorporated on 24 January 2006 as an investment holding company. Upon incorporation, the shares in Qingmei (HK) were held by Ms. Yang Ai Zhi on trust for Mr. Su Qingyuan as the beneficiary. The trust arrangement with Ms. Yang Ai Zhi was subsequently terminated on 13 August 2008, whereby Ms. Yang Ai Zhi transferred the entire share capital of Qingmei (HK) to Qingmei (BVI), an investment holding company then wholly-owned by Mr. Su Qingyuan. As a result of this transfer, Qingmei (HK) was wholly held by Qingmei (BVI).

As the same ultimate controlling equity holder, Mr. Su Qingyuan controlled the companies comprising the Group during the Period under Review before and after the Restructuring Exercise and consequently there was continuation of the risks and benefits to the ultimate controlling equity holder, the Combined Financial Information has been prepared as a reorganisation of business under common control. The combined income statements, combined statements of changes in equity and combined cash flow statements are prepared as if the current group structure had been in existence throughout the Period under Review, or since the respective dates of incorporation of the relevant entity, where this is a shorter period. The combined balance sheets as at 30 June 2007, 2008 and 2009, present the assets and liabilities of the companies now comprising the Group which had been incorporated/established as at the relevant balance sheet dates as if the current group structure had been in existence at those dates. Pursuant to the Restructuring Exercise completed on 3 March 2010, the Company was incorporated and became the holding company of Qingmei (BVI) and its subsidiaries.

The Combined Financial Information has been prepared from the audited combined financial statements or, and where appropriate, unaudited management accounts of the companies comprising the Group during the Period under Review. The Combined Financial Information is presented in RMB.

OVERVIEW

Our business

We are principally engaged in the original design manufacturing of mid-end and high-end sports shoe soles under our trademark " " and "Qingmei" ("清美") brand name. Our products comprise three types of sports shoe soles, namely MD II, MD I and RB shoe soles, which are used in the manufacture

of shoes used for athletic, sporting and physical activities such as running, tennis, basketball, climbing, cross-training and casual-wear sports.

We sell our products to well known sports shoe manufacturers in the PRC who, directly or through their distributors, sell their sports shoes to end-consumers in China and various parts of the world, under their brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361⁰), 特步 (Xtep) and 鸿星尔克 (ERKE).

We are a vertically integrated manufacturer of sports shoe soles, with the ability to manufacture the key semi-processed raw materials, EVA compound pellets, TPU pellets and RB. This enables us to have better control over the quality and production process of these semi-processed raw materials used in the manufacture of our sports shoe soles.

We have a strong emphasis on product design development and we work closely with our customers to understand the current sports shoes trends and their needs and requirements. We believe that this helps us in our development of product designs which are responsive to current market trends and changing demands of end-consumers.

Our production facilities are located in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC.

As at the Latest Practicable Date, we operate 10 production lines for EVA I Midsoles, 4 production lines for EVA II Midsoles — Stage 1, 26 production lines for EVA II Midsoles — Stage 2, and 19 production lines for RB Outsoles and shoe soles, with a maximum production capacity of approximately 45.6 million pairs of sports shoe soles per annum.

Revenue

Our revenue for each of FY2007, FY2008 and FY2009 was mainly derived from the production and sale of our MD II, MD I and RB shoe soles. Revenue is recognised from the sale of goods, when the significant risks and rewards of ownership have been transferred to the customer, which is usually taken as the time when the goods are delivered and the customer has accepted the goods. Goods sold are not returnable save for product quality issues. If our products do not meet the stipulated quality standard, our customers may return the products to us for rectification and/or replacement. Orders may not be cancelled except with both parties' agreement. They are however subject to deferral or rescheduling by our customers. We have not experienced any material product quality issues or cancellation of orders from our customers during the Period under Review.

We recorded revenue of approximately RMB293.9 million, RMB627.4 million and RMB833.8 million for each of FY2007, FY2008 and FY2009 respectively. We commenced our operations and sales in September 2006 and October 2006 respectively. The significant increase in revenue for the Period under Review was mainly due to our ability to capitalise on the increasing market demand for quality sports shoe soles which is in tandem with the rising demand for sports shoes and the increasing emergence and greater market expansion/penetration of sports shoe manufacturers in the PRC in recent years, including well-known brands such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361⁰), 特步 (Xtep) and 鸿星尔克 (ERKE), which are our customers.

With the PRC experiencing strong economic growth, higher disposable income and rising standards of living in recent years, consumer spending has increased. Consumers are altering their lifestyle and spending habits and are becoming more fashion conscious. Accordingly, consumers are willing to purchase specific types of sports shoes for different sports activities. They also consider both the functionality and fashion of their sports shoes.

Further, with the hosting of the 2008 Beijing Games, PRC's profile as a location of the world to host key sporting events has been raised. This has provided a platform for PRC sports shoe manufacturers to enhance their brand visibility internationally. The hosting of high-profile sporting events in the PRC namely the 2009 East Asian Games in Hong Kong, the 2010 Asian Games in Guangzhou and the 2011 World University Games has also encouraged the growth and sustenance of the PRC citizens' interest in sports.

A detailed account of the risk factors affecting our business activities are set out in the section entitled "Risk Factors" in this Prospectus. The major factors affecting our revenue are as follows:

- (i) consumer demand for sports shoes in the PRC;
- (ii) the performance of our customers and the sports-footwear industry in the PRC;
- (iii) our ability to maintain our competitive strengths that differentiate us from our competitors; and
- (iv) our ability to adopt the latest production methods and technologies or develop new and innovative products to meet the needs of our customers.

In general, we do not receive any long-term orders from our customers and we typically enter into framework agreements with our customers after their sales fairs. These framework agreements are generally for a duration of three months. Such framework agreements contain, *inter alia*, an agreed upon minimum sales value, the selected designs and the agreed prices. Our customers will from time to time place orders with us depending on their need. Such orders will include specific details such as selected designs, quantity, colours, sizes and delivery dates, with the prices based on the framework agreement.

Our Group's revenue is attributable to a single geographic region, being the PRC.

Cost of Sales

Our cost of sales accounted for approximately 76.9%, 73.1% and 71.7% of our revenue for each of FY2007, FY2008 and FY2009 respectively. Our cost of sales comprises direct materials costs, direct labour costs, manufacturing overheads and R&D expenses incurred in the production of our sports shoe soles.

(i) Direct materials

Direct materials comprise the largest component of our cost of sales accounting for approximately 62.8%, 65.4% and 65.4% of our cost of sales for each of FY2007, FY2008 and FY2009 respectively. Direct material costs comprise mainly the cost of procuring raw materials used in the production of our sports shoe soles, such as EVA resin, TPU, rubber and other raw materials such as additives and colouring materials.

We source most of our major raw materials in bulk from suppliers located in Quanzhou City, Fujian Province, PRC, close to our production facilities. The prices of our raw materials fluctuate according to changes in supply and demand conditions as well as negotiations with our suppliers. We do not enter into any long-term supply agreements with any of our major suppliers and we are not dependent on any of our suppliers. However, we enter into framework agreements, which are generally for a duration of three months, with major suppliers which contain, *inter alia*, minimum purchase value and the agreed price. We generally purchase and maintain a level of raw materials stock to enable us to meet our estimated one month production requirements.

(ii) Direct labour

Direct labour costs accounted for approximately 19.4%, 19.3% and 19.7% of our cost of sales for each of FY2007, FY2008 and FY2009 respectively. Direct labour costs comprise mainly salaries and other staff-related expenses (such as overtime wages, bonuses and employer contributions) of our workers who are directly involved in the production of our products. Direct labour costs are dependent on factors such as the number of employees and production volume.

(iii) Manufacturing overheads

Manufacturing overheads accounted for approximately 14.9%, 12.1% and 12.7% of our cost of sales for each of FY2007, FY2008 and FY2009 respectively. Manufacturing overheads comprise mainly costs of coal, utilities, depreciation of our production facilities, amortisation of the land use rights in relation to the land which are used for production purposes, costs of our moulds, consumables and other production overheads. Our manufacturing overheads are dependent upon our production volume.

(iv) R&D expenses

R&D expenses accounted for approximately 2.9%, 3.2% and 2.2% of our cost of sales for each of FY2007, FY2008 and FY2009 respectively. Our R&D expenses are included in our cost of sales as R&D forms an integral part of most of the products which we sell to our customers. R&D expenses mainly include our product design and development costs such as the cost of the raw materials and moulds used for our prototypes, as well as the cost of samples, testing fees for prototypes and the salaries and other expenses for our R&D staff. During the Period under Review, R&D expenses were charged to the combined income statement of the Group as incurred. R&D expenses are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. R&D expenses which does not meet these criteria is expensed when incurred.

A breakdown of the main components of our cost of sales as a percentage of our cost of sales for the Period under Review is as follows:

	FY2007		FY2008		FY2009	
	RMB'000	As a % of cost of sales	RMB'000	As a % of cost of sales	RMB'000	As a % of cost of sales
Direct materials	141,923	62.8	300,129	65.4	390,740	65.4
Direct labour	43,914	19.4	88,277	19.3	117,560	19.7
Manufacturing overheads	33,566	14.9	55,588	12.1	75,765	12.7
R&D expenses	6,609	2.9	14,494	3.2	13,529	2.2
Total	226,012	100.0	458,488	100.0	597,594	100.0

A breakdown of the main components of our cost of sales as a percentage of our total revenue for the Period under Review is as follows:

	FY2007		FY2008		FY2009	
	RMB'000	As a % of revenue	RMB'000	As a % of revenue	RMB'000	As a % of revenue
Direct materials	141,923	48.3	300,129	47.8	390,740	46.9
Direct labour	43,914	14.9	88,277	14.1	117,560	14.1
Manufacturing overheads	33,566	11.4	55,588	8.9	75,765	9.1
R&D expenses	6,609	2.3	14,494	2.3	13,529	1.6
Total	226,012	76.9	458,488	73.1	597,594	71.7

Other Income and Gains

Other income and gains comprises income from interest income on our bank deposits and gains on disposal of scraps.

Selling and Distribution Expenses

Selling and distribution expenses comprise primarily advertising expenses, transportation expenses for the delivery of our products to our customers, as well as the salaries for our sales staff and entertainment expenses (incurred by our sales department for marketing activities) and travelling expenses. For each of FY2007, FY2008 and FY2009, selling and distribution expenses were RMB6.3 million, RMB10.6 million and RMB11.9 million respectively, representing 2.1%, 1.7% and 1.4% of our total revenue respectively.

Administrative Expenses

Administrative expenses comprise primarily staff salaries and staff-related costs (including directors, management and administrative personnel), local levies (including stamp duties, building ownership levies, land use rights levies), depreciation for our assets which are non-production related, entertainment expenses (incurred by our top management for meetings with professional parties or other governmental bodies) and travelling expenses of our management, utility charges, legal and professional fees and bank charges. For each of FY2007, FY2008 and FY2009, administrative expenses were RMB12.8 million, RMB18.1 million and RMB21.1 million, representing 4.4%, 2.9% and 2.5% of our total revenue respectively.

Finance Costs

Our finance costs consist of interest on bank borrowings.

Other Expenses

Other expenses in FY2009 comprise bad debts amounting to RMB102,000 which were written off when one of our customers ceased their operations. There were no other other expenses in FY2007 and FY2008.

Income Tax Expense

Income tax expense represent the tax charges provided in respect of the assessable income derived from our operations in the PRC. Our effective tax rate for FY2007, FY2008 and FY2009 were approximately 4.1%, 2.5% and 8.8% respectively.

In accordance with the tax law of Hong Kong, our subsidiary, Qingmei (HK), is subject to the Hong Kong corporate profits tax rate of 16.5%. However, no provision for the Hong Kong profits tax has been made as we did not generate any assessable profit arising in Hong Kong during the Period under Review. Robertsons, the legal advisors to the Company on Hong Kong law, has advised that our Group will not be subject to withholding taxes in respect of capital gains and dividends derived from Qingmei (HK). We were also not subject to any tax in the Cayman Islands and the BVI during the Period under Review.

In accordance with the “Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises” and its implementing rules, our PRC subsidiary, namely Qingmei (PRC), which is a WFOE, has obtained approvals from the PRC tax authorities entitling it to full exemption from EIT for the first two years and a 50.0% reduction in EIT for the next three years, commencing from the first profitable year (after deducting losses carried forward). Qingmei (PRC) had elected to apply for tax assessment on its profit for calendar year 2006 as it operated less than six months in 2006 and accordingly, an amount of RMB2.0 million was charged on the profit for the period from 1 July 2006 to 31 December 2006. Accordingly, Qingmei (PRC) was exempted from EIT during the calendar years ended 31 December 2007 and 31 December 2008, being its first two profit making years. Qingmei (PRC) was and would be subject to a reduced EIT of 12.5% for the three calendar years ended 31 December 2009, 31 December 2010 and 31 December 2011. The income tax expense for FY2008 was RMB3.5 million, representing the amount of deferred tax charged on the undistributed earnings of Qingmei (PRC).

Upon expiry of the tax holiday on 31 December 2011, a unified income tax rate of 25.0% is applicable to Qingmei (PRC).

Under the New EIT Law and its implemental regulations that became effective in January 2008, dividends distributed by foreign invested enterprises to its overseas shareholders are subject to a withholding tax at a rate of 10.0%, unless a lower rate applies for tax treaty countries.

Effects of Inflation

Our FY2007, FY2008 and FY2009 financial results were not materially affected by inflation.

REVIEW OF PAST OPERATING PERFORMANCE

Breakdown of revenue by product segments

	FY2007		FY2008		FY2009	
	RMB'000	%	RMB'000	%	RMB'000	%
MD II shoe soles	67,476	23.0	140,798	22.4	416,150	49.9
MD I shoe soles	212,904	72.4	456,717	72.8	386,322	46.3
RB shoe soles	13,541	4.6	29,875	4.8	31,280	3.8
Total	293,921	100.0	627,390	100.0	833,752	100.0

Breakdown of gross profit by product segments

	FY2007		FY2008		FY2009	
	RMB'000	%	RMB'000	%	RMB'000	%
MD II shoe soles	16,193	23.8	40,067	23.7	131,747	55.8
MD I shoe soles	51,240	75.5	127,323	75.4	102,993	43.6
RB shoe soles	476	0.7	1,512	0.9	1,418	0.6
Total	67,909	100.0	168,902	100.0	236,158	100.0

Gross profit margin by product segments

	FY2007	FY2008	FY2009
	%	%	%
MD II shoe soles	24.0	28.5	31.7
MD I shoe soles	24.1	27.9	26.7
RB shoe soles	3.5	5.1	4.5
Overall	23.1	26.9	28.3

Breakdown of sales volume and average selling price by product segments

	FY2007		FY2008		FY2009	
	Total units sold	Average selling price⁽¹⁾	Total units sold	Average selling price⁽¹⁾	Total units sold	Average selling price⁽¹⁾
	'000	RMB	'000	RMB	'000	RMB
MD II shoe soles	2,542	26.5	4,929	28.6	14,002	29.7
MD I shoe soles	8,010	26.6	16,461	27.7	14,251	27.1
RB shoe soles	1,238	10.9	2,497	12.0	2,641	11.8
Total/Overall	11,790	24.9	23,887	26.3	30,894	27.0

Note:

- (1) Average selling price of a product segment represents the total revenue for the product segment sold divided by the total number of units of that product segment sold for the year.

FY2008 vs FY2007

Revenue

Revenue increased by 113.5% or RMB333.5 million from RMB293.9 million in FY2007 to RMB627.4 million in FY2008, primarily as a result of the increase in revenue from the sale of all our products. The increase is primarily attributable to an increase in the sales volume and average selling prices of our products.

For FY2007, we only commenced sales in October 2006 and recorded sales for a period of nine months as compared to 12 months in FY2008.

Revenue from the sale of MD II, MD I and RB shoe soles increased by 108.7% or RMB73.3 million, 114.5% or RMB243.8 million and 120.6% or RMB16.3 million in FY2008 as compared to FY2007.

Overall sales volume increased by 102.5% or 12.1 million pairs from 11.8 million pairs in FY2007 to 23.9 million pairs in FY2008. Sale of MD II shoe soles increased by 96.0% or 2.4 million pairs from 2.5 million pairs in FY2007 to 4.9 million pairs in FY2008. Sale of MD I shoe soles increased by 106.3% or 8.5 million pairs from 8.0 million pairs in FY2007 to 16.5 million pairs in FY2008. Sale of RB shoe soles increased by 108.3% or 1.3 million pairs from 1.2 million pairs in FY2007 to 2.5 million pairs in FY2008.

Overall average selling price increased by 5.6% or RMB1.4 from RMB24.9 in FY2007 to RMB26.3 in FY2008. The average selling price of our MD II shoe soles increased by 7.9% from RMB26.5 in FY2007 to RMB28.6 in FY2008. The average selling price of our MD I shoe soles increased by 4.1% from RMB26.6 in FY2007 to RMB27.7 in FY2008. The average selling price of our RB shoe sole increased

by 10.1% from RMB10.9 in FY2007 to RMB12.0 in FY2008. The increase in overall average selling prices was due to our customers ordering more complex models of our MD II, MD I and RB shoe sole products with more aesthetic and functional components assembled to them.

The significant increase in revenue can be mainly attributed to the following:

- (i) Increased orders from customers and expanded customer base as a result of our commitment to product quality and establishing ourselves as a reliable manufacturer of quality sports shoe soles

Our customer base increased from 62 in FY2007 to 67 in FY2008.

The increase in the sale of our MD II shoe soles was due to the increased orders from our existing MD II customers, existing MD I and/or RB customers and new customers. These customers accounted respectively for 89.2%, 6.0% and 4.8% of our MD II shoe soles sold in FY2008. During the year, there was a net increase of 13 customers who ordered MD II shoe soles from us, from 48 in FY2007 to 61 in FY2008.

The increase in the sales of our MD I shoe soles was due to the increased orders from our existing MD I customers and new customers. These customers accounted for 95.2% and 4.8% of our MD I shoe soles sold in FY2008. During the year, there was a net increase of five customers who ordered MD I shoe soles from us, from 62 in FY2007 to 67 in FY2008.

The increase in the sales of our RB shoe soles was due to the increased orders from our existing RB customers, existing MD II and/or MD I customers and new customers. These customers accounted for 89.8%, 8.4% and 1.8% of our RB shoe soles sold in FY2008. During the year, there was a net increase of nine customers who ordered RB shoe soles from us, from 42 in FY2007 to 51 in FY2008.

- (ii) Our continuous focus in product design and development which enabled us to continuously introduce new products which are well-received by our customers

During FY2008, we successfully implemented the commercialisation of 61 new shoe sole designs comprising 18 new MD II shoe sole designs, 35 new MD I shoe sole designs and eight new RB shoe sole designs. As at the end of FY2008, we had product designs of 129 as compared to 92 as at the end of FY2007 which were in production in the relevant year. The details are as follows:

	As at 30 June 2007	As at 30 June 2008	% change
MD II shoe soles	17	32	88.2%
MD I shoe soles	65	81	24.6%
RB shoe soles	10	16	60.0%
Total	92	129	40.2%

Cost of sales, gross profit and gross profit margin

Our cost of sales for our sports shoe soles increased by RMB232.5 million or approximately 102.9% from RMB226.0 million in FY2007 to RMB458.5 million in FY2008 mainly due to the increase in our operations. Our cost of sales increased at a slower rate than the increase in our revenue of 113.5% during this period. Direct materials, direct labour, manufacturing overheads and R&D expenses increased by 111.5%, 101.1%, 65.5% and 119.7%, from RMB141.9 million, RMB43.9 million, RMB33.6 million and RMB6.6 million in FY2007 to RMB300.1 million, RMB88.3 million, RMB55.6 million and RMB14.5 million in FY2008, respectively.

For FY2007, we had nine months of production as compared to 12 months in FY2008.

The increase in the cost of direct materials was mainly due to the increase in our production volume as well as the increase in the average unit prices of EVA resin and rubber by 3.2% and 13.2% respectively, offset by the marginal decrease in the average unit price of TPU by 0.2%. The significant increase in the price of rubber was due to the general increase in the prices of petrochemical and commodity products.

The increase in the cost of direct labour was mainly due to the increase in our production staff from 2,769 as at the end of FY2007 to 3,089 as at the end of FY2008 to cope with the increase in sales orders.

The increase in our R&D expenses was mainly due to our increased product design and development activities carried out in collaboration with our customers as FY2008 was our second year of operations, and we had increased our product design and development capabilities in FY2008.

The increase in manufacturing overheads was mainly due to an increase in coal usage by RMB6.0 million, an increase in utilities by RMB7.5 million, an increase in consumables and sundries production costs by RMB1.8 million as production volume increased, an increase in depreciation expenses by RMB5.1 million as we acquired more production equipments and moulds and an increase in payroll for production administrative and management staff by RMB1.6 million as we increased the headcount of production administrative staff and management. Our manufacturing overheads however increased at a less than proportionate rate as compared with the increase in revenue, mainly due to the cost savings from economies of scale achieved with the increase in our sales volume of 102.5% from 11.8 million pairs of sports shoe soles in FY2007 to 23.9 million pairs of sports shoe soles in FY2008.

Save for our R&D expenses, the other components of our cost of sales increased at a slower rate than the increase in our revenue. The average selling price of our MD II, MD I and RB shoe soles increased by 7.9%, 4.1% and 10.1% respectively and as a result, our gross profit for our sports shoe soles increased by RMB101.0 million or approximately 148.7% from RMB67.9 million in FY2007 to approximately RMB168.9 million in FY2008, more than the increase in our revenue. Our gross profit margin increased from 23.1% in FY2007 to 26.9% in FY2008.

Other income and gains

Other income and gains increased by 400.0% or RMB0.8 million from RMB0.2 million in FY2007 to RMB1.0 million in FY2008 due to an increase in interest income of RMB0.7 million and gains on disposal of scrap materials of RMB0.1 million.

Selling and distribution expenses

Selling and distribution expenses increased by RMB4.3 million or 68.3% from RMB6.3 million in FY2007 to RMB10.6 million in FY2008, primarily due to the increase in advertising expenses of RMB3.2 million as a result of our efforts to increase the public's awareness of our Group, and an increase in entertainment expenses (incurred by our sales department for marketing activities) of RMB1.0 million.

Administrative expenses

Administrative expenses increased by RMB5.3 million or 41.4% from RMB12.8 million in FY2007 to RMB18.1 million in FY2008, primarily due to increases in salaries and staff related expenses by RMB1.4 million as we increased the number of employees to cope with the increased business activities, an increase in local levies by RMB2.1 million, an increase in depreciation expenses by RMB1.0 million and an increase in entertainment expenses (incurred by our top management for

meetings with professional parties or other governmental bodies) by RMB0.5 million. Depreciation in FY2007 was over a period of 10 months as compared to 12 months in FY2008 as we only commenced our operations in September 2006.

Finance costs

Finance costs increased by RMB3.2 million or 3,200.0% from RMB0.1 million in FY2007 to RMB3.3 million in FY2008, primarily due to an increase in the average bank borrowings.

Income tax expense

Income tax expense increased significantly by RMB1.5 million or 75.0% from RMB2.0 million in FY2007 to RMB3.5 million in FY2008 due to the recognition of deferred tax of RMB3.5 million in relation to withholding tax on undistributed earnings.

Profit for the year

As a result of the above, our net profit increased by 186.0% from RMB47.0 million in FY2007 to RMB134.4 million in FY2008 and our net profit margin increased from 16.0% in FY2007 to 21.4% in FY2008.

FY2009 vs FY2008

Revenue

Revenue increased by 32.9% or RMB206.4 million from RMB627.4 million in FY2008 to RMB833.8 million in FY2009. The increase in revenue is primarily due to an increase in the sales volume and the average selling price of our MD II shoe soles, offset by a decrease in the sales volume and the average selling price of our MD I shoe soles. This was mainly a result of a shift in the demand from MD I shoe soles to MD II shoe soles.

Revenue from the sales of our MD II shoe soles and RB shoe soles increased by 195.6% or RMB275.4 million and 4.7% or RMB1.4 million, respectively, and was partially offset by a decrease in the sale of MD I shoe soles by 15.4% or RMB70.4 million in FY2009 as compared to FY2008.

Overall sales volume increased by 29.3% or 7.0 million pairs from 23.9 million pairs in FY2008 to 30.9 million pairs in FY2009. Sales of MD II shoe soles increased by 185.7% or 9.1 million pairs from 4.9 million pairs in FY2008 to 14.0 million pairs in FY2009. Sales of MD I shoe soles decreased by 13.3% or 2.2 million pairs from 16.5 million pairs in FY2008 to 14.3 million pairs in FY2009. Sales of RB shoe soles increased by 4.0% or 0.1 million pairs from 2.5 million pairs in FY2008 to 2.6 million pairs in FY2009.

Overall average selling price increased by 2.7% or RMB0.7 from RMB26.3 in FY2008 to RMB27.0 in FY2009. The average selling price of our MD II shoe soles increased by 3.8% or RMB1.1 from RMB28.6 in FY2008 to RMB29.7 in FY2009. The average selling price of our MD I shoe soles decreased by 2.2% or RMB0.6 from RMB27.7 in FY2008 to RMB27.1 in FY2009. The average selling price of our RB shoe soles decreased by 1.7% or RMB0.2 from RMB12.0 in FY2008 to RMB11.8 in FY2009. The overall average selling prices of our products may increase or decrease depending on the complexity of the models of our MD II, MDI and RB shoe sole products ordered by our customers, determined by the number of aesthetic and functional components assembled to them.

The significant increase in revenue can be mainly attributed to the following:

(i) Increased orders from customers and expanded customer base

Our customer base increased from 67 in FY2008 to 73 in FY2009.

The increase in the sales of our MD II shoe soles was due to the increased orders from our existing MD II customers, existing MD I and/or RB customers, and new customers. These customers accounted respectively for 84.0%, 4.4% and 11.6% of our MD II shoe soles sold in FY2009. During the year, there was a net increase of 6 customers who purchased MD II shoe soles from us, from 61 in FY2008 to 67 in FY2009.

The decrease in the sales of our MD I shoe soles was due to the decreased orders from our existing MD I customers, offset by the increased orders from our new customers. Our existing MD I customers and our new customers accounted respectively for 89.1% and 10.9% of our MD I shoe soles sold in FY2009. During the year, there was a net increase of 6 customers who ordered MD I shoe soles from us, from 67 in FY2008 to 73 in FY2009.

The increase in the sales of our RB shoe soles was due to the increased orders from our existing RB customers, existing MD II and/or MD I customers and new customers. These customers accounted for 81.3%, 15.0% and 3.7% of our RB shoe soles sold in FY2009. There was no net change in the number of customers who ordered RB shoe soles from us.

(ii) Our continuous focus in product design and development

During FY2009, we successfully implemented the commercial production of 86 new shoe sole designs comprising 56 new MD II shoe sole designs, 16 new MD I shoe sole designs and 14 new RB shoe sole designs respectively. As at the end of FY2009, we had product designs of 178 as compared to 129 as at the end of FY2008 which were in production for the relevant year. The details are as follows:

	As at 30 June 2008	As at 30 June 2009	% change
MD II shoe soles	32	80	150.0%
MD I shoe soles	81	76	(6.2)%
RB shoe soles	16	22	37.5%
Total	129	178	38.0%

The production process of MD II shoe soles are more versatile and allow more intricate designs and functions to be incorporated. Therefore we were able to offer a wider range of designs to our customers as compared to MD I shoe soles. Hence, there was a significant shift in the demand for our MD II shoe soles.

Cost of sales, gross profit and gross profit margin

Our cost of sales for our sport shoe soles increased by RMB139.1 million or approximately 30.3% from RMB458.5 million in FY2008 to RMB597.6 million in FY2009. Our cost of sales increased at a slower rate than the increase in our revenue of 32.9% during this period.

The following table sets out the changes in the components of our cost of sales:

	FY2008 RMB million	FY2009 RMB million	Increase/ (Decrease) %
Direct materials	300.1	390.7	30.2
Direct labour	88.3	117.6	33.3
Manufacturing overheads	55.6	75.8	36.3
R&D expenses	14.5	13.5	(6.9)
Total	458.5	597.6	30.3

The increase in direct materials was mainly due to the increase in our production volume as well as the increase in average unit price of rubber by 7.3%, offset by the decrease in the average unit price of EVA resins and TPU by 1.3% and 4.9% respectively. The increase in the price of rubber was due mainly to the general increase in the prices of petrochemical and commodity products during the first half of FY2009.

The increase in direct labour was mainly due to the increase in our production volume which resulted in higher wages as well as an increase in our production staff from 3,089 as at the end of FY2008 to 3,180 as at the end of FY2009.

The decrease in our R&D expenses was mainly due to our ability to leverage on the experience gained over the years which resulted in higher efficiencies, including raw material usage and moulding costs.

The increase in manufacturing overheads was mainly due to an increase in coal usage by RMB12.0 million as we operated additional one boiler to facilitate the increase of production volume, an increase in utilities by RMB3.7 million, an increase consumables and sundries production costs by RMB0.7 million as production volume increased, an increase in depreciation expenses by RMB3.2 million as we acquired more production equipments and moulds and an increase in payroll for production administrative and management staff by RMB0.6 million as we increased average staff salaries of production administrative and management.

Our direct labour, manufacturing and direct material expenses increased save for our R&D expenses which decreased. Our direct material expenses increased at a slower rate than in our revenue. As a result, our gross profit for our sport shoe soles increased by RMB67.3 million or approximately 39.8% from RMB168.9 million in FY2008 to RMB236.2 million in FY2009, proportionately more than the increase in our revenue. Our gross profit margin increased from 26.9% in FY2008 to 28.3% in FY2009, due mainly to the increase in the average selling price of our MD II shoe soles by 3.8% partially offset by the decrease in the average selling price of our MD I and RB shoe soles by 2.2% and 1.7% respectively.

Other income and gains

Other income and gains increased by 120.0% or RMB1.2 million from RMB1.0 million in FY2008 to RMB2.2 million in FY2009 due to an increase in sundry income (incurred from the reversal of payables on an acquisition of a set of machineries pursuant to legal proceedings instituted by Qingmei (PRC) against Suzhou Chengxin Machinery Co., Ltd, an equipment provider for the breach of contract as disclosed in the section "Litigation" of this Prospectus) of RMB1.8 million, offset by a decrease in interest income of RMB0.5 million and gains on disposal of scrap materials of RMB0.1 million.

Selling and distribution expenses

Selling and distribution expenses increased by RMB1.3 million or 12.3% from RMB10.6 million in FY2008 to RMB11.9 million in FY2009. This was a result of increases in (i) advertising expenses (comprising television and billboard advertisements) and sponsorships at varying sporting events

collectively, by RMB0.5 million, (ii) entertainment expenses incurred by our sales department for marketing activities, by RMB0.5 million and (iii) delivery related expenses, by RMB0.2 million.

Selling and distribution expenses represented 1.4% of our total revenue in FY2009, as compared to 1.7% of our total revenue in FY2008.

Administrative expenses

Administrative expenses increased by RMB3.0 million or 16.6% from RMB18.1 million in FY2008 to RMB21.1 million in FY2009, primarily due to increases in salaries and staff related expenses by RMB1.0 million as we increased our headcount and staff salaries, an increase in local levies by RMB1.2 million and an increase in entertainment expenses (incurred by our top management for meetings with professional parties or other governmental bodies) by RMB0.4 million as our business activities increased.

Finance costs

Finance costs increased by 60.6% from RMB3.3 million in FY2008 to RMB5.3 million in FY2009, primarily due to an increase in the average bank borrowings during the year.

Income tax expense

Income tax expense increased significantly by 400.0% from RMB3.5 million in FY2008 to RMB17.5 million in FY2009, primarily due to the increase in profit before income tax as a result of the increase in the applicable tax rate of Qingmei (PRC), which increased from nil in FY2008 to 12.5% for the period between January 2009 and June 2009.

Profit for the year

As a result of the above, our net profit increased by 35.8% from RMB134.4 million in FY2008 to RMB182.5 million in FY2009 and our net profit margin increased from 21.4% in FY2008 to 21.9% in FY2009.

REVIEW OF PAST FINANCIAL POSITION

Non-current assets

Our non-current assets comprise property, plant and equipment ("PPE"), land use rights and deposits paid for land use rights.

As at 30 June 2009, PPE amounted to RMB188.4 million. PPE comprise leasehold buildings, plant and machinery, motor vehicles, furniture, fixtures and office equipment and construction in progress ("CIP"). Other than CIP, depreciation on PPE is provided on the straight line basis to write off the cost of PPE, less any estimated residual values, over the following estimated useful lives:

	Estimated Useful Life (Years)
Leasehold buildings	The shorter of the lease terms and 20 years
Plant and machinery	1–10
Motor vehicles	5
Furniture, fixtures and office equipment	5

The assets' estimated residual values, depreciation method and useful lives are reviewed and adjusted as appropriate, at each balance sheet date.

CIP, which represents buildings under construction, and plant and machinery pending installation, is stated at cost less impairment losses, if any. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP. CIP is reclassified to the appropriate category of PPE when completed and ready for use.

Land use rights amounted to RMB77.9 million as at 30 June 2009. Land use rights are rights acquired in respect for parcels of land in aggregate of 46,174 sq m of land in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC, where the Group's existing production facilities are located. These are stated at cost and are amortised on a straight-line basis over the lease term of 53 years.

Deposits paid for land use rights amounted to RMB16.6 million as at 30 June 2009. This arose from the Transfer Agreements made between Qingmei (PRC) and 21 farmers in respect of the acquisition of land use rights of new parcels of land of an aggregate land area of 11,920 sq m, being adjacent to the Group's existing production facility at Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC. Pursuant to the Transfer Agreements, Qingmei (PRC) paid these farmers an aggregate amount of RMB16.6 million as acquisition costs.

Current assets

As at 30 June 2009, our current assets comprise inventories, trade and other receivables, prepayments, pledged bank deposits and cash and cash equivalents. Current assets amounted to RMB245.4 million or 46.4% of total assets as at 30 June 2009.

Inventories amounted to RMB25.5 million and comprise raw materials of RMB5.7 million, work in progress of RMB18.2 million and finished goods of RMB1.6 million.

Trade and other receivables amounted to RMB190.8 million and comprise trade receivables of RMB185.0 million and other receivables of RMB5.8 million.

Pledged bank deposits amounted to RMB12.7 million, which were pledged as security for bills payables to banks.

Cash and cash equivalents amounted to RMB16.1 million.

Current liabilities

As at 30 June 2009, our current liabilities comprise trade and bills payables, other payables and accruals, interest-bearing bank borrowings and current income tax liabilities. Current liabilities amounted to RMB228.3 million as at 30 June 2009.

Trade and bills payables amounted to RMB106.7 million and comprise trade payables of RMB70.0 million and bills payables of RMB36.7 million.

Other payables and accruals amounted to RMB48.4 million and comprise other payables (comprising mainly payables for land use rights, value-added tax and others) of RMB33.2 million and accruals of RMB15.2 million.

Interest-bearing bank borrowings amounted to RMB62.0 million and comprise short-term bank borrowings of RMB48.0 million and factor loan financing of RMB14.0 million.

Our income tax payable amounted to RMB11.2 million.

Non-current liabilities

As at 30 June 2009, our deferred tax liabilities amounted to RMB2.5 million.

Equity

Equity comprise share capital of RMB68,000 and reserves (capital and statutory) of RMB297.5 million.

LIQUIDITY AND CAPITAL RESOURCES

Since our establishment, our growth and operations have been funded through a combination of shareholders' equity, cash generated from operating activities, retained profits, credit from our suppliers, cash advances from Fujian Qingmei and bank borrowings.

Please refer to the section entitled "Past Interested Person Transactions" in this Prospectus for more information on the cash advances due from Qingmei (PRC) to Fujian Qingmei.

Our primary uses of cash have been for meeting our capital expenditures, working capital requirements, other expenses, repayment of borrowings and financial expenses. We have been able to repay our bank borrowings as and when they are due.

As at the Latest Practicable Date, our cash and cash equivalents amounted to approximately RMB141.2 million.

As at the Latest Practicable Date, we have total banking facilities (comprising bank borrowings and factor loan financing) of approximately RMB75.0 million, all of which have been utilised. Further details of our banking facilities as at 30 June 2009 and as at the Latest Practicable Date can be found in the section entitled "Capitalisation and Indebtedness" in this Prospectus.

Our Directors are of the opinion that, as at the date of lodgment of this Prospectus, after taking into account our cash and cash equivalents position, available bank facilities, bank loans and cash from operating activities, we have adequate working capital for our present requirements.

The following table is a condensed summary of our combined cash flow statements for the periods indicated:

RMB'000	For the financial year ended 30 June		
	2007	2008	2009
Net cash generated from operating activities	73,368	72,893	210,839
Net cash used in investing activities	(137,542)	(92,269)	(98,416)
Net cash generated from/(used in) financing activities	56,293	18,704	(97,518)
Net (decrease)/increase in cash and cash equivalents	(7,881)	(672)	14,905
Effect on foreign exchange rate changes	—	—	2
Cash and cash equivalents at the beginning of the year	9,781	1,900	1,228
Cash and cash equivalents at the end of the year	1,900	1,228	16,135

FY2007

We recorded net cash generated from operating activities of RMB73.4 million. This comprised operating profits before changes in working capital of RMB70.4 million adjusted for net working capital inflows of RMB5.0 million and income tax payment of RMB2.0 million.

The net working capital inflow was a result of the following:

- (1) an increase in trade and bills payables and other payables of RMB78.1 million, primarily due to the increased business activity from nil when we commenced our operations in September 2006; and

- (2) an increase in amount due to Fujian Qingmei of RMB37.3 million as a result of cash advances of RMB66.5 million and payment paid on behalf of the Company in respect of insurance premiums of RMB0.2 million offset by repayments to Fujian Qingmei amounting to RMB29.4 million.

The above inflows were partially offset by:

- (1) an increase in trade receivables of RMB91.5 million, primarily due to the increased sales volume from nil when we commenced our operation in September 2006; and
- (2) an increase in inventories of RMB18.9 million, primarily due to the increased sales volume.

We recorded net cash used in investing activities of RMB137.5 million in FY2007, which was primarily due to payment for purchases of fixed assets of RMB129.6 million and an increase in pledged bank deposits of RMB8.0 million, which was used to secure our bills payables.

Net cash generated from financing activities amounted to RMB56.3 million in FY2007. This was primarily due to proceeds from bank loans of RMB12.0 million and proceeds from capital injection of RMB44.4 million from Mr. Su Qingyuan.

FY2008

We recorded net cash generated from operating activities of RMB72.9 million. This comprised operating profits before changes in working capital of RMB168.1 million adjusted for net working capital outflows of RMB95.2 million. The net working capital outflow was a result of the following:

- (1) a decrease in amount due to Fujian Qingmei of RMB61.7 million, as a result of repayments to Fujian Qingmei amounting to RMB73.9 million, offset by cash advances of RMB12.0 million and payment on behalf of the Company in respect of insurance premiums of RMB0.2 million;
- (2) an increase in trade receivables of RMB38.7 million primarily due to the increase in sales volume; and
- (3) an increase in inventories of RMB14.5 million primarily due to the increased sales volume.

The above net outflows were partially offset by an increase in trade and bills payables and other payables of RMB19.7 million primarily due to the increased sales volume.

We recorded net cash used in investing activities of RMB92.3 million in FY2008, which was primarily due to payment for purchases of fixed assets of RMB52.5 million, instalment payment for purchases of land use rights of RMB43.5 million (please refer to the section entitled "Material Capital Expenditures and Divestments" for further details of such instalment scheme), partially offset by a decrease in pledged bank deposits of RMB3.0 million and interest received of RMB0.8 million.

Net cash generated from financing activities amounted to RMB18.7 million in FY2008. This was primarily due to proceeds from bank loans of RMB61.0 million and proceeds from capital injection of RMB3.0 million, which were partially offset by the repayment of bank loans of RMB12.0 million, interest payment of RMB3.3 million and a partial dividend payment of RMB30.0 million.

FY2009

We recorded net cash generated from operating activities of RMB210.8 million. This comprised operating profit before changes in working capital of RMB236.0 million adjusted for net working capital outflows of RMB17.9 million and income tax payment of RMB7.3 million. The net working capital outflow was a result of the following:

- (1) an increase in trade and other receivables of RMB60.7 million primarily due to the increase in sales volume; and
- (2) a decrease in the amount due to Fujian Qingmei of RMB15.5 million, as a result of repayments to Fujian Qingmei amounting to RMB45.7 million, offset by cash advances of RMB30.0 million and payments on behalf of the Company in respect of insurance premium of RMB0.2 million.

The above net outflows were partially offset by:

- (1) an increase in trade and bills payables and other payables of RMB50.6 million primarily due to the increased sales volume; and
- (2) a decrease in inventories of RMB7.7 million due to more efficient production planning resulting in a decrease in turnover days.

We recorded net cash used in investing activities of RMB98.4 million in FY2009, which was primarily due to payment for purchases of fixed assets of RMB53.3 million, payment for purchases and deposits of land use rights of RMB37.7 million, consisting of (i) the deposits made for the new parcels of land of approximately RMB16,641,000, and (ii) the instalment payments of existing land use rights where our existing production facilities are located, of approximately RMB21,041,000 (please refer to the section entitled “Material Capital Expenditures and Divestments” for further details of such instalment scheme) and an increase in pledged bank deposits of RMB7.7 million, partially offset by interest received of RMB0.3 million.

Net cash used in financing activities amounted to RMB97.5 million in FY2009. This was primarily due to proceeds from bank loans of RMB74.0 million, which were partially offset by repayment of bank loans of RMB73.0 million, interest payment of RMB5.3 million and dividend payment of RMB93.3 million.

MATERIAL CAPITAL EXPENDITURES AND DIVESTMENTS

The following table sets forth a breakdown of our major capital expenditures in each of FY2007, FY2008 and FY2009 and for the period from 1 July 2009 to the Latest Practicable Date:

RMB'000	For the financial year ended 30 June			1 July 2009 to the Latest Practicable Date
	2007	2008	2009	
Acquisitions				
Leasehold buildings	139,793 ⁽¹⁾	—	—	3,000 ⁽¹⁾
Plant and machinery	74,305	20,423	17,453	7,686
Motor vehicles	2,321	2,364	—	466
Furniture, fixtures and office equipment	2,737	95	1,421	—
Construction in progress	—	—	2,504	(2,504) ⁽¹⁾
	219,156	22,882	21,378	8,648
Deposits				
Deposits paid for land use rights	—	—	16,641	—
Divestments				
Plant and machinery	—	—	—	342
Furniture, fixtures and office equipment	—	—	—	19
	—	—	—	361
Total	219,156	22,882	38,019	8,287

Note:

- (1) These figures include amounts transferred in from our construction-in-progress in relation to the construction of a new warehouse which was completed and transferred to leasehold buildings.

Acquisitions

With the establishment of Qingmei (PRC) in April 2006, land use rights of parcels of land in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC were acquired for the construction of its production facilities.

The cost of these land use rights of RMB82,991,000 comprised (i) consideration paid to the farmers as acquisition costs ("Consideration to Farmers") of RMB59,519,000, (ii) payments made to the relevant PRC governmental authorities to obtain the necessary approvals and certificates in respect of these land use rights ("Payments to PRC Government") of RMB17,274,000, and (iii) tax and levy expenses incurred in respect of these land use rights ("Tax and Levy Expenses") of RMB6,198,000.

The Consideration to Farmers of RMB59,519,000 was paid for by Qingmei (PRC) in instalments according to the payment schedule in the sale and purchase agreements which were entered into in April 2006, as set out below:

- (1) 20% of the consideration to be paid within 3 months after signing of the agreement;
- (2) 30% of the consideration to be paid within 24 months after signing of the agreement; and
- (3) the balance of the consideration to be paid within 30 months after signing of the agreement.

The Payments to PRC Government and Tax and Levy Expenses made by Qingmei (PRC) were not made in accordance with any payment schedule. These payments were made as and when the relevant approvals were obtained from the authorities and the Agreement on Grant of State-owned Land Use Right (国有土地使用权出让合同) was executed by Jinjiang Municipal Land Resources Bureau and Qingmei (PRC).

The breakdown of the payments in approximate figures made by Qingmei (PRC) from FY2006 to FY2010 (August 2009) in respect of these land use rights are set out below:

RMB'000	Consideration to Farmers	Payment to PRC Government	Tax and Levy Expenses	Total
Total cost	59,519	17,274	6,198	82,991
Amount paid in FY2006	(11,904)	—	—	(11,904)
Amount paid in FY2007	— ⁽¹⁾	—	—	—
Amount paid in FY2008	(41,200)	(2,336)	—	(43,536)
Amount paid in FY2009	(6,415)	(14,013)	(613)	(21,041)
Outstanding amount as at 30 June 2009	—	925	5,585	6,510
Amount paid in August 2009 (FY2010)	—	(925)	(2,431)	(3,356)
Outstanding amount as at the Latest Practicable Date	—	—	3,154 ⁽²⁾	3,154

Notes:

- (1) Qingmei (PRC) had not made any payment in FY2007 as it was not required to do so pursuant to the payment schedule set out above.

- (2) This outstanding amount of RMB3,154,000 represents the tax expenses charged by the PRC local government in accordance with prevailing local governmental regulation which is to be payable in due course. As at the Latest Practicable Date, the relevant government authority has not requested for such payment from Qingmei (PRC).

The acquisitions of leasehold buildings and plant and machinery in FY2007 amounted to RMB139.8 million and RMB74.3 million respectively. The leasehold buildings acquired include facilities for production, warehousing and administration. Plant and machinery and moulds acquired were in respect of the manufacturing of our MD II shoe soles, MD I shoe soles and RB shoe soles. As at 30 June 2007, Qingmei (PRC) had in place 6 production lines for EVA I Midsoles, 3 production lines for EVA II Midsoles — Stage 1, 19 production lines for EVA II Midsoles — Stage 2, and 16 production lines for RB Outsoles and shoe soles.

Acquisition of plant and machinery in FY2008 in the amount of approximately RMB20.4 million relates mainly to the additional installation of 1 production line for EVA I Midsoles, 4 production lines for EVA II Midsoles — Stage 2 and 3 production lines for RB Outsoles and shoe soles.

Acquisition of plant and machinery in FY2009 in the amount of approximately RMB17.5 million relates mainly to the additional installation of 1 production line for EVA II Midsoles — Stage 1 and 5 production lines for EVA II Midsoles — Stage 2.

From 1 July to the Latest Practicable Date, we incurred approximately RMB3.0 million for the construction of an additional warehouse on our existing land. Plant and machinery acquired during the period amounted to approximately RMB7.7 million.

Deposits

In FY2009, we also paid a deposit of RMB16.6 million in connection with the acquisition of land use rights of new parcels of land, adjacent to our existing production facility at Sucuo Village, Chendai Town, Jinjiang City, PRC. Please refer to the section entitled “Properties and Fixed Assets” in this Prospectus for further information.

Divestments

From 1 July to the Latest Practicable Date, we disposed of approximately RMB0.4 million of plant and machinery as these machineries were obsolete and no longer used for our production.

FOREIGN EXCHANGE MANAGEMENT

Our reporting currency is RMB. Our operating subsidiary, Qingmei (PRC), carries out its operations in the PRC. Accordingly, the functional currency of our subsidiary is RMB and the books and records are maintained in RMB. Transactions in currencies other than the functional currency during the period, if any, will be translated into the functional currency at exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in currencies other than the functional currency at the balance sheet date, if any, will be translated into the functional currency in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss accounts of our Group.

During the relevant periods, all our purchases and sales are denominated in RMB. However, to the extent that we may enter into transactions in currencies other than RMB in the future, our financial results may be subject to fluctuations between such foreign currencies and RMB. Currently we do not have a formal hedging policy with respect to our foreign exchange exposure. We have not used any financial hedging instruments to manage our foreign exchange risk. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise.

CHANGES IN ACCOUNTING POLICIES

There have been no significant changes in our accounting policies for the last three financial years from FY2007 to FY2009. Please refer to the Combined Financial Information set out in Appendix A to this Prospectus for details on our Group's accounting policies.

DIVIDEND POLICY

DIVIDEND AND DIVIDEND POLICY

Subject to the Cayman Companies Law and our Articles, Shareholders in general meeting may from time to time declare a dividend or other distribution but no dividend or distribution shall be declared in excess of the amount recommended by our Directors.

Our Company was incorporated on 28 August 2009 and has not declared and paid dividends to its equity holders since our incorporation.

Qingmei (HK) had declared dividends in the amount of RMB90.0 million for FY2008. The first tranche comprising an amount of RMB30.0 million was paid on 30 June 2008. The balance of RMB60.0 million was fully paid by April 2009.

Qingmei (BVI) had declared dividends in the aggregate amount of RMB83.3 million for FY2009 in two separate tranches. The first tranche comprising an amount of RMB33.3 million was declared on 30 April 2009 and was fully paid by 30 June 2009. The second tranche comprising an amount of RMB50.0 million was declared on 29 September 2009 and was fully paid by 2 November 2009.

Save as disclosed above, no dividends have been paid or proposed by our Company or our subsidiaries for the Period under Review.

Our Group does not have a formal dividend policy. The declaration and payment of dividends in the future will depend on our operating results, financial position, other cash requirements including capital expenditure, restrictions under the terms of our credit facilities (if any), and other factors deemed relevant by our Directors. Therefore, there can be no assurance that dividends will be paid in the future or of the amount or timing of any dividends that may be paid in the future. Subject to our Articles, our Directors may declare an interim dividend, without the approval of our Shareholders.

Subject to the above and in the absence of any circumstances that might reduce the amount of our revenue reserve available for dividend distribution, our Directors intend to recommend and distribute dividends of not less than 30% of our net profits attributable to Shareholders for each of FY2010 and FY2011 (the "Proposed Dividend"). However, investors should note that all the foregoing statements, including the statements on the Proposed Dividend, are merely statements of our present intention and shall not constitute legally binding statements in respect of any future dividends which may be subject to modification (including reduction or non-declaration thereof) in our Directors' sole and absolute discretion. Investors should not treat the Proposed Dividend as an indication of our Group's future dividend policy. No inference should or can be made from any of the foregoing statements as to our actual profitability or ability to pay dividends in the periods discussed.

Our Company will declare dividends, if any, and make payment of the dividends in S\$. Information relating to taxes payable on dividends is set out in Appendix F to this Prospectus.

EXCHANGE CONTROL

The following is a description of the exchange controls that exist in the jurisdiction which our Group operates in.

PRC

Major reforms have been introduced to the foreign exchange control system of the PRC since 1993.

On 28 December 1993, the People's Bank of China (the "PBOC"), with the authorisation of the State Council issued the Notice on Further Reform of the Foreign Exchange Control System which came into effect on 1 January 1994. Other new regulations and implementation measures include the Regulations on the Foreign Exchange Settlement, Sale and Payments which were promulgated on 20 June 1996 and took effect on 1 July 1996 and which contain detailed provisions regulating the settlement, sale and payment of foreign exchange by enterprises, individuals, foreign organisations and visitors in the PRC and the regulations of the PRC on Foreign Exchange Control which were promulgated on 1 January 1996 and took effect on 1 April 1996 and which contain detailed provisions in relation to foreign exchange control.

On 21 July 2005, the People's Bank of China issued Public Announcement of the PBOC on Reforming the RMB Exchange Rate Regime, which stated that from 21 July 2005 China will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. RMB will no longer be pegged to the US dollar and the RMB exchange rate regime will be improved with greater flexibility.

Under these new regulations, the previous dual exchange rate system for RMB was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The PBOC publishes the RMB exchange rate against the US\$ daily and other major foreign currencies daily. Such rate is to be set by reference to the RMB/US\$ and other major foreign currencies trading price on the previous day on the inter-bank foreign exchange market.

The foreign exchange earnings of all PRC enterprises, other than those foreign investment enterprises (the "FIE"), who are allowed to retain a part of their regular foreign exchange earnings or specifically exempted under the relevant regulations, are to be sold to designated banks. Foreign exchange earnings obtained from borrowings from foreign institutions or issues of shares or bonds denominated in foreign currency need not be sold to designated banks, but must be kept in foreign exchange bank accounts of designated banks unless specifically approved otherwise.

At present, control of the purchase of foreign exchange is relaxed. Enterprises within the PRC which require foreign exchange for their ordinary trading and non-trading activities, import activities and repayment of foreign debts may purchase foreign exchange from designated banks if the application is supported by the relevant documents. Furthermore, FIEs may distribute profit to their foreign investors with funds in their foreign exchange bank accounts kept with designated banks. Should such foreign exchange be insufficient, enterprises may purchase foreign exchange from designated banks upon the presentation of the resolutions of the directors on the profit distribution plan of the particular enterprise.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre (the "CFETC") was formally established and came into operation on 1 April 1994. CFETC has set up a computerised network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade and settle their foreign currencies. Prior to 1 December 1998, FIEs may upon their own choice enter into exchange transactions through a swap centre or through designated PRC banks. On 25 October 1998, the PBOC

and the State Administration of Foreign Exchange issued a joint announcement on the abolishment of foreign exchange swap business which stated that from 1 December 1998, foreign exchange transactions will have to be conducted through designated banks. In addition, some swap centres would be abolished while others which are already linked up with the CFETC by the computerised network will be merged with the CFETC and sub-centres to the CFETC.

On 14 January 1997, the Regulations of the People's Republic of China on Foreign Exchange Control were amended such that the payment in and transfer of foreign exchange for current international transactions will no longer be subject to the PRC government control or restrictions.

In addition, on 21 October 2005, State Administration for Foreign Exchange (国家外汇管理局) of the PRC promulgated the Notice Concerning the Foreign Exchange Administration in the Financing and Round-trip Investment Conducted by PRC Residents via Special Purpose Vehicle Companies (国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知). Under the SAFE Notice No. 75, PRC residents have to register their foreign investments with the local SAFE branch prior to the incorporation or taking control of the SPV and prior to the alteration registration through which such SPV acquires the PRC residents' assets for the financing of foreign investments.

Other than the above-mentioned registration requirement, the SAFE Notice No. 75 also requires PRC residents who are majority shareholders in the overseas invested companies to register, modify or record with the local foreign exchange authority within 30 days from the date of any increase/decrease of capital, share transfer, mergers/demergers, change in long-term equity or debts investments and outward guarantees in the SPV. Moreover, profits, dividends and foreign exchange relating to capital changes received by PRC residents from the SPV shall be repatriated to the PRC within 180 days of receiving such amounts. For SPVs which were incorporated or restructured prior to the issue of the new rules, the SAFE Notice No. 75 requires the domestic residents to complete the supplemental registration before 31 March 2006.

When a PRC resident violates the provisions in SAFE Notice No. 75 and it constitutes an evasion of any foreign exchange regulations, SAFE will penalize such PRC resident in accordance with the relevant foreign exchange rules and regulations.

Cayman Islands

There are no exchange control regulations or currency restrictions in the Cayman Islands.

CAPITALISATION AND INDEBTEDNESS

The following table shows the cash and cash equivalents, capitalisation and indebtedness of our Group:

- (a) based on our unaudited management accounts as at the Latest Practicable Date; and
- (b) adjusted to give effect to the proceeds from the issuance of the New Shares pursuant to the Invitation, after deducting our share of the estimated expenses related to the Invitation and taking into account the application of the proceeds from the issue of the New Shares.

You should read this in conjunction with the Combined Financial Information set out in Appendix A to this Prospectus.

RMB'000	As at the Latest Practicable Date	As at the Latest Practicable Date, adjusted for the issuance of New Shares
Cash and cash equivalents	141,190	355,639
Indebtedness		
Short term		
— Factor loan financing, secured	30,000	30,000
— Bank loans, guaranteed	45,000	45,000
Total indebtedness	75,000	75,000
Shareholders' equity	455,452	669,901
Total capitalisation and indebtedness	530,452	744,901

As at the Latest Practicable Date, our cash and cash equivalents amounted to approximately RMB141.2 million.

As at the Latest Practicable Date, our total indebtedness amounted to RMB75.0 million, consisting of factoring loan financing of RMB30.0 million and short term guaranteed bank loans of RMB45.0 million.

As at the Latest Practicable Date, our factoring loan financing is secured by the pledge of our trade receivables amounting to RMB34.2 million and corporate guarantees from third parties. The factoring loan financing is with recourse and bears fixed interest rate between 3.22% to 4.86%.

As at the Latest Practicable Date, our short-term bank loans amounted to RMB45.0 million, which were guaranteed by our Executive Chairman and CEO, Mr. Su Qingyuan, Fujian Qingmei and our customer, Jinjiang Xi Bo Deng Sportswear Co., Ltd. (晋江喜伯登体育用品有限公司). These short term bank loans are at the interest rate of 6.075% per annum. For further details on these short term loans, please refer to the section entitled "Interested Person Transactions" in this Prospectus.

As at the Latest Practicable Date, we had total credit facilities of RMB75.0 million, all of which has been fully utilised.

Certain guarantees were provided by our customers in response to the request by the lending bank for a guarantee from an independent third party acceptable to them. None of our Directors or Substantial Shareholders provides any cross-guarantee for these customers.

Subsequent to the Latest Practicable Date, we have repaid these short term loans amounting to an aggregate of RMB45 million. Accordingly, the corresponding guarantees mentioned above have been discharged.

Upon the repayment of these short term loans, we have entered into a credit facility agreement with 中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited), pursuant to which this bank has agreed to provide credit facilities of up to RMB50.0 million from time to time ("2010 Master Credit Facility Agreement"). Such credit facilities are guaranteed by Mr. Su Qingyuan, Fujian Qingmei and our customer, 晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.).

Please refer to the section entitled "Present And On-going Interested Person Transactions" of this Prospectus for more details on such guarantees.

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

Capital Commitments

As at the Latest Practicable Date, we did not have any material capital commitment.

Contingent liabilities

As of the Latest Practicable Date, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Our Group has no other indebtedness (direct or indirect), capitalisation and liabilities (including contingent liabilities) as at the Latest Practicable Date.

Our Directors are of the opinion that, after taking into account the present banking facilities, Shareholders' equity and retained earnings, we have adequate working capital for our present requirements.

DILUTION

Dilution is the amount by which the Issue Price paid by subscribers of our New Shares in this Invitation exceeds our NAV per Share after the Invitation. The Pro Forma NAV per Share of our Group as at 30 June 2009 set out in Appendix B to this Prospectus after adjusting for the Restructuring Exercise and any disposal or acquisition which occurred since 30 June 2009 up to the date of registration of this Prospectus, but before adjusting for the net proceeds from the issue of the New Shares was approximately 15.33 cents per Share based on our pre-Invitation share capital of 480,000,000 Shares.

Based on the issue of 160,000,000 New Shares at an Issue Price of S\$0.31 per Share pursuant to the Invitation and after deducting estimated issue expenses, the Pro Forma NAV of our Group as at 30 June 2009 would have been 18.39 cents per Share. This represents an immediate increase in Pro Forma NAV of 3.06 cents per Share to our existing Shareholders and an immediate dilution in Pro Forma NAV of 12.61 cents per Share to our new investors. The following table illustrates this per Share dilution:

	cents
Issue Price	31.00
Pro Forma NAV per Share as of 30 June 2009, after adjusting for the Restructuring Exercise but before adjusting for the estimated net proceeds from the issue of the New Shares, and based on the pre-Invitation share capital of 480,000,000 Shares	15.33
Increase in Pro Forma NAV per Share attributable to existing Shareholders	3.06
Pro Forma NAV per Share after the Invitation	18.39
Dilution in Pro Forma NAV per Share to new investors	12.61
Dilution in Pro Forma NAV per Share to new investors as a percentage of Issue Price	40.7%

The following table summarises the total number of Shares acquired by our Directors, Substantial Shareholders and the Pre-Invitation Investors (after adjusting for the Restructuring Exercise, details of which are set out in the Section entitled “Restructuring Exercise” in this Prospectus) during the period of three years prior to the date of this Prospectus, the total consideration paid by them and the average price per Share paid by our Substantial Shareholders, Pre-Invitation Investors and paid by the new investors pursuant to the Invitation.

	Number of Shares Acquired	Total Cash Consideration (S\$)	Average Price per Share (cents)
Substantial Shareholders			
High Crown ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	409,632,000	19,762,384	4.8
Pre-Invitation Investors⁽³⁾			
CIM XX ⁽²⁾⁽⁴⁾	48,000,000	8,561,404	17.8
Rainbow Magic ⁽²⁾⁽⁴⁾	11,184,000	1,995,789	17.8
New Times ⁽²⁾⁽⁴⁾	11,184,000	1,995,789	17.8
New Investors	184,000,000	57,040,000	31.0

Notes:

- (1) High Crown is an investment holding company incorporated in the BVI wholly-owned by our Executive Chairman and CEO, Mr. Su Qingyuan.
- (2) Pursuant to the Subscription Agreement dated 24 August 2009 entered into by Super Riches, Mr. Su Qingyuan (as a guarantor) and the Pre-Invitation Investors for the subscription by each of the Pre-Invitation Investors of the Convertible Notes issued by Super Riches at an aggregate consideration of US\$14,644,000, originally exchangeable into 2,400 shares of Super Riches in the event of the listing of our Shares on the SGX-ST. On 3 December 2009, a Supplemental Subscription Agreement was entered into, pursuant to which Super Riches partially redeemed the Convertible Note held by CIM XX in a principal amount of US\$5,700,000 thereby reducing the number of shares of Super Riches that the Convertible Note held by CIM XX were exchangeable into from 1,934 to 1,000 and reducing the total number of shares of Super Riches that all the Convertible Notes held by the Pre-Invitation Investors were exchangeable into from 2,400 to 1,466. To facilitate the partial redemption by Super Riches as aforesaid, Mr. Su Qingyuan subscribed for 934 shares of Super Riches for an aggregate consideration of US\$5,700,000 pursuant to the said Supplemental Subscription Agreement. Pursuant to the Cayman Share Swap Agreement dated 3 March 2010 entered into between our Company, Qingmei (BVI) and Super Riches, our Company acquired the entire issued and paid up share capital of Qingmei (BVI), comprising 20,000 shares of Qingmei (BVI), from Super Riches. The consideration for this acquisition was satisfied by the crediting as fully paid, at par, of 9,999 nil-paid ordinary shares of S\$0.10 in our Company held by Super Riches and the allotment and issue of an aggregate of 479,990,000 new Shares, credited as fully paid at par, to Super Riches. Immediately after the completion of the Cayman Share Swap Agreement, Super Riches declared a dividend which was satisfied in specie by the transfer of all the Shares held by it to its members (or their nominees) in proportion to their shareholding in Super Riches. Please refer to the section entitled “Restructuring Exercise” in this Prospectus for more details.
- (3) Based on the exchange rate of RMB4.865: S\$1.00 as at the Latest Practicable Date.
- (4) Based on the exchange rate of US\$0.7125: S\$1.00 as at the Latest Practicable Date.

SHARE CAPITAL

Our Company (Registration Number: CT-230192) was incorporated in the Cayman Islands on 28 August 2009 under the Cayman Companies Law as an exempted company with limited liability with the name of Qingmei Group Holdings Ltd. Our Company changed its name to Qingmei Group Holdings Limited 清美集團控股有限公司 on 29 September 2009. Our Company's Memorandum of Association states, *inter alia*, that the liability of our members is limited to the amount from time to time unpaid on the shares respectively held by them.

As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each. Pursuant to a written resolution dated 4 November 2009, the currency in which the share capital of the Company was denominated was changed from HK\$ to S\$ and the authorised share capital of our Company was consequently changed to S\$50,000 divided into 500,000 ordinary shares of S\$0.10 each.

Pursuant to written resolutions dated 29 December 2009 and 3 March 2010, the shareholders of our Company approved, *inter alia*, the following:

- (a) the increase in the authorised share capital of our Company from S\$50,000 divided into 500,000 Shares to S\$100,000,000 divided into 1,000,000,000 Shares;
- (b) the entry by the Company into the Cayman Share Swap Agreement;
- (c) the adoption of a new set of Articles of Association by our Company;
- (d) the allotment and issue of the New Shares which are the subject of the Invitation. The New Shares, when issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (e) the offer for sale of up to 24,000,000 Vendor Shares held by the Vendor, such Vendor Shares ranking *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (f) the adoption of the ESOS;
- (g) the authorisation of our Directors to:
 - (i) (aa) issue Shares whether by way of rights, bonus or otherwise; and/or
 - (bb) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may, in their absolute discretion, deem fit; and
 - (ii) issue Shares in pursuance of any Instruments made or granted by our Directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

Provided that:

- (1) the aggregate number of Shares issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 50% of the Post-Invitation Issued Share Capital (as defined below), and provided further that where Shareholders are not given the opportunity to participate in the same on

a pro-rata basis ("non pro-rata basis"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20.0% of the Post-Invitation Issued Share Capital;

- (2) the 50% limit in paragraph (1) above may be increased to 100% for issues of Shares pursuant to this resolution by way of a renounceable rights issue where Shareholders are given the opportunity to participate in the same on a pro-rata basis ("Renounceable Rights Issue"); and
- (3) (unless revoked or varied by our Company in general meeting) the authority so conferred shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required to be held, whichever is the earlier.

For the purposes of this resolution, the "Post-Invitation Issued Share Capital" shall mean the total number of issued Shares of our Company immediately after the Invitation, after adjusting for: (i) new Shares arising from the conversion or exercise of any convertible securities; and (ii) any subsequent bonus issue, consolidation or sub-division of Shares; and

(h) that:

- (i) subject to and conditional upon the passing of the resolution referred to in paragraph (g) above, authority be given to our Directors at any time to issue Shares (other than on a pro-rata basis to Shareholders) at an issue price for each Share which shall be determined by our Directors in their absolute discretion provided that such price shall not represent a discount of more than 20% to the weighted average price of a Share for trades done on the SGX-ST (as determined in accordance with the requirements of the SGX-ST); and
- (ii) (unless revoked or varied by our Company in general meeting) the authority so conferred shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required to be held, whichever is earlier.

As at the Latest Practicable Date, our Company has only one class of shares, being ordinary shares of S\$0.10 each. The rights and privileges of our Shares are stated in our Articles. Save for the Option Shares, there are no founder, management, deferred or unissued shares reserved for the issuance for any purpose. Save for the ESOS, no person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or any of its subsidiaries.

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

As at the Latest Practicable Date, the issued and paid-up capital of our Company was S\$0.10 comprising 1 Share and the issued share capital of our Company was S\$1,000, comprising 1 fully paid-up share and 9,999 nil-paid shares. Subsequent to the Latest Practicable Date, on 3 March 2010, the issued and paid-up share capital was increased to S\$48,000,000 comprising 480,000,000 Shares. Upon the allotment of the New Shares, the resultant issued and paid-up share capital of our Company will be increased to S\$64,000,000 comprising 640,000,000 Shares.

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

Purpose of issue/change	Par value	Number of new ordinary shares issued (cancelled)	Resultant issued and paid up share capital	
			Number of resultant issued ordinary Shares	Amount
Issued fully paid ordinary share of HK\$0.10 each on the date of incorporation, being 28 August 2009	HK\$0.10	1	1	HK\$0.10
Issued fully paid ordinary share of S\$0.10 each on 4 November 2009	S\$0.10	1 (HK\$) and 1 (S\$)	1 (HK\$) and 1 (S\$)	Aggregate of (a) HK\$0.10; (b) S\$0.10
Purchase and cancellation of fully paid ordinary share of HK\$0.10 each on 4 November 2009	HK\$0.10	(1) (HK\$)	1 (S\$)	S\$0.10
Issued nil-paid ordinary shares of S\$0.10 each on 4 November 2009 to Super Riches	S\$0.10	9,999	10,000	Issued share capital: S\$1,000 paid-up share capital: S\$0.10 (9,999 Shares are issued nil-paid)
Issued fully paid 479,990,000 ordinary shares of S\$0.10 each and credited as fully paid the 9,999 ordinary shares of S\$0.10 each that were issued nil-paid upon the completion of the Restructuring Exercise	S\$0.10	479,990,000	480,000,000	S\$48,000,000
New Shares to be allotted and issued pursuant to the Invitation	S\$0.10	160,000,000	640,000,000	S\$64,000,000

The authorised share capital and the shareholders' funds of our Company (i) as at the date of incorporation, (ii) immediately after the conversion of our shares to S\$ par value, (iii) immediately after the Restructuring Exercise, and (iv) immediately after the Invitation are set forth below.

	As at the date of incorporation (HK\$)	Immediately after the conversion to S\$ par value (S\$)	Immediately after the Restructuring Exercise (S\$)	Immediately after the Invitation (S\$)
AUTHORISED SHARE CAPITAL				
Ordinary shares of HK\$0.10 each	380,000	—	—	—
Ordinary shares of S\$0.10 each	—	50,000	100,000,000	100,000,000
SHAREHOLDERS' FUNDS				
Issued and fully paid-up share capital	0.10 ⁽¹⁾	0.10	48,000,000	64,000,000
Share premium ⁽²⁾	—	—	—	33,600,000
Contributed surplus ⁽²⁾⁽³⁾	—	—	13,163,412	13,163,412
Total Shareholders' funds			61,163,412	110,763,412

Notes:

- (1) On 28 August 2009, being the date of incorporation of the Company, 1 ordinary share of HK\$0.10 was issued fully paid to High Crown.
- (2) For illustrative purposes, the estimated expenses incurred in connection with the Invitation have not been included in this calculation.
- (3) Contributed surplus arose as a result of the Restructuring Exercise and represents the difference between the combined net assets value of Qingmei (BVI) and its subsidiaries acquired over the nominal value of our Shares issued. For the purpose of preparation of the above disclosure, the combined NAV of Qingmei (BVI) and its subsidiaries acquired was calculated based on the audited combined financial statements as at 30 June 2009 and based on the exchange rate of RMB4.865: S\$1.00 as at the Latest Practicable Date for illustrative purposes. The final amount of the contributed surplus will be adjusted by reference to the combined NAV of Qingmei (BVI) and its subsidiaries acquired as at 3 March 2010 (being the date of the completion of the Restructuring Exercise).

SHAREHOLDERS

The Shareholders of our Company and their respective shareholdings immediately before the Invitation (as at the Latest Practicable Date) and immediately after the Invitation are set out as follows:

	← Before the Invitation →				← After the Invitation →			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Su Qingyuan ⁽¹⁾	—	—	409,632,000	85.34	—	—	409,632,000	64.00
Su Qingjiang	—	—	—	—	—	—	—	—
Su Shubiao	—	—	—	—	—	—	—	—
Tan Siok Sing	—	—	—	—	—	—	—	—
Foo Say Tun	—	—	—	—	—	—	—	—
Ni Xiaorong	—	—	—	—	—	—	—	—
Substantial Shareholders (5% or more)								
High Crown ⁽¹⁾	409,632,000	85.34	—	—	409,632,000	64.00	—	—
CIM XX ⁽²⁾⁽³⁾	48,000,000	10.00	—	—	24,000,000	3.75	—	—
Others								
Rainbow Magic ⁽⁴⁾	11,184,000	2.33	—	—	11,184,000	1.75	—	—
New Times ⁽⁵⁾	11,184,000	2.33	—	—	11,184,000	1.75	—	—
Public	—	—	—	—	184,000,000	28.75	—	—
TOTAL	480,000,000	100.00			640,000,000	100.00		

Notes:

- (1) High Crown is an investment holding company incorporated in the BVI on 20 July 2009. It is wholly-owned by our Executive Chairman and CEO, Mr. Su Qingyuan. Mr. Su Qingyuan is deemed to be interested in all the Shares held by High Crown.
- (2) CIM XX is an investment holding company incorporated in the BVI on 13 August 2009. Centurion Investment Management Holdings (BVI) Limited ("Centurion Management"), an investment holding company incorporated in the BVI on 11 January 2005, was appointed by CIM XX as the investment manager responsible for managing its investment on a discretionary basis. CIM XX has two classes of shares, namely voting ordinary shares and non-voting preference shares. The one issued voting ordinary share is held by Centurion Management as the investment manager for CIM XX and the non-voting preference shares are held as to 27.7% by Mr. Han Seng Juan ("Mr Han"), 27.7% by Mr. Loh Kim Kang, David ("Mr Loh"), 20.0% by Ms. Chan Ngai Kuen, 13.8% by Mr. Cheung Yick Chung and the rest by several other accredited investors.
- (3) Centurion Management is a wholly-owned subsidiary of Centurion Holdings (BVI) Limited ("Centurion Holdings") which is in turn wholly-owned by Centurion Global Ltd ("Centurion Global"). Centurion Global is equally-owned by Mr Loh and Mr Han. Mr Loh and Mr Han are maternal cousins. Mr Loh and Mr Han are employees of our Underwriter and Placement Agent, UOBKH. Mr Loh and Mr Han are not related to our Directors, Executive Officers or Controlling Shareholders. Each of Centurion Global, Centurion Holdings, Centurion Management, Mr Loh and Mr Han is deemed to be interested in the Shares held by CIM XX.
- (4) Rainbow Magic is an investment company incorporated in the BVI on 8 July 2009. It is wholly-owned by Mr. Lam Yick Lam, who is not related to our Directors, Executive Officers or Controlling Shareholders. Mr. Lam Yick Lam is deemed to be interested in the Shares held by Rainbow Magic.
- (5) New Times is an investment company incorporated in the BVI on 5 April 2007. It is wholly-owned by Mr. Lee Wing Wan, who is not related to our Directors, Executive Officers or Controlling Shareholders. Mr. Lee Wing Wan is deemed to be interested in the Shares held by New Times.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Invitation Shares which are the subject of the Invitation. To the best of our knowledge, our Directors are not aware of any arrangement, the operation of which may at a subsequent date result in a change in control of our Company.

Save for the Shares issued by our Company as disclosed above, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government.

Save for the Shares issued by our Company as disclosed in the section entitled “Restructuring Exercise” in this Prospectus, there has been no significant change in the percentage of ownership of our Shares since our incorporation.

No option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries has been granted to, or was exercised by, any Director or Executive Officer within the last two financial years preceding the date of this Prospectus.

Save as disclosed in the sections entitled “Restructuring Exercise” and “Qingmei Employee Share Option Scheme” in this Prospectus, no person has, or has the right to be given, an option to subscribe for or purchase any shares in or debentures of our Company or any of our subsidiaries.

There has not been any public take-over offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred since the beginning of FY2010 and the Latest Practicable Date.

VENDOR

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

Name	Shares held immediately before the Invitation as at the Latest Practicable Date		Vendor Shares offered pursuant to the Invitation			Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	% of post-Invitation share capital	Number of Shares	% of post-Invitation share capital
CIM XX	48,000,000	10.00	24,000,000	5.00	3.75	24,000,000	3.75

MORATORIUM

To demonstrate their commitment to our Group, High Crown which will hold 409,632,000 Shares, representing approximately 64.00% of our Company's post-Invitation share capital, has undertaken not to dispose of or transfer or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of its shareholding in our Company for a period of six months commencing from the date of admission of our Company to the Official List of the SGX-ST, and it will not dispose of or transfer or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of its shareholding in our Company to below 50% of the abovementioned shareholdings in our Company in the six months thereafter.

Mr. Su Qingyuan who holds the entire issued and paid-up share capital of High Crown has undertaken not to dispose of or transfer or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of his respective interests in High Crown for a period of 12 months commencing from the date of admission of our Company to the Official List of the SGX-ST.

CIM XX, which will hold 24,000,000 Shares representing 3.75% of our Company's post-Invitation share capital, has undertaken not to dispose of or transfer or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of each of its shareholding in our Company for a period of six months commencing from the date of admission of our Company to the Official List of the SGX-ST.

Each of Rainbow Magic and New Times, which will each hold 11,184,000 Shares representing approximately 1.75% of our Company's post-Invitation share capital, has undertaken not to dispose of or transfer or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of its shareholding in our Company for a period of six months commencing from the date of admission of our Company to the Official List of the SGX-ST.

Each of Centurion Investment Management Holdings (BVI) Limited, which has been appointed by CIM XX as its investment manager responsible for managing its investments on a discretionary basis and which holds the one voting ordinary share in CIM XX, Mr. Lam Yick Lam, who holds the entire issued and paid-up share capital of Rainbow Magic and Mr. Lee Wing Wan, who holds the entire issued and paid-up share capital of New Times, has respectively undertaken not to dispose of or transfer or enter into any agreement that will directly or indirectly constitute or will be deemed as a disposal of any part of its interest in the respective companies for a period of six months commencing from the date of admission of our Company to the Official List of the SGX-ST.

RESTRUCTURING EXERCISE

Prior to the Invitation, we implemented a restructuring exercise (the “Restructuring Exercise”) in preparation for our listing on the SGX-ST, resulting in our Company becoming the holding company of our Group. A diagram showing the corporate structure of our Group after the Restructuring Exercise and as at the Latest Practicable Date is set out in the section “Group Structure” in this Prospectus. The steps of the Restructuring Exercise are as follows:

1. Establishment of High Crown

On 20 July 2009, High Crown was incorporated in the BVI as an investment holding company with an issued and paid up share capital of US\$1.00 consisting of 1 ordinary share. High Crown is wholly-owned by our Executive Chairman and CEO, Mr. Su Qingyuan. Mr. Su Qingyuan is deemed to be interested in the Shares held by High Crown.

2. Establishment of Super Riches

On 22 July 2009, Super Riches was incorporated in the BVI as a business company with an issued and paid up share capital of US\$1.00 consisting of 1 ordinary share, held by our Executive Chairman and CEO, Mr. Su Qingyuan.

3. BVI Share Swap Agreement

On 21 August 2009, Mr. Su Qingyuan entered into a share swap agreement (the “BVI Share Swap Agreement”) with Super Riches and Qingmei (BVI), whereby Mr. Su Qingyuan transferred 10,000 shares of Qingmei (BVI), representing 100% shareholding interest of Qingmei (BVI), to Super Riches in consideration of Super Riches allotting and issuing 7,599 shares of US\$1.00 each representing approximately 99.99% shareholding interest of Super Riches (credited as fully paid) to Mr. Su Qingyuan.

Upon completion of the transfer pursuant to the BVI Share Swap Agreement, Mr. Su Qingyuan held 7,600 fully paid shares of US\$1.00 each in the capital of Super Riches, representing the entire equity interest in Super Riches.

4. Establishment of the Company

The Company was incorporated in the Cayman Islands on 28 August 2009 with an authorised capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each, one share of which was issued as fully paid and subsequently transferred to High Crown. On 4 November 2009, the currency in which the share capital of the Company was denominated was converted from HK\$ to S\$ and the authorised share capital of our Company was consequently increased on the same date to S\$50,000 divided into 500,000 ordinary shares of S\$0.10 each. On 4 November 2009, one Share was issued, credited as fully paid for cash at par, to High Crown. We further issued 9,999 nil-paid ordinary Shares to Super Riches on the same date.

5. Subscription and issuance of Convertible Notes

On 24 August 2009, Super Riches entered into a subscription agreement (the “Subscription Agreement”) with CIM XX, Rainbow Magic and New Times as subscribers and Mr. Su Qingyuan as guarantor whereby CIM XX, Rainbow Magic and New Times subscribed for the convertible notes issued by Super Riches in the principal amount of US\$11,800,000, US\$1,422,000 and US\$1,422,000 respectively (the “Convertible Notes”).

Under the Subscription Agreement, the parties agreed, *inter alia*, that:

- (i) Super Riches would subscribe for an additional 10,000 ordinary shares of Qingmei (BVI) for the consideration of US\$14,644,000, being the aggregate proceeds from the issue of the Convertible Notes under the Subscription Agreement;
- (ii) the Convertible Notes were to be exchangeable into 2,400 shares of Super Riches to be allotted and issued by Super Riches to the Pre-Invitation Investors on the terms and conditions of the Subscription Agreement and the convertible note instrument; and
- (iii) Mr. Su Qingyuan would guarantee, *inter alia*, the due payment by Super Riches of the principal amount and interest accruing on the Convertible Notes (if any), as and when the same should become due and payable.

On 15 October 2009, Super Riches issued the Convertible Notes to the Pre-Invitation Investors and the aggregate consideration of US\$14,644,000 was satisfied in full in cash.

On 15 October 2009, Super Riches subscribed for 10,000 shares of Qingmei (BVI) for the consideration of US\$14,644,000.

On 3 December 2009, Super Riches entered into a supplemental agreement to the Subscription Agreement with CIM XX, Rainbow Magic, New Times and Mr. Su Qingyuan (the “Supplemental Subscription Agreement”), pursuant to which:

- (a) Super Riches partially redeemed the Convertible Note held by CIM XX in a principal amount of US\$5,700,000 without interest. Upon completion of the redemption, the principal amount of the Convertible Note held by CIM XX was reduced from US\$11,800,000 to US\$6,100,000 and, as a result of the redemption, the total number of shares of Super Riches that the Convertible Note held by CIM XX was exchangeable into was reduced from 1,934 to 1,000. The partial redemption was effected as a consequence of some of CIM XX’s preference shareholders withdrawing their investment in CIM XX;
- (b) to facilitate the partial redemption by Super Riches, Mr. Su Qingyuan subscribed for 934 shares of Super Riches for an aggregate consideration of US\$5,700,000; and
- (c) the total number of shares of Super Riches that the Convertible Notes were exchangeable into was reduced from 2,400 to 1,466.

On 3 March 2010, the Pre-Invitation Investors exchanged their Convertible Notes for an aggregate of 1,466 shares of Super Riches allotted and issued to them by Super Riches (the “Exchange”).

Details of the amount of the Convertible Notes and the shares of Super Riches held by the Pre-Invitation Investors and Mr. Su Qingyuan after the Exchange as provided in the Subscription Agreement and the Supplemental Subscription Agreement, and the subscription by Mr. Su Qingyuan are set out below:

Name	Subscription Amount / Convertible Notes (US\$)	Number of Super Riches shares	% shareholding in Super Riches
Mr. Su Qingyuan	5,700,000	8,534 ⁽¹⁾	85.34
CIM XX	6,100,000	1,000	10.00
Rainbow Magic	1,422,000	233	2.33
New Times	1,422,000	233	2.33

Note:

- (1) Prior to the subscription of 934 shares of Super Riches by Mr. Su Qingyuan on 3 December 2009, Mr. Su Qingyuan held 7,600 shares of Super Riches.

The proceeds of the Convertible Notes were used to enlarge the capital base, provide necessary funding for the Group's future plans and enhance working capital.

Upon completion of the Exchange, Mr. Su Qingyuan, CIM XX, Rainbow Magic and New Times held 85.34%, 10.00%, 2.33% and 2.33% of the enlarged issued share capital of Super Riches respectively.

6. Cayman Share Swap Agreement and Dividend in Specie

On 3 March 2010, our Company, as purchaser, Super Riches, as vendor, and Qingmei (BVI) entered into a share swap agreement (the "Cayman Share Swap Agreement"). Pursuant to the Cayman Share Swap Agreement, our Company acquired the entire issued and paid up share capital of Qingmei (BVI), comprising 20,000 shares in Qingmei (BVI), from Super Riches. The consideration for the said acquisition amounting to S\$47,999,999.90, was satisfied by (i) the crediting as fully paid, at par, of 9,999 nil-paid ordinary shares of S\$0.10 in the capital of our Company held by Super Riches, and (ii) the allotment and issue to Super Riches of an aggregate of 479,990,000 new ordinary shares of S\$0.10 in the capital of our Company, credited as fully paid at par.

Immediately after the completion of the Cayman Share Swap Agreement, Super Riches declared a dividend which was satisfied by a distribution in specie of all the Shares held by it to its members (or their nominees) in proportion to their shareholding in Super Riches ("Dividend in Specie"). In the case of Mr. Su Qingyuan, all the Shares distributed to him under the Dividend in Specie were (on his request) transferred to High Crown.

Upon completion of the Cayman Share Swap Agreement and the Dividend in Specie on 3 March 2010, the Shareholders and their resultant shareholdings in our Company were as follows:

Name	Number of Shares held	% of the issued and paid-up share capital our Company
High Crown	409,632,000	85.34
CIM XX	48,000,000	10.00
Rainbow Magic	11,184,000	2.33
New Times	11,184,000	2.33
Total	480,000,000	100.00


Ancillary Agreements

In connection with the Restructuring Exercise, the following ancillary agreements were entered into:

(i) Non-Competition Undertaking


On 30 October 2009, our Executive Directors namely, Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao and Fujian Qingmei (collectively the "Covenantors") executed a non-competition undertaking (the "Non-Competition Undertaking") in favour of our Group.

Pursuant to the Non-Competition Undertaking, each of the Covenantors undertook, *inter alia*, the following:

- (a) not to engage or participate in any business or activity in the PRC or elsewhere, in any capacity, whether directly or indirectly, which is or may be in competition with the business carried on by our Group (the “Restricted Business”);
- (b) not to use any trade name, trademark or symbol used by Qingmei (PRC) or our Group at present or in the future (whether registered or not, including but not limited to such words and graphs as “清美”, “Qingmei”, “”, etc.), or any similar trade name, trademark or symbol which may lead to confusion with the aforesaid;
- (c) in respect of Fujian Qingmei, not to change its scope of business of sponge processing and manufacturing to the Restricted Business, and in respect of the Executive Directors, to procure Fujian Qingmei not to effect such change;
- (d) not to entice any client, supplier and/or distributor of our Group to suspend, terminate or change any of its trading agreement, arrangement or practice with our Group, or solicit any client, supplier and/or distributor of our Group in any way; and
- (e) to inform and procure their associates to comply with the terms of the Non-Competition Undertaking and undertake to be liable for any breach of any term of the Non-Competition Undertaking by any of their associates.

The Non-Competition Undertaking may be terminated by Fujian Qingmei and/or the Executive Directors upon the expiry of two years from the date that (i) the aggregate equity interest of all the Covenantors in each of our Company, Qingmei (PRC) and our Group, directly or indirectly falls below 15%, and (ii) each of the Executive Directors cease to be either directors or senior executives of our Group.

(ii) Trademark Transfer Agreement

On 30 October 2009, Mr. Su Qingyuan entered into an agreement with Qingmei (PRC) (“Trademark Transfer Agreement”) pursuant to which Mr. Su Qingyuan transferred all his rights in respect of trademark “” No. 3722492, as registered with the CTMO in class 25 in his name on 28 July 2006 to Qingmei (PRC) for RMB1. For more details on the nature of the said trademark, please see the section entitled “Trademarks/Patents and Other Intellectual Property Rights” in this Prospectus.

(iii) Patent Transfer Agreement and Supplemental Patent Transfer Agreement

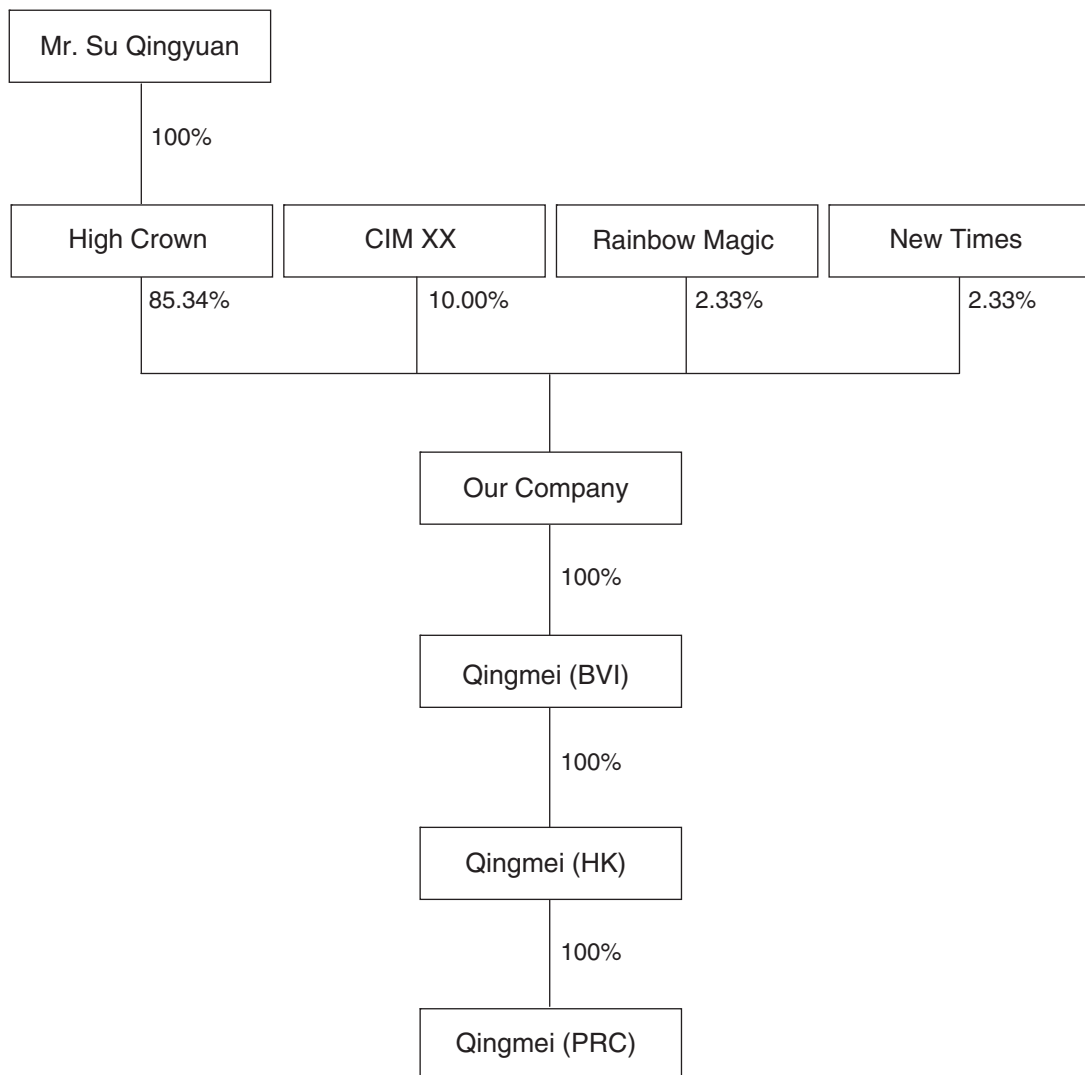
On 30 October 2009, Mr. Su Qingyuan entered into an agreement with Qingmei (PRC) (“Patent Transfer Agreement”), as amended and supplemented by a supplemental transfer agreement dated 8 December 2009 (“Supplemental Patent Transfer Agreement”), pursuant to which Mr. Su Qingyuan transferred all his rights in respect of the patent application filed with the State Intellectual Property Office in his name to Qingmei (PRC) for RMB1. For more details on such patent application, please see the section entitled “Trademarks/Patents and Other Intellectual Property Rights” in this Prospectus.

Pursuant to the Restructuring Exercise, our Company became the holding company of our Group.

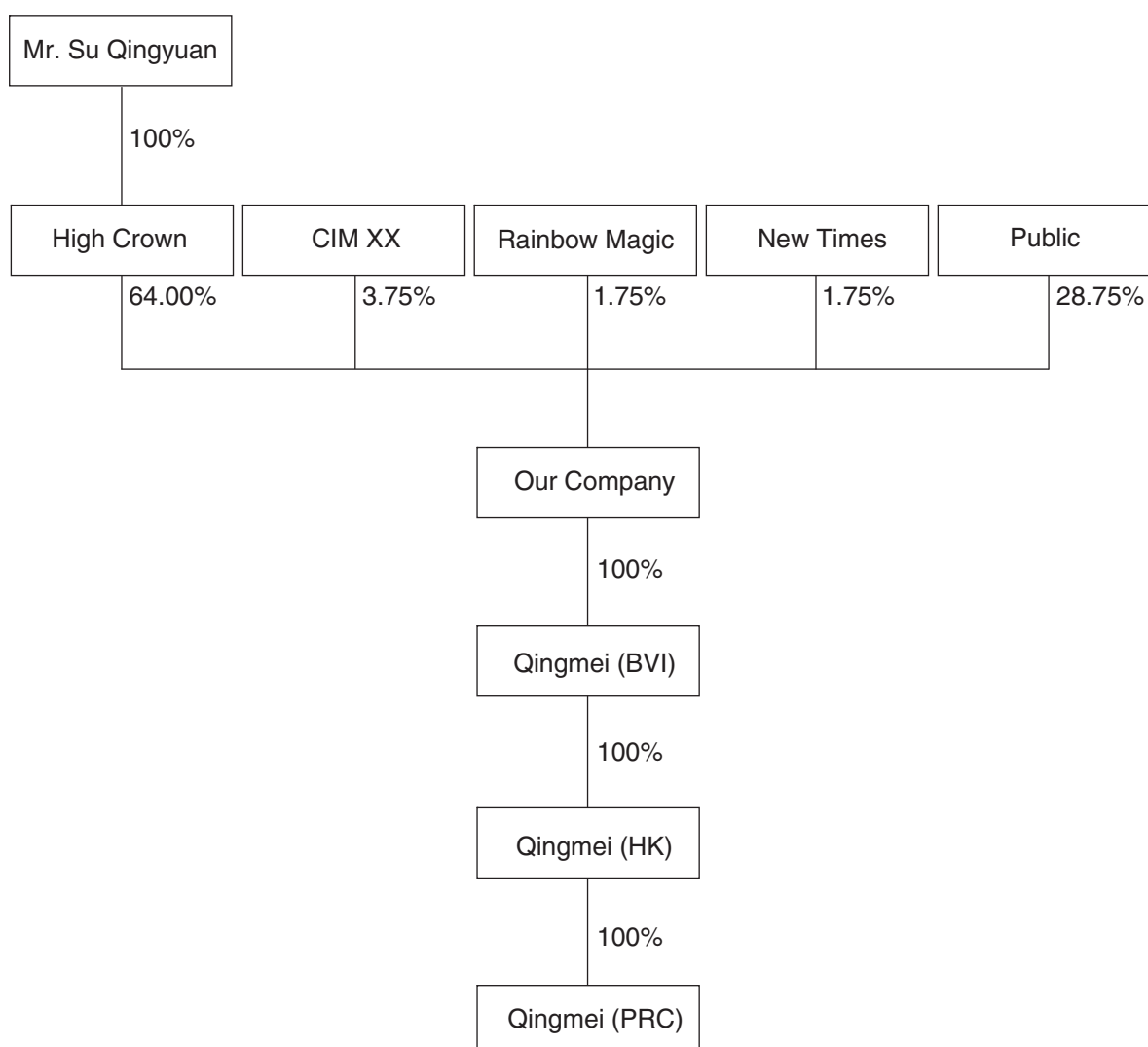
Upon completion of the various steps in the Restructuring Exercise as set out above, our Group structure and shareholding structure are as set out in the section “Group Structure” in this Prospectus.

GROUP STRUCTURE

Our shareholding structure and group structure immediately following the Restructuring Exercise and before the Invitation is set out below:



Our shareholding structure and group structure immediately after the Invitation is set out below:



Save for the following wholly-owned subsidiaries of the Group, there are no other subsidiaries, subsidiary entities, associated companies and associated entities of our Group:

Name of Company	Date and Place of Incorporation/ Establishment	Principal Place of Business	Principal Business	Equity held by our Company/ Group	Limitation of duration
Qingmei (BVI)	12 August 2008/ BVI	BVI	Investment holding	100%	N.A.
Qingmei (HK)	24 January 2006/ HK	HK	Investment holding	100%	N.A.
Qingmei (PRC)	29 April 2006/ PRC	PRC	Manufacturing and trading of shoe soles	100%	(50 years commencing 29 April 2006 and ending 28 April 2056) ⁽¹⁾

Note:

- (1) Qingmei (PRC) may seek to extend this limitation period by amending its articles of association and registering the amendment with the local administration for industry and commerce no later than 180 days before the expiry of the 50 year limitation period. If such application for extension is not procured before the expiry of the limitation period, Qingmei (PRC) should proceed to liquidate and wind up its business in the PRC. As at the Latest Practicable Date, Qingmei (PRC) has no plans to make this application.

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

GENERAL INFORMATION ON OUR GROUP


HISTORY & DEVELOPMENT

Our Company was incorporated under the laws of the Cayman Islands on 28 August 2009 with the name Qingmei Group Holdings Ltd. Our Company changed its name to Qingmei Group Holdings Limited 清美集團控股有限公司 on 29 September 2009. Pursuant to the Restructuring Exercise as set out in the section entitled “Restructuring Exercise” in this Prospectus, our Company became the ultimate holding company of our Group, consisting of Qingmei (BVI), Qingmei (HK) and Qingmei (PRC).

Our history can be traced back to 1998 when Mr. Su Qingyuan, our founder, Executive Chairman and CEO, began trading in sports shoe soles, their components and shoe materials, such as uppers, cloth material and laces. Such trading experience enabled our founder to gain considerable knowledge of the shoe industry in the PRC and has also helped him to establish contacts within the industry. With the knowledge and contacts obtained and established during this time, our founder and his brother, Mr. Su Qingfei, jointly established Fujian Qingmei in 2003 to carry out operations mainly as an OEM of MD I shoe soles, RB shoe soles, EVA I Midsoles and RB Outsoles. By early 2006, Fujian Qingmei expanded their range of products to include MD II shoe soles and EVA II Midsoles.

With the increase in production of sports shoe soles, Mr. Su Qingyuan was able to gain greater expertise in the design and production techniques of sports shoe soles. He recognised that apart from being an OEM of sports shoe soles, there was great potential in becoming an ODM of sports shoe soles with the ability to design and manufacture sports shoe soles, as there were only a few such companies with design capabilities at that time. In addition, he recognised the need to establish a distinctive branding and brand name for the business.

Accordingly, Mr. Su Qingyuan established Qingmei (PRC) in April 2006 with a view to positioning it as an ODM of sports shoe soles. This original design manufacturing sports shoe sole business was to be carried on solely by our founder, Mr. Su Qingyuan, under Qingmei (PRC) while his brother, Mr. Su Qingfei exited from participation in this business. Qingmei (PRC) was established as a WFOE with an initial registered capital of HK\$100 million. On establishment, Qingmei (PRC) was wholly-owned by Qingmei (HK). Qingmei (HK) was incorporated in Hong Kong on 24 January 2006 as an investment holding company and 10,000 shares of HK\$1.00 each in its share capital were issued and allotted for cash at par to Ms. Yang Ai Zhi to be held on trust for our founder. The trust arrangement with Ms. Yang Ai Zhi was subsequently terminated on 13 August 2008, whereby Ms. Yang Ai Zhi transferred the entire share capital of Qingmei (HK) consisting of 10,000 shares of HK\$1.00 each to Qingmei (BVI), an investment holding company established on 12 August 2008 then wholly-owned by Mr. Su Qingyuan, for a nominal consideration of HK\$10,000.

In April 2006, Qingmei (PRC) acquired land use rights to an aggregate of 46,174 sq m of land in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC, and began construction of our existing production facilities on that location. The construction of our existing production facilities was completed in September 2006. Qingmei (PRC) purchased from Fujian Qingmei all of its equipment, machineries and moulds, and also purchased from other third parties. Qingmei (PRC) commenced commercial production in September 2006 with a maximum production capacity of approximately 31.2 million pairs of sports shoe soles per annum. At that time, our customers included 38 old customers of Fujian Qingmei, some of which are well known PRC sports shoe manufacturers which sell their sports shoe products under their respective brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang) and 康踏 (Kang Ta). We had also begun building the recognition of our trademark  and “Qingmei” (“清美”) brand name in the sale of our products.

In FY2007, we successfully introduced 92 sports shoe sole designs for commercial production, and our customer base grew to 62 customers.

In 2008, in tandem with the increase in our production capacity and our quality control capabilities, we began to intensify our product design and development efforts so as to keep pace with the latest technological trends and to develop new types of sports shoe soles with better and/or more features and functionalities. For this purpose, we established a product design and development department. As a result of our intensified efforts, in FY2008 and FY2009, we successfully introduced 61 and 86, new sports shoe sole designs respectively with more features and functionalities for commercial production. Our customer base also grew to 67 and 73 customers in FY2008 and FY2009 respectively. We were able to attract new customers which are well known PRC sports shoe manufacturers who directly or through their distributors, sell their sports shoes to end-consumers in the PRC and various parts of the world, under their brand names such as 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361^o), 特步 (Xtep) and 鸿星尔克 (ERKE).

To further strengthen our product design and development efforts, in June 2009, we collaborated with 中国科学院合肥物质科学研究院 (Hefei Institutes of Physical Sciences, Chinese Academy of Sciences) ("CASHIPS") to carry out further research into new and improved materials for our midsoles to improve the shock absorption and breathability properties.

In tandem with the increase in our customer base and the demand for our products, we increased our maximum production capacity from 31.2 million pairs of sports shoe soles per annum in September 2006 when we first commenced commercial production, to 45.6 million pairs of sports shoe soles per annum as at the Latest Practicable Date.

In our Group's short operating history, we have managed to obtained awards and certifications in recognition of our business operations and the quality of our products. Some of these are as follows:

<u>Date</u>	<u>Major Awards and Achievements</u>	<u>Awarding Agency</u>
September 2008	National Large Industrial Enterprise award (全国大型工业企业)	Fujian Provincial Bureau of Statistics (福建省统计局)
December 2008	Award recognising Qingmei (PRC)'s MD shoe soles as a Fujian Quality Brand product (2008 年“福建名牌产品”称号证书)	Fujian Provincial People's Government (福建省人民政府)
January 2008	Quality Management System Certification in respect of EVA, RB and MD shoe sole design and development, production and services (质量管理体系经审核符合) ISO9001:2000	CCIC Conformity Assessment Services Co., Ltd. (中国检验认证团体质量认证有限公司)
January 2008	Environmental Management System Certification in respect of EVA, RB and MD shoe sole design and development, production and associated environmental management activities (环境管理体系证证书) ISO14001:2004	CCIC Conformity Assessment Services Co., Ltd. (中国检验认证团体质量认证有限公司)


<u>Date</u>	<u>Major Awards and Achievements</u>	<u>Awarding Agency</u>
October 2009	Occupational Health and Safety Management System in respect of the development, production and service of EVA and RB shoe soles and related occupational health and safety management activities in the involved sites	World Standards Certification Center Inc

In 2009, CIM XX, Rainbow Magic and New Times invested an aggregate amount of US\$14,644,000 in our Group. These Pre-Invitation Investors entered into a subscription agreement with Super Riches on 24 August 2009 to subscribe for Convertible Notes in an aggregate amount of US\$14,644,000. On 3 December 2009, the Supplemental Subscription Agreement was entered into, pursuant to which (a) Super Riches partially redeemed the Convertible Note held by CIM XX in a principal amount of US\$5,700,000, thereby reducing the number of shares of Super Riches that the Convertible Note held by CIM XX was exchangeable into from 1,934 to 1,000 and reducing the total number of shares of Super Riches that all the Convertible Notes held by the Pre-Invitation Investors were exchangeable into from 2,400 to 1,466, and (b) Mr. Su Qingyuan subscribed for 934 shares of Super Riches for an aggregate consideration of US\$5,700,000. On 3 March 2010, the Pre-Invitation Investors exchanged their Convertible Notes for an aggregate of 1,466 shares allotted and issued to them by Super Riches. Following completion of the Cayman Share Swap Agreement and the Dividend in Specie, the Pre-Invitation Investors held approximately 14.66% of the share capital of our Company on 3 March 2010.

On 3 March 2010, we completed our Restructuring Exercise, whereby Qingmei (BVI) became a wholly-owned subsidiary of our Company.

BUSINESS

Our business

We are principally engaged in the original design manufacturing of mid-end and high-end sports shoe soles under our trademark “” and “Qingmei” (“清美”) brand name. Our products comprise three types of sports shoe soles, namely MD II, MD I and RB shoe soles, which are used in the manufacture of shoes used for athletic, sporting and physical activities such as running, tennis, basketball, climbing, cross-training and casual-wear sports.

We sell our products to well known sports shoe manufacturers in the PRC who directly or through their distributors, sell their sports shoes to end-consumers in the PRC and various parts of the world, under their brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361°), 特步 (Xtep) and 鸿星尔克 (ERKE).

We are a vertically integrated manufacturer of sports shoe soles, with the ability to manufacture the key semi-processed raw materials, EVA compound pellets, TPU pellets and RB used in the manufacture of our sports shoe soles. This enables us to have better control over the quality and production process of these semi-processed raw materials. We are able to process raw materials and produce semi-processed raw materials which meets the specified mix of raw materials and additives determined by our production design and development team, required to produce sports shoe soles with different functions and features to suit various characteristics needed for different sports shoes in accordance with our customers’ requirements, specifications and quality expectations.

We place strong emphasis on product design development and we work closely with our customers to understand current sports shoes trends, their needs and requirements. We believe that this helps us in our development of product designs which are responsive to current market trends and changing demands of end-consumers. Our products offer a wide range of features and functionalities, such as shock absorption, breathability, anti-skid, cushioning, traction, light weight and durability.

In recognition of our commitment to quality and as evidence of our reputation as a manufacturer of quality sports shoe soles, we have been conferred an award recognising Qingmei (PRC)'s MD shoe soles as a Fujian Quality Brand product (2008 年“福建名牌产品”称号证书) by the Fujian Provincial People's Government (福建省人民政府) in December 2008.

Our production facilities are located in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC.

As at the Latest Practicable Date, we operate 10 production lines for EVA I Midsoles, 4 production lines for EVA II Midsoles — Stage 1, 26 production lines for EVA II Midsoles — Stage 2, and 19 production lines for RB Outsoles and shoe soles. As at the Latest Practicable Date, we have a maximum production capacity of approximately 45.6 million pairs of sports shoe soles per annum.

OUR PRODUCTS

We manufacture three types of sports shoe soles, namely, MD II shoe soles, MD I shoe soles and RB shoe soles.

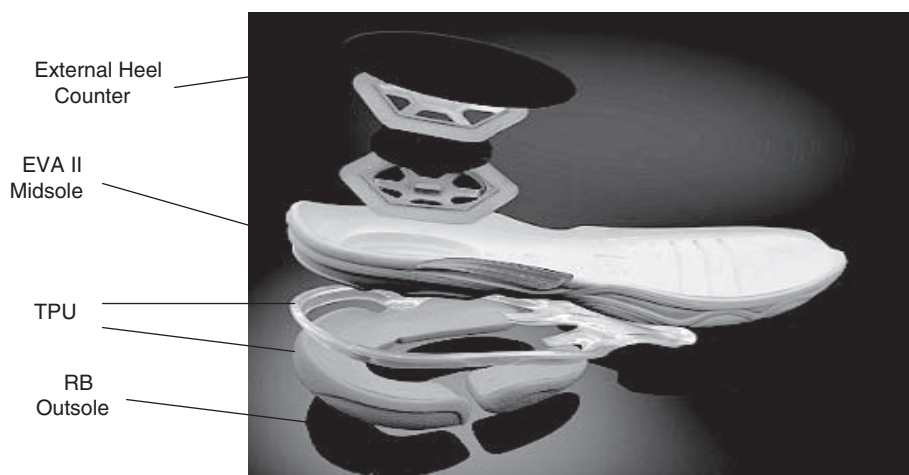
Our sports shoe soles generally comprise a midsole and an outsole. The midsole is the middle layer of a shoe sole, typically made from EVA. The midsole serves the functions of controlling excessive foot motion, providing stability and cushioning, and shock absorption. The outsole is the treaded layer of the sole that comes in direct contact with the ground, typically made from RB. The outsole provides traction, has anti-slip, anti-skid and water resistant qualities, reduces wear and tear of the midsole and hence improves durability of the shoe sole.

Our sport shoe soles cater for different types of physical activities. MD II and MD I shoe soles are generally lightweight, durable, and possess better shock absorption, breathability, anti-skid, cushioning, traction qualities. They are suitable for use in shoes for sports such as basketball, badminton, tennis and running where shock reduction, feet protection and traction are key functions. MD II shoes soles are typically used in sports shoes where intricate designs are required for either functionality or aesthetic purposes due to its EVA II Midsole — Stage 2 production process. RB shoe soles can be used for casual-wear and skateboarding sports shoes.

Details of our MD II shoe soles, MD I shoe soles and RB shoe soles are as follows:

(a) MD II shoe soles

MD II shoe soles comprise an EVA II Midsole and RB Outsole and may, depending on the design and function requirements of such shoe sole unit, include TPU components and air cushioning gels. This product line of shoe soles has greater variability in design and functionalities.



Main Components of an MD II shoe sole

EVA II Midsole

EVA II Midsoles are midsoles that are produced in 2 stages. The EVA II Midsole — Stage 1 is the foam moulding process which involves EVA compound pellets being placed in the cavity of pre-heated moulds, where they will undergo a foaming process to produce the rough foamed sole. This rough foamed sole will then undergo preliminary surface trimming. The EVA II Midsole — Stage 2 is the moulding process which involves the trimmed rough foamed sole being placed into another mould unit, which is heated, pressurised and cooled so as to form an embossed sole with a predetermined pattern. The embossed sole is trimmed so as to form a finished EVA II Midsole. This second stage process allows us the versatility to incorporate more components to produce more functionalities and more intricate designs for the EVA II Midsoles. Hence, EVA II Midsoles are usually used in the production of shoe soles with a wider range of functionalities and more intricate designs.

Please see the section on “Production Process” in this Prospectus for more details.

RB Outsole

RB Outsoles are used as a common component for MD II and MD I shoe soles that we produce. RB is typically used for the manufacture of outsoles as it provides traction and has anti-slip and water resistant qualities, which are necessary for outsoles. The production of an RB Outsole begins with the preparation of raw materials where different raw materials will undergo mixing and compression together with dye to produce the desired colour, in accordance with a particular formula devised to attain the desired qualities. The processed raw material is then pressed into RB sheets and put through a cutting machine where the pre-moulded outsoles are cut from the sheets. These RB Outsoles will then be fused together with the EVA II Midsoles with industrial glue and after the TPU components and other additional components such as air gels are affixed, a complete MD II shoe sole unit will be formed.

TPU Components

TPU components are used to enhance the aesthetic value as well as functional value of our sports shoe soles, such as external heel counters which contribute to the performance and ergonomic qualities of the sports shoe soles. TPU components can be assembled to all the midsoles and outsoles that we manufacture. The incorporation of such TPU components to our MD II and MD I shoe soles are largely dependent on the design preferences of our customers. These components are resistant to oil and abrasion and can be dyed into various colours.

(b) MD I shoe soles

MD I shoe soles are integrated shoe sole units which comprise an EVA I Midsole, RB Outsole, and depending on the design and functional specifications of such shoe sole unit, may include TPU components and air cushioning gels.



Main Components of an MD I shoe sole

EVA I Midsole

An EVA I Midsole is generally produced by way of an injection moulding process with EVA compound pellets used as the main ingredient. EVA compound pellets are first liquefied by heating in a revolving furnace and the liquefied EVA is injected into pre-designed moulds, and thereafter undergoes a further controlled cooling process to achieve the requisite shape and size specifications. Dye may be added during the process to create midsoles with different colours. It is harder to produce intricate details on EVA I Midsoles. EVA I Midsoles are generally less refined in designs as compared with EVA II Midsoles.

RB Outsole and TPU Components

The RB Outsole and TPU components are glued to the EVA I Midsoles to constitute a complete MD I shoe sole unit and the production processes of such components are similar to those used in the construction of an MD II shoe sole.

(c) RB Shoe Soles

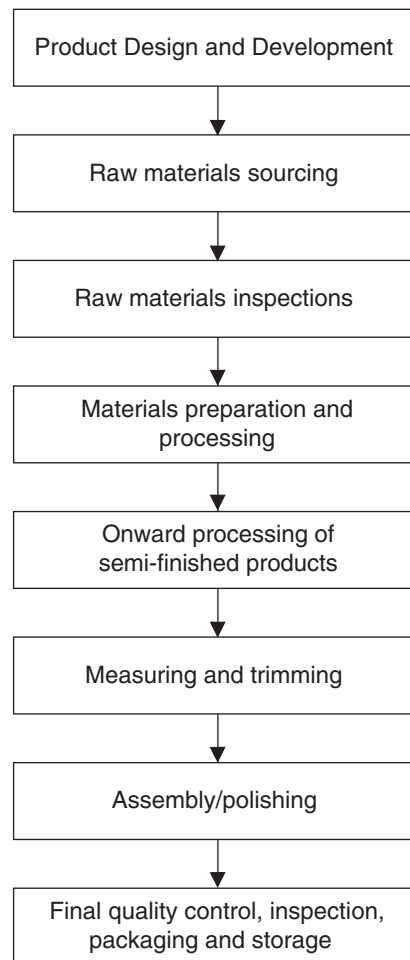
An RB shoe sole is a single piece of shoe sole made primarily of RB. The production of RB shoe soles involves RB slabs being processed, which are then placed under a stamping machine where shoe soles of the desired shape and size are cut out. The integration of the midsole and outsole with the use of adhesives is not necessary for RB shoe soles as this one-piece RB shoe sole serves the functions of a midsole and outsole. TPU components may be incorporated into RB shoe soles depending on the design and functional specifications of such shoe sole unit.



RB shoe soles are produced from synthetic rubbers and small amounts of natural rubber, are skid-resistant and highly durable. However, they provide less dimensional stability, cushioning and shock-absorption capabilities compared to other types of shoe soles.

PRODUCTION PROCESS

We set out below a flow chart depicting the major steps in our production processes for our sports shoe soles:



(1) Product Design and Development

Analysis of raw materials

Our production process begins with the analysis of the functions and qualities of the raw materials by our production design and development team. Numerous rounds of tests on the raw materials and manufacturing components are then conducted in our testing laboratories to determine formulas of the right mix of raw materials and additives to produce quality semi-processed raw materials such as, EVA compound pellets which are necessary in the production of our sports shoe soles.

Product conceptualisation

Product concepts and designs are generated by our product design and development team based on feedback provided by our existing customers, observation of new fashion trends in the industry and evaluation of the sales performance of current shoe products within the sports shoe market.

We work very closely with our customers to come up with new designs and concepts for them, in accordance with their preferences and needs. Such new designs and concepts are generated in the form of computerised sketches using graphic design software and are thereafter delivered to our customers for their review. Our product design and development team engages in discussions

with our customers on the design functionalities and commercial feasibility of these designs. With the feedback, our product design team improves upon these designs to cater to our customers' preferences and needs. Thereafter, we will generate computerised technical drawings depicting the actual prototypes to our customers for their further review.

Product prototype

When our customers are satisfied with the finalised drawings of the prototypes, we will proceed to produce actual prototypes for each approved design of sports shoe soles and such prototypes will be produced for our customers' consideration. These samples are subject to a series of tests using appropriate machinery and equipment to ensure their quality. These tests include, the material strength test, colour test, endurance test, abrasion resistance and skid test and bending test. Please refer to the section entitled "Product Design and Development" in this Prospectus for further details.

(2) Raw materials sourcing

Our procurement department purchases raw materials used in the design and production of our products, mainly EVA resin, TPU and rubber from independent third party suppliers in Quanzhou City, Fujian Province, PRC. We manufacture the key semi-processed raw materials used in the production of our shoe soles, namely EVA compound pellets, TPU pellets and RB.

(3) Raw materials inspections

In ensuring the quality of incoming raw materials, personnel from our procurement department carry out inspections and testing on samples from these raw materials on a random basis to ensure that the quality of the raw materials meets our specifications and quality standards. Raw materials that do not meet our specifications and requirements are returned to our suppliers to be replaced or rectified.

(4) Materials preparation and processing

This stage involves the transformation of basic raw materials such as EVA base chemicals into granules. For the production of EVA Midsoles, the EVA base chemicals are mixed with other additives based on predetermined formulas provided by our product design and development team, before undergoing a granulation process whereby it is transformed into EVA compound pellets. This granulation process involves the use of specialised machinery to heat, liquefy, mix and knead various raw materials including the EVA resin and additives, which will ultimately transform into EVA compound pellets. Dye may also be added during the granulation process to produce compound pellets of different colours. Inspection is conducted at the end of the granulation process to ensure the quality of the EVA compound pellets produced.

TPU pellets do not go through the granulation process, but only go through the process of adding colour dyes and additives to them based on predetermined formulas provided by our product design and development team.

As for the production of RB shoe soles, various raw materials will undergo a preparation process whereby they are mixed and compressed together in accordance with a predetermined production formula devised by our product design and development team to attain the desired qualities. The preparation process also involves the mixing of these materials with dye to produce the desired colour.

(5) Onward processing of semi-finished products

At this stage, moulds are used in the production of EVA II and I Midsoles by way of the injection moulding process and foam moulding process respectively.

For the production of EVA I Midsoles, EVA compound pellets are first liquefied by heating in a revolving furnace and the liquefied EVA is injected into pre-designed moulds, and thereafter undergoes a further controlled cooling process to achieve the requisite shape and size specifications.

The production of EVA II Midsoles involves 2 stages.

EVA II — Stage 1 is the foam moulding process which involves EVA compound pellets being placed in the cavity of pre-heated moulds, where they will undergo a foaming process to produce the rough foamed sole, which will undergo preliminary surface trimming.

EVA II — Stage 2 is the moulding process which involves the trimmed rough foamed sole being placed into another mould unit, which is heated, pressurised and cooled so as to form an embossed sole with a predetermined pattern. The embossed sole is trimmed so as to form a finished EVA II Midsole.

Unlike EVA shoe soles, the production of RB shoe soles does not involve the process of moulding. The production of RB shoe soles involves RB slabs being processed, which are then placed under a stamping machine where shoe soles of the desired shape and size are cut out.

(6) Measuring and trimming

EVA I Midsoles are measured to ensure compliance with the requisite size specifications. Products that do not meet requisite size specifications are sent for re-processing until these are met. EVA II Midsoles need not be measured, as its improved production process produces precise measurements. RB Midsoles are also not subject to measurement, as they do not typically vary much from the required size and shape.

All components of our products undergo a trimming process whereby the excess materials forming outside the desired shape are mechanically trimmed off. Any further trimming, if necessary, will be carried out manually.

(7) Assembly/Polishing

For MD II and MD I shoe soles, the midsole, outsole and at times, TPU components are fused together via heating at a temperature optimal for bonding of the industrial glue. RB Outsoles will be glued together with the EVA II or EVA I Midsoles to form an integrated sports shoe sole unit. These assembled sports shoe soles are then placed in a pressing machine to ensure that the components are firmly bonded. This process is not necessary for purely RB shoe soles.

The assembled shoe sole units are subsequently polished using buffing machines to smoothen the edges of our products.

(8) Final quality control, inspection, packaging, and storage

The finished products are visually inspected to detect any defects and ensure compliance with our customers' requirements. Sports shoe soles that pass the final visual inspection are then packed, labelled and stored in our warehouse before being delivered to our customers.

MANUFACTURING FACILITIES & UTILISATION

We conduct our manufacturing activities in our own production facilities located in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC. The total production area of our manufacturing facilities is 46,174 sq m.

As at the Latest Practicable Date, we operate 10 production lines for EVA I Midsoles, 4 production lines for EVA II Midsoles — Stage 1, 26 production lines for EVA II Midsoles - Stage 2, and 19 production lines for RB Outsoles and shoe soles. As at the Latest Practicable Date, we have a maximum production capacity of approximately 45.6 million pairs of sports shoe soles per annum.

The number of lines and maximum available capacity of our production facilities for the production of our EVA I Midsoles, EVA II Midsoles and RB Outsoles and shoe soles for the last 3 financial years from FY2007 to FY2009 are set out below:

	FY2007		FY2008		FY2009	
	Number of lines	Maximum Available Capacity ⁽¹⁾	Number of lines	Maximum Available Capacity ⁽¹⁾	Number of lines	Maximum Available Capacity ⁽¹⁾
EVA I Midsoles	9	15,306,000 ⁽²⁾	10	19,812,000 ⁽³⁾	10	19,980,000 ⁽⁴⁾
EVA II Midsoles						
— Stage 1	3	17,290,000 ⁽⁵⁾	3	20,748,000 ⁽⁶⁾	4	21,900,000 ⁽⁷⁾
— Stage 2	19	13,833,000 ⁽⁸⁾	23	21,516,000 ⁽⁹⁾	26	24,080,000 ⁽¹⁰⁾
RB Outsoles and shoe soles	16	27,813,000 ⁽¹¹⁾	19	42,624,000 ⁽¹²⁾	19	45,624,000 ⁽¹³⁾

Notes:

- (1) The maximum available capacity of our production facilities for the manufacture of EVA I Midsoles, EVA II Midsoles and RB Outsoles and shoe soles is measured in terms of the number of EVA I Midsoles, EVA II Midsoles, and RB Outsoles and shoe soles that can be manufactured based on the number of production lines employed by us during the financial year being operational for 23 hours per day, 29 days a month.
- (2) FY2007 EVA I Midsoles — Maximum available capacity is calculated based on:
 - (a) 7 production lines for EVA I Midsoles for 9 months from October 2006 (when we commenced sales) to June 2007; and
 - (b) 2 additional production lines for EVA I Midsoles for the 3 months from April 2007 to June 2007.
- (3) FY2008 EVA I Midsoles — Maximum available capacity is calculated based on:
 - (a) 9 production lines for the full FY2008; and
 - (b) 1 additional production line for the 9 months from October 2007 to June 2008.
- (4) FY2009 EVA I Midsoles — Maximum available capacity is calculated based on 10 production lines for the full FY2009.
- (5) FY2007 EVA II Midsoles — Stage 1 — Maximum available capacity is calculated based on 3 production lines for 9 months from October 2006 (when we commenced sales) to June 2007.
- (6) FY2008 EVA II Midsoles — Stage 1 — Maximum available capacity is calculated based on 3 production lines for the full FY2008.
- (7) FY2009 EVA II Midsoles — Stage 1 — Maximum available capacity is calculated based on:
 - (a) 3 production lines for the full FY2009; and
 - (b) 1 additional production line for 2 months from May 2009 to June 2009.
- (8) FY2007 EVA II Midsoles — Stage 2 — Maximum available capacity is calculated based on:
 - (a) 15 production lines for 9 months from October 2006 (when we commenced sales) to June 2007; and
 - (b) 4 additional production lines for 3 months from April 2007 to June 2007.
- (9) FY2008 EVA II Midsoles — Stage 2 — Maximum available capacity is calculated based on:
 - (a) 19 production lines for the full FY2008;
 - (b) 2 additional production lines for 9 months from October 2007 to June 2008; and
 - (c) 2 additional production lines for 3 months from April 2008 to June 2008.

- (10) FY2009 EVA II Midsoles — Stage 2 — Maximum available capacity is calculated based on:
 - (a) 23 production lines for the full FY2009; and
 - (b) 3 additional production lines for 2 months from May 2009 to June 2009.
- (11) FY2007 RB — Maximum available capacity is calculated based on:
 - (a) 13 production lines for 9 months from October 2006 (when we commenced sales) to June 2007; and
 - (b) 3 additional production lines for 3 months from April 2007 to June 2007.
- (12) FY2008 RB — Maximum available capacity is calculated based on:
 - (a) 16 production lines for the full FY2008;
 - (b) 2 additional production lines for 9 months from October 2007 to June 2008; and
 - (c) 1 additional production line for 3 months from April 2008 to June 2008.
- (13) FY2009 RB — Maximum available capacity is calculated based on 19 production lines for the full FY2009.

The maximum available production capacity, actual production and utilisation rates of our production facilities for the production of our midsoles and outsoles for the last 3 financial years from FY2007 to FY2009 are set out below:

	FY2007			FY2008			FY2009		
	Maximum Available Capacity	Actual Production	Utilisation Rates (%)	Maximum Available Capacity	Actual Production	Utilisation Rates (%)	Maximum Available Capacity	Actual Production	Utilisation Rates (%)
MD I shoe soles	15,306,000 ⁽¹⁾	8,045,000	52.6	19,812,000 ⁽¹⁾	16,459,000	83.1	19,980,000 ⁽¹⁾	14,261,000	71.4
MD II shoe soles	13,833,000 ⁽²⁾	2,569,000	18.6	20,748,000 ⁽²⁾	4,929,000	23.8	21,900,000 ⁽²⁾	14,015,000	64.0
RB Outsoles and shoe soles ⁽³⁾	27,813,000 ⁽⁴⁾	Outsoles 10,614,000	42.6	42,624,000 ⁽⁴⁾	Outsoles 21,388,000	56.0	45,624,000 ⁽⁴⁾	Outsoles 28,276,000	67.8
		Shoe soles 1,244,000			Shoe soles 2,491,000			Shoe soles 2,641,000	

Notes:

- (1) Maximum available capacity for MD I shoe sole production is based on the maximum available capacity of EVA I Midsole production.
- (2) Maximum available capacity for MD II shoe sole production is based on the lower of (a) the maximum available capacity for EVA II Midsole — Stage 1 and (b) EVA II Midsole — Stage 2 production.
- (3) RB Outsoles are used for our production of MD I and MD II shoe soles. We have assumed that all our MD I and MD II shoe soles incorporate RB Outsole components on a one to one basis. In the production of RB Outsoles and shoe soles, RB Outsoles will be produced and allocated first for use in the production of MD I and MD II shoe soles, and to the extent that there is any balance capacity, RB shoe soles will be produced and sold.
- (4) RB Outsoles and shoe soles production capacity is the limiting factor for our production capacity of shoe soles. Accordingly, the maximum available capacity for shoe soles production for FY2007, FY2008 and FY2009 are 27,813,000, 42,624,000 and 45,624,000 pairs of sports shoe soles respectively.

We intend to expand our production capacity by purchasing new equipment and machinery for the production of our sports shoe sole products and constructing new building facilities and infrastructure to house them on our existing site area. Construction of the new building facilities is expected to commence as soon as practicable after our listing on the SGX-ST. We intend to implement the installation of equipment and machineries for production in two stages. Construction of building facilities and first stage installation is expected to take approximately seven months to complete. Second stage installation will commence six months thereafter and is expected to take one month to complete.

Upon completion of the first stage installation, our production facility will have two, two, ten and eight additional production lines for the production of EVA I Midsoles, EVA II Midsoles — Stage 1, EVA II Midsoles — Stage 2, and RB Outsoles and shoe soles respectively.

Upon completion of the second stage installation, our production facility will have three, one, 11 and eight additional production lines for the production of EVA I Midsoles, EVA II Midsoles — Stage 1, EVA II Midsoles — Stage 2, and RB Outsoles and shoe soles respectively.

With the new production facility, we expect to increase our maximum production capacity per annum to approximately 65 million pairs of sports shoe soles after the first stage installation and approximately 84 million pairs of sports shoe soles after the second stage installation.

QUALITY ASSURANCE

We believe that our commitment to providing high quality products is one of the key factors of our growth and success. We have put in place quality control procedures to ensure that our products achieve the desired quality standards. Such procedures include various checks and tests conducted at various stages throughout the production process. As at the Latest Practicable Date, we have a total of 333 personnel in our quality control team. Our quality control team is part of our production department. Our team of quality control personnel are responsible for ensuring that quality of our semi-processed raw materials, shoe sole components and finished products meet our specifications and requirements.

Product design and development stage

Our product design and development team conducts different types of tests on prototypes and formulations of raw materials using advanced machinery and equipment. These tests include the material strength test, colour test, endurance test, abrasion resistance and skid test and bending test. Please refer to the section entitled “Product Design and Development” section in this Prospectus for further details.

Raw materials quality control

We place strong emphasis on the quality of raw materials used in our production process. Incoming raw materials are selected on a sampling basis and subject to visual inspection and tests to ensure that the raw materials meet our specifications and quality standards. Raw materials delivered to us that do not meet our specifications and requirements are returned to our suppliers to be replaced.

Production process quality control

We carry out visual inspection of semi-finished products at various stages of the production process. These intermediate quality control checks ensure that defects in the products are discovered during the production process and steps can be taken to rectify such defects at the earliest possible stage of production.


Finished products quality control

Finished products are visually inspected before packing and products which are defective and do not meet specifications are set aside and not packed for delivery. In addition, random samples of finished products are selected and subjected to material strengths testing to ensure that our finished products have been properly assembled.

As testimony of our commitment to quality assurance and control, we have in 2008 been awarded the Quality Management System Certification (质量管理体系证证书) ISO9001 and 2008 Fujian Province Famous Brands Products Award (2008 年“福建名牌产品”称号证书).

Our customers who have taken delivery of our products that are defective, are entitled to return these products to us for rectification or in exchange for identical non-defective products. We have not experienced any material product quality issues or cancellation of orders from our customers during the Period under Review.

SALES AND MARKETING

Our Group has been selling our products under our trademark “” and “Qingmei” (“清美”) brand name which has been recognised by our customers to represent good quality sports shoe soles. We intend to continue to emphasise on providing high quality products to our customers as we believe that it is a key factor in establishing our market reputation.

Our product design and development team markets our designs and prototypes to our customers. This team works closely with our customers to come up with new designs and concepts for sports shoe soles that will suit the functionality and features of our customers' sports shoes. In addition, personnel from our product design and development team occasionally attend sales fairs held by our customers to assist our customers in explaining to their customers details of the various features and functions of our sports shoe soles which form part of our customers' products.

We typically enter into framework agreements with our customers after their sales fairs, which are generally of a duration of three months, and these agreements contain an agreed upon minimum sales value, the selected designs and the agreed price. Such agreements are negotiated by our Executive Director, Mr. Su Qingjiang. Mr. Su Qingjiang oversees our sales team which comprises 10 personnel as at the Latest Practicable Date and he is assisted by Mr. Du Kunming, an Executive Officer of our Group who heads the sales team.

The sales team is responsible for receiving orders from our customers. Such orders will consist of the selected design, quantity, colours, sizes and delivery dates. The prices will be based on the framework agreement. These orders are received throughout the year. The sales team also provides after sales service such as attending to customers' queries and requests.

We advertise our "Qingmei" ("清美") brand name on print media such as large billboards located along roads, overhead bridges and buildings as well as through television commercials. We also act as sponsors for various sports activities within Quanzhou City to enhance our public image within the local community for the purposes of increasing our Group's profile within the industry. Our Executive Director, Mr. Su Shubiao, is responsible for such advertising activities.

PRODUCT DESIGN AND DEVELOPMENT

We recognise that it is critical for us to keep up with prevailing market trends and technologies in order to develop new and improved products. This is particularly important as we are able to apply our product design and development capabilities to work closely with our customers in coming up with new shoe sole designs for their sports shoe products. In this regard, our product design and development team also carries out marketing activities as set out in the section entitled "Sales and Marketing" in this Prospectus.

In June 2009, we collaborated with CASHIPS to carry out further research into new and improved materials for our midsoles to improve the shock absorption and breathability properties.

Mr. Su Qingyuan, our Executive Chairman and CEO, oversees the product design and development team which is headed by our Executive Officers, Mr. Liu Qi (R&D) and Mr. Deng Chuangneng (product design).

As at the Latest Practicable Date, we have a total of 39 product design and development personnel. For the Period under Review, our product design and development team successfully commercialised approximately 239 designs in aggregate.

Product Design

Our product design and development team keeps up with prevailing market trends and technologies mainly through:

- (i) research into latest information from various market sources such as internet websites, trade journals and industry journals;
- (ii) discussions and feedback from our customers to gain a better understanding of the type of sports shoe features and functionalities desired in the market; and

- (iii) participation in sports shoe trade fairs and exhibitions to showcase our products and increase awareness of our trademark and brand name.

Having obtained such market information, our product design and development team will then be able to develop new shoe sole designs which incorporate new features and functionalities to meet the changing needs and demands of the market. Our product design team conceptualises designs which will be marketed to our customers, and may further fine tune the product designs, functions, materials and styles after discussions and feedback from our customers to complement their needs. When the concepts are finalised, prototypes for each of these designs are produced to enable our customers to better visualise what the final product will look like, before orders are placed and actual production of the sports shoe soles commences.

Technological Research

We strive to advance our existing technology by improving on production formulas of semi-processed raw materials through experimentation of raw materials and additives in our R&D laboratories. With such capability, we are able to improve on the quality, appearance, durability and functionality of our sport shoe soles. We also conduct studies of ergonomics to ensure that our sports shoe soles are functional and comfortable. We have a 3 dimensional foot scanning machine and software which allows us to construct a reproduction of the wearer's feet by way of computerised sketches to examine the pressure distribution, size and contours of such feet in order to produce better fitting and more comfortable shoe soles.

We conduct different types of tests on our prototypes. These tests include the following:

- (1) Material strength test — an electronic “resistance flexing machine” is used to determine the strength of our products, by stretching it until its breaking point. The maximum amount of stretching that the prototype can withstand before breaking is then recorded electronically by the computer attached to the machine.
- (2) Colour test — a machine known as the “discolouration meter” is used to test the prototype's resistance to discolouration. The prototype is subjected to simulated circumstances of extreme sunlight and ultra-violet radiation under the machine and readings of resistance to discolouration will be taken.
- (3) Endurance test — the prototype is placed in a specialised drying oven which produces hot air circulation simulating a hot and dry environment, and also in a freezer to simulate freezing conditions, to test their endurance to bending under adverse conditions. The prototype is also placed in a special washing machine to test its endurance in wet and acidic conditions.
- (4) Abrasion resistance and skid test — the prototype is subjected to testing for effects of abrasion with the use of a machine which simulates how much abrasion the outsole of the prototype can bear as it repeatedly makes contact with the ground, and for the anti-slip qualities of shoe soles by applying water/oil on a glass pane where the shoe soles are placed upon for testing.
- (5) Bending test — the prototype is tested for its durability by bending it for a predetermined number of times, with the use of a specialised shoe bending machine which simulates the bending of a shoe while a wearer is running in them.

Our total expenditure on our product design and development efforts amounted to approximately RMB6.6 million, RMB14.5 million and RMB13.5 million representing approximately 2.2%, 2.3% and 1.6% of our revenue for FY2007, FY2008 and FY2009 respectively.


STAFF TRAINING POLICY

As at the Latest Practicable Date, we have 3,591 employees. All our employees undergo induction training, and practical on-the-job training, to ensure that they familiarise themselves with our operations, production processes and work safety procedures. Our staff training expenditure during the Period under Review was not material.

TRADEMARKS/PATENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, we are in the process of obtaining the following trademark:

Trade/Service Mark	Class	Application/ Registration Number	Validity Period
 Trademark No. 3722492	25	3722492	28 July 2006 to 27 July 2016

The trademark set out above is in the process of being transferred to Qingmei (PRC) from Mr. Su Qingyuan pursuant to the Trademark Transfer Agreement dated 30 October 2009. Qingmei (PRC) has applied for the recordation of the transfer of this trademark with the CTMO on 14 August 2009, and the said application is currently pending approval.

Such transfer application was made without a formal agreement executed by the parties. Pursuant to the Restructuring Exercise, Qingmei (PRC) and Mr. Su Qingyuan signed a Trademark Transfer Agreement to formalise the transfer and to clarify their rights and responsibilities. Thus, the agreement was entered into on a supplemental basis, which may not be usual but in the opinion of Jingtian & Gongcheng, the legal advisors to the Company on PRC Law, does not affect the validity of the agreement.

Patents and Patent Applications

The following patents have been registered under our name as at the Latest Practicable Date:

Registration No.	Patent/Type	Filing Date	Publication date	Status/Owner
ZL 200820101192.5	一种新型鞋底/ Utility Model Patent	18 January 2008	5 November 2008	Patent granted/ Qingmei (PRC)
ZL 200820101191.0	一种新型功能性组合大底/ Utility Model Patent	18 January 2008	22 July 2008	Patent granted/ Qingmei (PRC)

As at the Latest Practicable Date, we have also applied for the registration of the following patents with 国家知识产权局 (the State Intellectual Property Office) with respect to certain of our shoe sole products:

Registration No.	Patent/Type	Filing Date	Publication date	Status/Owner
200910009578.2	用于制作鞋底的模制材料、鞋底及其制作方法/ Convention Patent	24 February 2009	22 July 2009	Published/Su Qingyuan
200920139725.3	高弹超轻运动鞋底/ Utility Model Patent	3 August 2009	—	Grant pending/ Qingmei (PRC)
200920139726.8	双密度减震鞋底/ Utility Model Patent	3 August 2009	—	Grant pending/ Qingmei (PRC)
200920139727.2	三维双重减震鞋底/ Utility Model Patent	3 August 2009	—	Grant pending/ Qingmei (PRC)
200920139728.7	力学结构易弯折鞋底/ Utility Model Patent	3 August 2009	—	Grant pending/ Qingmei (PRC)
200920139729.1	足部稳定性控制鞋底/ Utility Model Patent	3 August 2009	—	Grant pending/ Qingmei (PRC)

Pursuant to the Patent Transfer Agreement dated 30 October 2009 and the Supplemental Patent Transfer Agreement dated 8 December 2009, the above patent application numbered 200910009578.2 registered with the State Intellectual Property Office in the name of Mr. Su Qingyuan is in the process of being transferred to Qingmei (PRC) from Mr. Su Qingyuan. Qingmei (PRC) is in the process of recording such transfer with the State Intellectual Property Office. Please refer to the section entitled “Interested Person Transactions” in this Prospectus for further details on the transfer of the patent application.

Save as disclosed above, we do not have any registered trademark, patent or licence or any other intellectual property rights and our business or profitability is not dependent on any of the above registered trademark, patent or licence or any other intellectual property rights.

MAJOR SUPPLIERS

The principal raw materials used in the production of our sports shoe soles are EVA resin, TPU and rubber. We also purchase additives and colouring materials. We source most of our major raw materials from suppliers located in Quanzhou City, Fujian Province, PRC, close to our production facilities. As of the Latest Practicable Date, we purchase raw materials from over 30 suppliers.

As our Company is located in Jinjiang City, Fujian Province, PRC, which is an area with a readily available supply of raw materials from a large pool of suppliers, we are able to source our raw materials from alternative suppliers should the need arise. We are therefore not dependent on any single supplier. This provides us with a timely and steady supply of raw materials at competitive prices. In addition, we enter into framework agreements with major suppliers, which are generally for a duration of three months, which contain information relating to, *inter alia*, minimum purchase value and the agreed price. We generally purchase and maintain a level of raw materials stock to enable us to meet our estimated one month production requirement. As such, we do not enter into any long term supply agreements with any of our major suppliers and we are not dependent on any of our suppliers.

The following suppliers have supplied 5% or more of our purchases in the last three years ended 30 June 2007, 2008 and 2009 respectively:

		Percentage of total purchases (%)		
		FY2007	FY2008	FY2009
洛阳市蓝天化工厂 (Luoyang City Blue Sky Chemical Plant)	Rubber, glue	15.6 ⁽¹⁾	17.8 ⁽¹⁾	20.2 ⁽¹⁾
泉州中凯化工有限公司 (Quanzhou Zhong Kai Chemical Industry Co., Ltd.)	EVA resin ⁽³⁾	15.7	15.0	15.8
福州昆胜复合塑料有限公司 (Fuzhou Kun Sheng Compound Plastics Co., Ltd.)	TPU	18.9 ⁽²⁾	18.2 ⁽²⁾	14.3 ⁽²⁾
厦门嘉益荣贸易有限公司 (Xiamen Jia Yi Rong Trading Co., Ltd.)	Colour dye ⁽³⁾	7.4	6.9	6.6
泰宁县安成工贸有限公司 (Tai Ning County An Cheng Industry and Trade Co., Ltd.)	Chemicals and additives ⁽³⁾	6.1	6.2	6.0

Notes:

- (1) The average cost of RB purchased by us in FY2008 increased by 13.4% over FY2007. The average cost of RB purchased by us in FY2009 increased by 7.5% over FY2008. Accordingly, RB formed a larger part of our total purchases in FY2008 as compared to FY2007 and in FY2009 as compared to FY2008.
- (2) The average cost of TPU purchased by us in FY2008 decreased by 0.3% over FY2007. The average cost of TPU purchased by us in FY2009 decreased by 4.8% over FY2008. Accordingly, TPU formed a smaller part of our total purchases in FY2008 as compared to FY2007 and in FY2009 as compared to FY2008.
- (3) The prices of our other raw materials have been relatively stable over the Period under Review.

We have not encountered any significant production disruption due to shortages of raw materials from our suppliers, nor have we experienced any major difficulties in sourcing for raw materials to meet our production requirements. We maintain good relationships with our suppliers and have not experienced any major disputes with any of them for the past three years.

None of our Directors or Substantial Shareholders or any of their respective Associates has any interest, direct or indirect, in any of the above major suppliers. None of our Directors or Executive Officers has any relationship with such suppliers pursuant to which they were appointed as Directors or Executive Officers.

MAJOR CUSTOMERS

We sell our products to well known sports shoe manufacturers in the PRC who directly or through their distributors, sell their sports shoes to end-consumers in the PRC and various parts of the world, under their brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361°), 特步 (Xtep) and 鸿星尔克 (ERKE).

Although we do not enter into any long term contracts with any of our customers, we have enjoyed the recurring patronage of over 40 customers since our inception because we have established stable relationships with our customers. As of the Latest Practicable Date, we have 75 customers. We are therefore not dependent on any single customer.

In addition, we enter into framework agreements with some of our customers which are generally for a duration of three months. Please refer to the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Prospectus for details.

The following are our customers whose purchases constituted 5% or more of our revenue in the last three financial years.

	Percentage of total sales (%)		
	FY2007	FY2008	FY2009
东莞双星体育用品有限公司 (Dong Guan Double Star Sports Wear Co., Ltd.)	21.9 ⁽¹⁾	19.5 ⁽¹⁾	10.5 ⁽¹⁾
晋江市金鼠王鞋业有限公司 (Jinjiang City Jin Shu Wang Shoe Co., Ltd.)	10.2	11.6	9.6
晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.)	7.9	9.7	9.0
福建鸿星尔克体育用品有限公司 (Fujian Hongxing Erke Sports Wear Co., Ltd.)	—	—	8.3 ⁽²⁾
康踏(福建)体育用品有限公司 (Kang Ta (Fujian) Sports Wear Co., Ltd.)	6.8	8.0	6.2
福建省泉州市八哥运动休闲用品有限公司 (Fujian Province Quanzhou City Ba Ge Sports and Leisure Wear Co., Ltd.)	6.4	5.8	5.4
福建省晋江名足鞋业有限公司 ⁽³⁾ (Fujian Jinjiang Mingzu Footwear Co., Ltd.)	4.5	4.0	4.6
名志体育用品(中国)有限公司 ⁽³⁾ (Ming Zhi Sports Goods (China) Co., Ltd.)	0.5	0.4	—

Notes:

- (1) In FY2009, Dong Guan Double Star Sports Wear Co., Ltd. ordered 32.0% less products in terms of quantity from us as compared to FY2008.
- (2) As a result of our product design and development efforts, Fujian Hongxing Erke Sports Wear Co., Ltd. became our customer in FY2009.
- (3) We have included Fujian Jinjiang Mingzu Footwear Co., Ltd and Ming Zhi Sports Goods (China) Co., Ltd. in the table above notwithstanding that their individual purchases from us do not constitute 5.0% or more of our total sales in each of the last three financial years as both Fujian Jinjiang Mingzu Footwear Co., Ltd and Ming Zhi Sports Goods (China) Co., Ltd. share a common shareholder and their purchases, when aggregated, constituted 5.0% of total sales in FY2007.

To the best of their knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our current relationship with any of our major customers.

Our business or profitability is not materially dependent on any industrial, commercial or financial contract (including a contract with a customer or supplier) or any new manufacturing process.

None of our Directors or Substantial Shareholders or any of their respective Associates has any interest, direct or indirect, in any of the above major customers. None of our Directors or Executive Officers has any relationship with such customers pursuant to which they were appointed as Directors or Executive Officers.

CREDIT MANAGEMENT

Our Customers

We typically grant our customers credit terms of between 60 to 90 days. Credit terms vary from customer to customer depending on factors such as their payment track record, financial background, length of business relationship, frequency of purchase and size of transactions.

Our average trade receivables' turnover days are as follows:

	FY2007	FY2008	FY2009
Average trade receivables' turnover days	84 ⁽¹⁾	65 ⁽²⁾	69 ⁽²⁾

Notes:

- (1) Average trade receivables' turnover days for FY2007 is computed based on (the closing trade receivables balance in the said financial year/revenue) x 270 days. We commenced operations in September 2006 and sales in October 2006.
- (2) Average trade receivables' turnover days for FY2008 and FY2009 are computed based on (the average of the beginning and closing trade receivables balance in the respective financial year/revenue) x 365 days.
- (3) The average trade receivables' turnover days for FY2008 and FY2009 was significantly lower than FY2007 due to the different calculation methods used (closing trade receivables for FY2007 as opposed to average of beginning and closing trade receivables for FY2008 and FY2009) as set out in footnotes (1) and (2) above. Different calculation methods were used because Qingmei (PRC) had nil balances as at 1 July 2006 for it only commenced operations in September 2006 and sales in October 2006.

As at the Latest Practicable Date, we have not experienced any material default in the collection of our trade receivables from our customers. For FY2009, we wrote off an amount of approximately RMB102,000 when one of our customers ceased their operations. Our Directors are of the view that this amount was immaterial to the Company's business of operations.

The aging schedule for our trade receivables from our customers of approximately RMB185.0 million as at 30 June 2009 is as follows:

Aging schedule of trade receivables	As at 30 June 2009
	RMB'000
Less than 30 days	: 113,222
Between 31 and 60 days	: 69,048
Over 60 days	: 2,758

As at the Latest Practicable Date, all trade receivables outstanding as at 30 June 2009 had been collected.

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

Trade receivables are reviewed at each balance sheet date by our management to assess their recoverability. We make full provision for trade receivables that remain uncollected after 365 days. In addition, we may also make bad debt provisions on a case-by-case basis by reference to the historic settlement records, aging of the overdue receivable balance and current financial status of the customer. Our trade receivables as at 30 June 2007, 2008 and 2009 are neither past due nor impaired in relation to a wide range of customers of good credit quality. When we are satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly. As at 30 June 2009, we have determined trade receivables of RMB102,000 as irrecoverable and was individually written off.

No provision for doubtful debts has been made in FY2007, FY2008 and FY2009.

As at 30 June 2009, the Group has factoring loan financing of RMB14,000,000 with 中国工商银行晋江支行 (Jinjiang Branch, ICBC) which was secured by the Group's trade

receivables of approximately RMB16,675,000 and supported by a corporate guarantee provided by 福建晋江德尔惠鞋业有限公司 (Fujian Deerway Footwear Co., Ltd.), one of our customers, who was willing to provide this guarantee to secure such loan financing. The factoring loan financing is with recourse and bears fixed interest at the rate of 4.86% per annum. As at the Latest Practicable Date, we have repaid such factoring loan. Accordingly, the above-mentioned guarantee has been discharged.

During the period from 21 October 2009 to 10 December 2009, we entered into three new factoring loan agreements with 中国工商银行晋江支行 (Jinjiang Branch, ICBC) for an aggregate factoring loan financing of up to RMB30.0 million from time to time. This facility was secured by the Group's trade receivables of approximately RMB34,245,000 in aggregate and supported by corporate guarantees provided by 泉州市锦程海运有限责任公司 (Quanzhou City Jincheng Marine Transport Co., Ltd.) and 石狮市豪港储运有限责任公司 (Shishi City Haogang Storage & Transportation Co., Ltd.) each of which are owned by Mr. Su Qingyuan's personal friends who were willing to provide such guarantees at Mr. Su's request to enable Qingmei (PRC) to secure such loan financing with 中国工商银行晋江支行 (Jinjiang Branch, ICBC). The factoring loan financing is with recourse, bears fixed interest of between 3.216% and 4.86% per annum and will expire latest by 6 June 2010.

Our Suppliers

Our trade and bills payables primarily relate to the purchase of raw materials from our suppliers and are non-interest-bearing. Our credit terms for trade payables are between 60 to 90 days and our bills payables have a maturity period of six months.

The average payables' turnover days for FY2007, FY2008 and FY2009 are as follows:

	FY2007	FY2008	FY2009
Average payables' turnover days	74 ⁽¹⁾	54 ⁽²⁾	55 ⁽²⁾

Notes:

- (1) Average payables' turnover days for FY2007 is computed based on the (closing trade and bills payable balance in the said financial year/cost of sales) x 270 days. We commenced operations in September 2006 and sales in October 2006.
- (2) Average payables' turnover days for FY2008 and FY2009 are computed based on (the average of the beginning and closing trade and bills payable balance in the respective financial year/cost of sales) x 365 days.

We generally make early payment to build strong relationships with our suppliers, to ensure a steady supply of raw materials from our suppliers and for favourable pricing.

INVENTORY MANAGEMENT

Our inventory includes our primary raw materials consisting of EVA resin, TPU, rubber, semi-processed raw materials, shoe sole components and finished products. We generally purchase and maintain a level of raw materials stock to enable us to meet our estimated one month production requirement. We have also put in place the following inventory management procedures to ensure that our inventories are adequately accounted for:

- (a) our production plan will incorporate order requirements provided by the sales team and such production plan will then be forwarded to our Executive Director, Mr. Su Qingjiang for his review and approval. We do not generate any inventory aging report, as the balance from our inventory is typically consumed before additional quantities are ordered from our suppliers; and
- (b) once the delivery of finished goods to our customers has been made, our Finance Department will be notified for billing purposes.

We made no provisions for stock obsolescence or stocks written off or stocks written down to net realisable value in FY2007, FY2008 and FY2009.

Our average inventory turnover days are as follows:

	FY2007	FY2008	FY2009
Average inventory turnover days	23 ⁽¹⁾	21 ⁽²⁾	18 ⁽²⁾

Notes:

- (1) Average inventory turnover days for FY2007 is computed based on the (closing inventory balance in the said financial year/cost of sales) x 270 days. We commenced operations in September 2006 and sales in October 2006.
- (2) Average inventory turnover days for FY2008 and FY2009 are computed based on (the average of the beginning and closing inventory balance in the respective financial year/cost of sales) x 365 days.

Our average inventory turnover decreased from 23 days in FY2007 to 21 days in FY2008 and from 21 days in FY2008 to 18 days in FY2009 mainly due to strong customer demand and more efficient production planning.

SEASONALITY

Demand for our sports shoe soles is not susceptible to significant seasonal or cyclical demand conditions. We would suspend our production during festive periods and national holidays such as the spring festival (春节), Labour Day and National Day.

COMPETITION

We operate in a competitive market and we expect to face more intense competition from existing competitors and new market entrants in the future. Manufacturers of sports shoe soles in the PRC operate under normal competitive conditions similar to a free enterprises environment where there are no undue government regulations or licensing requirements and operators may freely enter or leave the industry. We believe that the principal competitive factors in our industry include product quality, cost competitiveness, R&D and design capabilities and track record.

Although there are many shoe sole manufacturers, not all of them are in direct competition due to different market segmentation of the manufacturing of different types and quality of shoe soles. Based on the experience and industry knowledge of our Executive Directors, we believe our competitors belong to the mid to high end market segment. Of the players in the industry, we have identified the following to be our closest competitors, in view of their size, types and quality of manufactured products and location:

- Wan Jia Xin (Fujian) Leather and Rubber Shoes Co., Ltd. (万家鑫 (福建) 皮塑鞋材有限公司)
- Tai Ya Shoes Development Co. Ltd (泰亚鞋业股份有限公司)
- Fujian Hongwei Shoe Plastics Co., Ltd. (福建宏伟橡塑鞋业有限公司)
- Quanzhou Yi De (Heng Mao) Shoe Materials Trading Co., Ltd. (泉州怡德 (恒茂) 鞋材有限公司)

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

COMPETITIVE STRENGTHS

We have identified the following key competitive strengths that contributed to our ability to compete in our businesses:

We have strong product design and development capabilities

We recognise the importance of product design and development in ensuring our competitiveness in the sports shoe soles market and acknowledge that sports shoes are subject to fashion trends which can change rapidly and which we must keep track of, in order to stay competitive. We believe that our strong product design and development capabilities allow us to produce sports shoe soles with the desired features that are in keeping with the latest fashion trends and meet the requirements of our customers.

Our product design and development team, which comprises 39 staff as at the Latest Practicable Date, keeps abreast of the latest trends from various sources such as sports shoes industry journals, magazines and internet websites. We are also able to keep up with the latest trends due to our close interactions with customers which enable us to fine-tune our product features and functions, materials and styles through customers' feedback. With these efforts, we are able to produce sports shoe sole designs that appeal to the end-consumers. This is evidenced by the introduction and commercial production of approximately 92 new designs in FY2007, 61 new designs in FY2008 and 86 new designs in FY2009.

To strengthen our product design and development capabilities, in June 2009, we entered into a collaboration agreement with CASHIPS to carry out research into new and improved materials for our midsoles to improve the shock absorption and breathability properties.

Vertically-integrated operations for sports shoe soles


We are a vertically integrated manufacturer with the ability to:

- (a) carry out product design and development as set out above; and
- (b) process and produce the key semi-processed raw materials used in the production of our products, namely EVA compound pellets, TPU pellets and RB. We are therefore able to experiment with our raw materials and additives to produce such semi-processed raw materials of various formulations and compositions, to derive different functions and features for our shoe soles.

Being vertically integrated enables us to exercise better quality control of our products, lower our production costs, and ensure timely availability of the key semi-processed raw materials as we do not have to rely on third-party suppliers.

We have established ourselves as a reliable manufacturer of quality products

Since the commencement of our operations in 2006, we have established good relationships with our customers. This is due largely to our commitment to consistently produce quality products that meet their requirements and our ability to meet their delivery needs on a timely basis. Our product design and development team and sales team regularly meets with and works closely with our customers to gain a better understanding of their businesses and needs. This has enabled us to be responsive to market trends and customers' needs and to maintain a stable customer base.

As a result, we believe that our products, marketed and sold under trademark “” and “Qingmei” (“清美”) brand name, have gained a strong recognition in the market as a reliable manufacturer of quality products. We are increasingly able to attract and retain well known sports shoe

manufacturers in the PRC, who directly or through their distributors, sell their sports shoes to end-consumers in China and various parts of the world, under their brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361°), 特步 (Xtep) and 鸿星尔克 (ERKE).

Strategic location in Chendai Town, Jinjiang City

Our production facilities are located in Jinjiang City, which is one of the largest sports footwear manufacturing capitals of the PRC.

With the presence of a large number of sports shoe manufacturers within Jinjiang City and its surrounding areas, we are able to keep up with latest market trends and developments in the sports shoe industry through regular interaction with such manufacturers. Further, we are able to meet up with our customers regularly to introduce our new products and to discuss with them their needs and offer them better after-sales services.

Further, by having our production facilities located in an area with a high density of suppliers of raw material for shoes and shoe sole manufacturing provides us with a timely and readily available supply of raw materials at competitive prices. In addition, Jinjiang City's shoe-manufacturing industry creates abundant employment opportunities, which in turn attracts a significant influx of labour from various parts of the PRC. When combined with the large number of skilled employees with shoe manufacturing experience in Jinjiang City, this influx of labour serves as a steady reservoir to fulfil our human-resource needs. Our proximity to customers and suppliers also allows us to save on transportation costs.

Strong management team

We have a relatively young and strong management team led by our Executive Chairman and CEO, Mr. Su Qingyuan, who has more than ten years of experience in the sports shoe industry. The management team is goal-oriented and focussed on execution of our Group's strategies. With their strong industry experience, coupled with their dedication and diligence, we believe that our Group will continue to grow and expand as we implement our plans for growth and expansion as described in the section entitled "Strategy and Future Plans" in this Prospectus.

PROPERTIES AND FIXED ASSETS

Properties owned

As at the Latest Practicable Date, we own the following land use rights, buildings and premises:

Location	Site Area (m²)	Gross Floor Area (m²)	Use of land use rights/ buildings and premises	Tenure	Net Book Value as at 30 June 2009
Sucuo Village, Chendai Town, Jinjiang City (晋江市 陈埭镇苏厝村)	46,174	59,477.04	Industrial/ Production	50 years till 24 August 2059	RMB77.9 million

In April 2006, we entered into contracts for the acquisition of land use rights in respect of 46,174 sq m of land located at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村). At the point of acquisition, such land could only be used for agricultural purposes and no construction was permitted before the necessary approvals and certificates from the PRC authorities have been obtained. Notwithstanding that we began construction of our existing production facilities on such land prior to the necessary approvals and certificates being obtained, we have obtained the necessary land use rights

certificates and building ownership certificates in respect of such land and buildings, to be used for industrial or production purposes, at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村) in September 2009. In addition, we have also obtained the Construction Works Planning Permit and the Construction Works Commencement Permit in December 2009. Please refer to the section entitled “Government Regulations, Licences and Permits” in this Prospectus for further details.

There are no encumbrances on our land and buildings at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村).

In December 2008, Qingmei (PRC) entered into separate Transfer Agreements (土地使用权转让合同) on the transfer of land use rights with 21 farmers in respect of our acquisition of land use rights of new parcels of land amounting to an aggregate of 11,920 sq m, adjacent to our existing production facility at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村). Pursuant to these agreements, Qingmei (PRC) was required to pay these individuals an aggregate amount of approximately RMB16.6 million as acquisition costs (the “Acquisition Costs”) and such payment has been made.

However, according to applicable PRC laws, these parcels of land can only be used for agricultural purposes by these individuals and shall not be transferred, retransferred or rented out for non-agricultural construction. Before obtaining the necessary approvals and certificates from the PRC authorities, we are not to carry out the construction of any facility on such land. As at the Latest Practicable Date, the Group has not carried out any construction of facilities on these new parcels of land. Jingtian & Gongcheng has also opined that the Transfer Agreements are not valid or binding as they are not in compliance with the Land Administration Law of PRC. However, they have advised that in order to legalise the land use rights to be acquired under the Transfer Agreements, we would have to carry out the following steps:

- (a) make effort to obtain the approval on requisition of land and change of purpose of collectively-owned farmland in respect of the land from the Fujian Provincial Government;
- (b) after the aforesaid approval is obtained, obtain the approval from Jinjiang Municipal Land Resources Bureau on the land for construction purpose;
- (c) obtain relevant approval from Jinjiang Municipal Administration on Planning, Construction and House Property on the planning of the land;
- (d) bid for the land on the relevant auction;
- (e) file an application report (建设项目用地预审意见) (together with other required materials) with Jinjiang Municipal Land Resources Bureau and obtain the preliminary approval on use of the land for construction purposes;
- (f) obtain the Planning Permit of Construction Land (建设用地规划许可证) from Jinjiang Municipal Administration on Planning, Construction and House Property;
- (g) execute the Agreement on Grant of State-owned Land Use Rights (国有土地使用权出让合同) and make payment for the land; and
- (h) obtain the certificate of land use rights (国有土地使用权证).

As at the Latest Practicable Date, Qingmei (PRC) has not carried out any of the above steps (a) to (h) to legalise the land use rights to be acquired under the Transfer Agreements. Qingmei (PRC) will procure that the above steps are carried out after the listing of the company on the SGX-ST and will procure that these steps are completed by the end of 2010. If we do not succeed in our attempt to legalise the land use rights under the Transfer Agreements and are unable to reclaim the sum of

RMB16.6 million paid out as Acquisition Costs from the original owners, we will suffer a loss arising from the aforesaid acquisition and our financial condition may be adversely affected.

Our Executive Chairman and CEO, Mr. Su Qingyuan has, on 10 November 2009 undertaken, *inter alia*, to fully indemnify our Company in the event that (a) the land use rights under the Transfer Agreements are not legalised within 3 years from 10 November 2009 and we are unable to reclaim the Acquisition Costs, and/or (b) we face any claims or demands by the original owners, against the Acquisition Costs, any other consideration paid by us in connection with the Acquisition and any incidental costs which may arise in connection with the Acquisition. As at the Latest Practicable Date, apart from the Acquisition costs of RMB16.6 million, we have not incurred any other consideration or incidental costs in connection with the Acquisition. In addition, Mr. Su Qingyuan has also undertaken to ensure that no construction of any nature shall be carried out on such land prior to the legalisation of the acquisition of the land use rights under the Transfer Agreements and the relevant approvals being obtained.

In order to provide the Company with the assurance that he has adequate financial resources to fulfil his obligations in respect of the indemnities provided by him to our Company as disclosed above, Mr. Su Qingyuan entered into a security deposit agreement on 18 December 2009 (the “Security Deposit Agreement”) with China CITIC Bank Corporation Limited (“CITIC Bank”) and Qingmei (PRC), pursuant to which he agreed, *inter alia*, to maintain a balance of not less than RMB17,000,000 (the “Fixed Deposit”) in his account with CITIC Bank (the “Custody Account”) for a maximum period of three years from the date of establishment of the Custody Account. CITIC Bank will refuse any withdrawal or transfer of funds from the Custody Account if such withdrawal results in the balance to be less than the Fixed Deposit amount, unless written consent is sought and obtained from all of the Independent Directors of the Company. In addition, the Company may, with the consent of all our Directors, choose to terminate the Security Deposit Agreement at any time by notifying CITIC Bank of such intention.

Fixed Assets

Our fixed assets comprise plant and machinery, furniture and office equipment, motor vehicles and construction in progress. For further details, please refer to the section entitled “Manufacturing Facilities and Utilisation” in this Prospectus.

GOVERNMENT REGULATIONS, LICENCES AND PERMITS

Save as disclosed in the section entitled “Properties and Fixed Assets” in this Prospectus, our Directors confirm that our Group has obtained all necessary approvals and complied with the relevant laws and regulations that would materially affect its business operations. Save as disclosed below, our Directors are not aware of any incident of suspension or revocation of any of our licences, permits or any fact or circumstances which will cause our licences, permits or approvals to be suspended or revoked.

In 2006, our operating subsidiary, Qingmei (PRC) had proceeded to construct buildings prior to obtaining the relevant land approvals. Consequently, on 10 November 2006, Jinjiang Municipal Land Resources Bureau made an administrative sanction decision No. Jin Guo Tu Zi Jian 2006 720 (晋国土资监 [2006]720 号) against Qingmei (PRC) for illegal occupancy of land and construction of buildings (《关于清美 (中国) 有限公司非法占地建厂房的行政处罚决定》). Pursuant to the decision, Qingmei (PRC) was required to (i) resituate the land of 6,000 sq m and remove the buildings and other facilities on the land, and (ii) pay a fine of RMB60,000 within 15 days upon receipt of the decision. Qingmei (PRC) fully paid the fine on 13 November 2006. Upon payment of the fine, we obtained confirmation from Jinjiang Municipal Land Resources Bureau and Jinjiang Municipal Administration for Planning, Construction and House Property on 31 August 2009 and 24 September 2009 respectively that no further penalties, fines or other administrative sanctions will be imposed on Qingmei (PRC) in relation to this matter. As Qingmei (PRC) had subsequently been granted the requisite land use rights and building ownership certificates in respect of the said land and buildings in September 2009, and had also been granted the Construction Works Planning Permit and the

Construction Works Commencement Permit in December 2009 in respect of the construction of the buildings, our Directors believe that there is no material risk that we will be required to relocate and remove the buildings and facilities from this piece of land.

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

INSURANCE

We have obtained insurance in respect of property insurance coverage, which includes loss and damage to property, such as our buildings, fixed assets and inventories in our warehouses and factories. All such insurance coverage is obtained at market rates from independent insurance companies.

We also maintain social insurance, including basic pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance, for our employees in line with PRC labour laws and regulations.

We believe that the coverage from the above insurance policies is adequate. However, significant damage to our operations or third party product liabilities may still have material adverse impact on our results of operations or financial condition. We do not maintain product liability, business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities. As at the Latest Practicable Date, we have not suffered any losses due to the lack of or inadequate insurance coverage in respect of such claims. Please refer to the risk factor entitled “We do not have insurance coverage for certain types of claims” in the section entitled “Risk Factors” in this Prospectus.

ORDER BOOK

In general, due to the nature of our business, we do not receive long-term orders from our customers.

We typically enter into framework agreements, which are generally for a duration of three months, with our customers after their sales fairs and these agreements contain an agreed upon minimum sales value, the selected designs and the agreed prices.

Our customers will from time to time throughout the year place orders with us depending on their demand. Such orders will consist of the selected designs, quantity, colours, sizes and delivery dates, with the prices based on the framework agreement.

As at the Latest Practicable Date, our orders on hand amounted to approximately RMB154.2 million for which we have received confirmed orders which are generally scheduled for delivery to our customers within 30 days. These confirmed orders may not be cancelled except with both parties’ agreement but are subject to deferral or rescheduling by our customers. Accordingly, our order books as at any particular date may not be indicative of our revenue for any succeeding period.

PROSPECTS

We believe that the increase in demand for our products can be attributed to the increase in demand for sports shoes and the increasing emergence and greater market expansion/penetration of sports shoe manufacturers in the PRC in recent years.

We set out below some of the factors that our Directors believe had contributed to the increasing demand for sports shoes:

(i) The growing affluence of the PRC population

The PRC has experienced modernisation, strong economic growth, higher disposable income and rising standards of living, all of which have led to increasing consumer spending. With higher spending power, consumers are altering their lifestyle spending habits and are more fashion conscious. They are also more aware of the functionalities of sports shoes suited for different types of sports. Accordingly, consumers are willing to purchase specific type of sports shoes for different sports activities, as well as using sports shoes to make a fashion statement and not merely as a functional item.

(ii) Growing interest in and passion for sports

The PRC government has been encouraging its citizens to engage in healthy living and lifestyles, through active education and promotion of the benefits of healthy living and lifestyles. In line with this, there has been an increase in the number of sports facilities in recent years. We believe that these developments have led to the PRC population in general becoming more health conscious and engaging in more sporting activities.

The sporting success of PRC sports people in the international arena, such as the NBA basketball star, Yao Ming, and the Olympic 110 metres hurdles gold medallist, Liu Xiang, the tennis players, Li Na and Zheng Jie, have contributed significantly to increasing greater interest in sports.

With the growing interest in and passion for sports, we expect to see increasing growth in demand for sporting goods, including sports shoes, in the PRC.

(iii) Increase in sporting events in the PRC

We believe that the demand for sports shoe products in the PRC will be boosted by the hosting of major world sporting events by China. In 2008, Beijing hosted the 2008 Olympic Games which not only raised the PRC's profile as a location of the world to host key sporting events, but also provided a platform on which sports shoe manufacturers in the PRC were able to enhance their brand visibility internationally. In 2008, Hongxing Erke, one of our major customers, sponsored the Women's Tennis Association Tour, the China Tennis Grand Prix and continued its endorsement of tennis star athletes Zheng Jie and Yan Zhi as brand spokespersons, to establish its name as a leading tennis shoe manufacturer. Along with the 2009 East Asian games in Hong Kong, the 2010 Asian Games to be held in Guangzhou and the 2011 World University Games, these high-profile sporting events will ensure the growth and sustenance of the PRC citizens' interest in sports.

Trend Information

Based on our Directors' knowledge and experience of the industry, for the Period under Review up to the Latest Practicable Date, our Directors have also observed the following trends:

- (a) As we continue to focus on our product design and development capabilities and quality control, we believe that demand for our sports shoe soles will increase, particularly for MD II shoe soles which are more versatile and offers more intricate designs and functions compared to MD I shoe soles. The expected increase in demand will be supported by our plans to expand our production capacity.
- (b) We have experienced a general trend towards increases in the prices of our RB raw material from RMB16.5 per kilogramme in FY2007 to RMB20.0 per kilogramme in FY2009 representing an

increase of 21.2%, while the prices of other key raw materials such as EVA resin and TPU have been relatively stable during our Period under Review. However, we expect the prices of all the raw materials to remain relatively stable for the remainder of FY2010.

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

STRATEGY AND FUTURE PLANS

Our strategy and future plans for the growth and expansion of our businesses are described below:

Expand and increase our production capacity through the acquisition of new production equipment and machineries and the construction of additional building facilities and supporting infrastructure

We intend to expand our production capacity by purchasing new equipment and machinery for the production of our sports shoe sole products and constructing new building facilities and infrastructure to house them on our existing site on which our existing production facilities are located. Construction of the new building facilities is expected to commence as soon as practicable after our listing on the SGX-ST. We intend to implement the installation of equipment and machineries for production in two stages. Construction of building facilities and first stage installation is expected to take approximately seven months to complete. Second stage installation will commence six months thereafter and is expected to take one month to complete.

With the new production facility, we expect to increase our maximum production capacity per annum to approximately 65 million pairs of sports shoe soles after the first stage installation and to approximately 84 million pairs of sports shoe soles after the second stage installation.

In view of our plan to increase our production capacity and the requirement for more production workers, we intend to construct additional building facilities for our staff hostel on our existing site area. We believe that improving the welfare and living conditions for our workers will not only result in increased productivity but will also help us to attract better talent. The new staff hostel when constructed will be able to accommodate approximately 2,000 employees. Completion is expected to take approximately seven months from the date of listing.

The purchase of new equipment and machinery for the first and second installation, the construction of new building facilities and our staff hostel is estimated to cost RMB144.0 million (the equivalent of S\$29.6 million) and this cost will be fully funded by the net proceeds from the Invitation. We intend to utilise approximately RMB61.1 million (the equivalent of S\$12.6 million) for the acquisition of additional production equipment and machinery for the first and second stage installation, and approximately RMB82.9 million (the equivalent of S\$17.0 million) for the construction and building costs of the new production facility and staff hostel.

Construction of new R&D centre and strengthening of R&D capabilities

We believe that it is important for us to keep up with the rapid changes in market and fashion trends for sports shoes features and functionalities. Accordingly, we are committed to strengthening our product design and development capabilities in order to enable us to (i) constantly improve on product

quality, (ii) develop new and improved features and functionalities for shoe soles to expand our range of product offering to customers, and (iii) to improve our production process to increase overall efficiency and productivity of our production facilities.

The construction of building facilities for setting up of a dedicated self-contained research and development centre on our existing site on which our existing production facilities are located, and for the purchase of the necessary equipment and machineries for research and testing purposes is estimated to cost RMB52.0 million (the equivalent of S\$10.7 million) and this cost will be fully funded by part of the net proceeds from the Invitation. The research and development centre will be dedicated to testing and research into the making of our products, such as the type of raw materials to be used in production and the specific formulations and compositions of raw materials to achieve the desired feature and functionality. We expect to commence construction of this centre as soon as practicable after our listing on the SGX-ST, with completion estimated to take approximately seven months.

We may also upgrade our existing equipment, machinery and software to further enhance our production design and development capabilities.


Other than the construction of a dedicated research and development centre, we also intend to continue to explore other possible collaborative ventures with research institutions and other institutions in the sports shoe sole industry, including collaboration with other universities on joint research and testing opportunities. The funding of such collaborative ventures is estimated to be RMB15.0 million (the equivalent of S\$3.1 million) which would be fully funded by part of the net proceeds from the Invitation.

As at the Latest Practicable Date, we have 39 personnel in our product design and development team. We intend to recruit additional experienced and skilled personnel to increase the staff strength in this team.

Strengthening our customer base by focussing our marketing efforts on high growth PRC sports shoe manufacturers with strong growth potential

We currently sell our products to well known sports shoe manufacturers in the PRC who directly or through their distributors, sell their sports shoes to end-consumers in the PRC and various parts of the world, under their brand names such as 双星 (Double Star), 金鼠王 (Jin Shu Wang), 康踏 (Kang Ta), 乔丹 (Qiao Dan), 贵人鸟 (K-Bird), 三六一度 (361°), 特步 (Xtep) and 鸿星尔克 (ERKE). We believe that there are still significant opportunities to increase the sales revenue of our products within our group of existing customers. We have identified some of our existing customers who have great potential and are likely to achieve high growth within the next couple of years. The growth of the business of our customers will in turn lead to greater demand for our sports shoe soles. As such, we intend to place greater emphasis on the marketing and sales of our products to this targeted group of customers to inculcate stronger relationships. Our Directors believe that such efforts will ensure their repeated patronage and that these high growth potential sports shoe manufacturers will place more orders with us and have a greater reliance on our products. Further, we intend to increase our customer base by targeting new customers with high growth potential. We will continue to attract new customers by leveraging on our competitive strengths.

Strengthen our Group's reputation as a manufacturer of high quality sports shoe soles

Our sports shoe sole products are marketed and sold under our trademark “” and “Qingmei” (“清美”) brand name which has gained recognition as a reliable manufacturer of quality sports shoe soles. In this regard, we intend to strengthen our good reputation by adopting the following initiatives:

- To continue to focus on product design and development and quality control;

- To increase our participation in sports shoe trade fairs and exhibitions to showcase our products and increase awareness of our trademark and brand name;
- Increase in advertising and promotion activities by increasing the number of advertisements placed on billboards and in print media, the amount of exposure of our Company on television and on the internet, and participating in trade fairs and exhibitions; and
- To continue to act as sponsors for various sports activities within Quanzhou City to enhance our public image within the local community for the purposes of increasing our Group's profile within the industry.

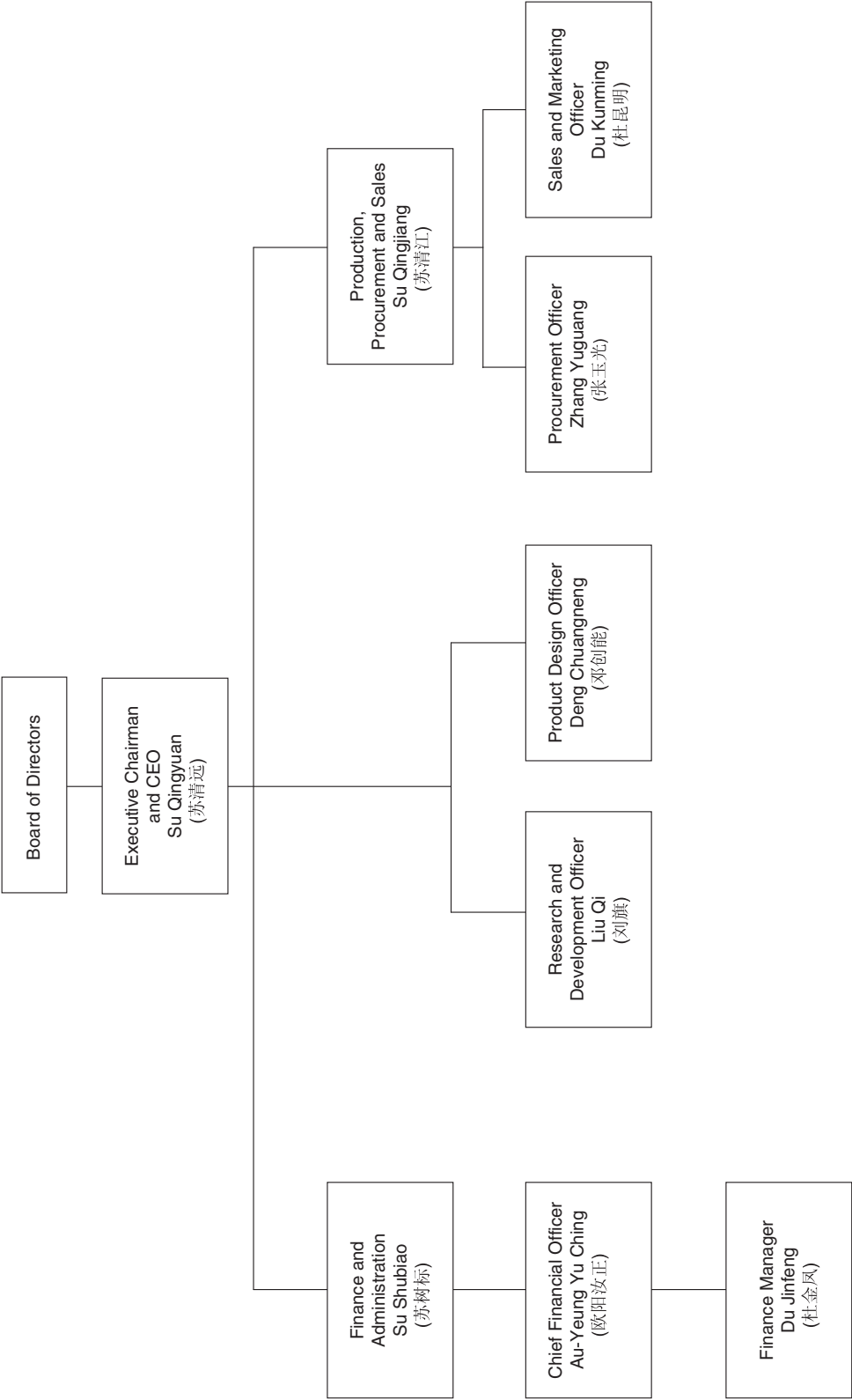
Expansion of our business through acquisitions, joint ventures and strategic alliances

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

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

DIRECTORS, MANAGEMENT AND STAFF

MANAGEMENT REPORTING STRUCTURE



DIRECTORS

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

Name	Age	Address	Occupation
Su Qingyuan (苏清远) also known as Su Qingdong (苏清栋)	36	福建省晋江市陈埭镇苏厝村 环城路 80 号 No. 80, Huan Cheng Road, Sucuo Village, Chendai Town, Jinjiang City, Fujian Province 362200 PRC	Executive Chairman and CEO
Su Qingjiang (苏清江)	38	福建省晋江市陈埭镇苏厝村 环城路 80 号 No. 80, Huan Cheng Road, Sucuo Village, Chendai Town, Jinjiang City, Fujian Province 362200 PRC	Executive Director
Su Shubiao (苏树标)	37	福建省晋江市陈埭镇苏厝村 环城路 96 号 No. 96, Huan Cheng Road, Sucuo Village, Chendai Town, Jinjiang City, Fujian Province 362200 PRC	Executive Director
Tan Siok Sing also known as Calvin Tan Siok Sing	55	45 Greenfield Drive, Singapore 457945	Lead Independent Director
Foo Say Tun	43	27 Hillview Avenue, #07-07, Hillview Heights, Singapore 669559	Independent Director
Ni Xiaorong (倪晓嵘)	31	福建省福州市鼓楼区 华林路 129 号 7 座 302 Room 302, Block 7, No. 129, Hualin Road, Gulou District, Fuzhou City, Fujian Province 350000, PRC	Independent Director

Information on the business and working experience of our Directors are set out below:

Su Qingyuan

Mr. Su Qingyuan is our Executive Chairman and CEO and is responsible for overseeing the business direction and development of our Group. He is the overall-in-charge of the production, design and development department of the Group with the Research and Development Officer and Product Design Officer reporting directly to him. Mr. Su Qingyuan started his career in January 1990 at Sucuo Packaging Factory (苏厝包袋厂) as a production supervisor and was in charge of daily operations of the production floor. In November 1996, he joined Jinjiang City Chendai Sucuo Qingmei Colour Printing Factory (晋江市陈埭苏厝清美彩色印刷厂), a company owned by his father, which was engaged in the printing and publishing of materials. He was a factory manager, responsible for the operations and management of the factory. In June 1998, he became a sole proprietor trading in sports shoe soles and their components and shoe materials, such as uppers, cloth material and laces. Mr. Su Qingyuan and his brother, Mr. Su Qingfei, jointly established Fujian Qingmei in September 2003 to carry out operations mainly as an OEM of MD I and RB sports shoes soles, EVA I Midsoles and RB Outsoles.

In April 2006, Mr. Su Qingyuan established Qingmei (PRC) to carry on the original design manufacturing sports shoe soles business on his own. Our Executive Chairman and CEO has more than 10 years experience in the sports shoe industry. Mr. Su Qingyuan's numerous affiliations with the Jinjiang City government committees include his appointment as committee member of the 11th Jinjiang City Government Committee (晋江市政协第十一届委员会) in 2006. He has also received awards as a testament to his leadership abilities and entrepreneurial spirit, including the Outstanding Youth Entrepreneur of Jinjiang City Award (晋江市优秀青年企业家) in 2007 awarded by the Jinjiang City Industrial and Commercial Administration Bureau (晋江市工商行政管理局) and the National Model Worker Award (Light Industry Category) (全国轻工行业劳动模范) by the Ministry of Labour of the PRC (中华人民共和国人事部) in 2007. In addition, Mr. Su Qingyuan was also appointed as deputy chairman of the 3rd Youth Business Committee of Jinjiang City (晋江市青年商会第三届理事会) and chairman of the Chendai Youth Chamber of Commerce (陈埭镇青年商会) in 2008. Mr. Su Qingyuan is the brother of our Executive Director, Mr. Su Qingjiang.

Su Qingjiang

Mr. Su Qingjiang is our Executive Director and heads the production team of our Group. He is also the overall-in-charge of the procurement and sales departments of the Group with the Procurement Officer and Sales Officer reporting directly to him. Mr. Su Qingjiang started his career in September 1987 with Sucuo Packaging Factory (苏厝包袋厂) as a publication printing operator involved in the production and printing operations of the factory. In November 1996, he joined Jinjiang City Chendai Sucuo Qingmei Colour Printing Factory (晋江市陈埭苏厝清美彩色印刷厂), a company owned by his father and was appointed as production manager and was placed in charge of the production operations and supervision of the production team. He left the company in December 1999 and was engaged in the business of trading of shoe materials. In September 2003, he joined his brothers, Mr. Su Qingyuan and Mr. Su Qingfei at Fujian Qingmei and worked as a production general manager and was involved in overseeing the operations of the production team. He joined Qingmei (PRC) in September 2006 as the vice-president of the sales and production department and was responsible for the entire sales and production operations of Qingmei (PRC). Mr. Su Qingjiang is the brother of our Executive Director and CEO, Mr. Su Qingyuan.

Su Shubiao

Mr. Su Shubiao is our Executive Director and is the overall-in-charge of the finance and administration department of the Group and is assisted by our Chief Financial Officer, Mr. Au-Yeung Yu Ching. In October 1989, he joined Sucuo Village committee (苏厝村村委) as a full time executive member and his responsibilities included the registration of businesses and the management affairs of the committee. From July 1999 to December 2008, he reduced his involvement in this committee and was engaged as a part time member. In November 1999, Mr. Su Shubiao was employed by Quan Xing Shoe Plastic Co., Ltd. (泉兴鞋塑有限公司) as its finance and administrative manager and was involved in

overseeing the day-to-day operations of the finance and administrative department. He joined Fujian Qingmei in September 2003 as its general manager and he was responsible for the supervision of the company's operations of the business as well as the coordination of the strategic planning functions of the company. He joined Qingmei (PRC) in September 2006 and carried out his duties as general manager. In July 2009, Mr. Su Shubiao was promoted to be the Vice President of Finance and Administration and has the overall responsibility of managing our Group's finance as well as administrative departments. Mr. Su Shubiao attended a correspondence course on agricultural enterprises management (农函大农村企业系农村财会专业) at the Fujian Farmers' Technology University (福建省农村致富技术函授大学) in 1993. He is the brother-in-law of Mr. Su Qingfei, who is the eldest brother of our Executive Directors, Mr. Su Qingyuan and Mr. Su Qingjiang.

Tan Siok Sing

Mr. Tan Siok Sing was appointed as our Independent Director on 28 December 2009. He is the Chairman of our Audit Committee and Remuneration Committee. He started his career in July 1980 with City Development Ltd, a property development company, as a project and marketing trainee. Thereafter, he went to The University of Tennessee, United States of America and graduated with a Masters in Business Administration in 1984. In October 1985, he joined the then Tsang and Ong Stockbrokers Pte Ltd (later restructured as Sun Yuan Holdings Pte Ltd) as its executive director and was responsible for establishing in-house training courses for dealers and remisiers, supervising the research department, and providing advisory work in merger & acquisition transactions, initial public offers and corporate finance related works to various clients and business entities. Thereafter in November 2003, he joined Ei-Nets Ltd (now known as E3 Holdings Ltd.), an information technologies company listed on the SGX-ST, as its executive director for two years and was responsible for the company's corporate finance development and licensing of patented information technology in the PRC. From November 2005 to August 2008, Mr. Tan Siok Sing was an executive director of Regalindo Resources Pte Ltd, an energy resources and minerals trading company, and spearheaded the trading of Indonesian coal and minerals in the southern PRC's regional market. Since August 2008, he has been the Managing Director of Ironman Minerals & Ores Pte Ltd, a coal and mineral trading company, and he is responsible for the sourcing and trading of coal and minerals in Indonesia to the PRC regional market. He has more than 18 years of experience in the financial industry.

Foo Say Tun

Mr. Foo Say Tun was appointed as our Independent Director on 28 December 2009. He is the Chairman of our Nominating Committee. He graduated from the University of East Anglia in England in 1990 with an LLB (Hons) degree. Mr. Foo Say Tun was then admitted to the Bar of England & Wales as a barrister-at-law in 1991 and was also admitted as an Advocate & Solicitor of the High Court of Malaya in 1992. He started his career with Messrs Lim Seong Chun & Co in Ipoh as a litigation lawyer practising banking litigation. In 1994, Mr. Foo Say Tun came to Singapore to seek entry into the Singapore Bar and was admitted to the Singapore Bar on 8 March 1995. He joined Messrs David Lim & Partners in Singapore as a pupil and continued thereafter as an associate upon admission to the Singapore Bar until 1998. Thereafter, he joined Wee, Tay & Lim as a partner in the litigation department. Mr. Foo Say Tun continues to practise general civil litigation and arbitration.

Ni Xiaorong

Ms. Ni Xiaorong was appointed as our Independent Director on 28 December 2009. Ms. Ni Xiaorong graduated in 2002 with a Bachelors Degree in International Trade from Quanzhou Yang-En University (泉州仰恩大学). Since her graduation, she has been with PRC People's Property Insurance Co., Ltd. Fuzhou Branch (中国人民财产保险股份有限公司福州市分公司国际业) as the manager of the international department, in charge of the administrative and sales management activities of this company. The international department of the company was subsequently converted to and registered as 中国人民财产保险股份有限公司福州市湖滨支公司, a sub-branch of the Fuzhou branch, of which Miss Ni remains in charge of. Ms. Ni Xiaorong has received several labour awards such as the

Outstanding Worker (优秀展业员) award by her employer in 2003 and the Fujian Province May 1st Labour Award (福建省五一劳动奖章) by Fujian Province Federation of Trade Unions (福建省总工会) in 2007.

The list of present and past directorships of each Director over the last five years excluding those held in our Company, is set out below:

Name	Present directorships	Past directorships
Su Qingyuan	<u>Group Companies</u>	<u>Group Companies</u>
	Qingmei (BVI)	NIL
	Qingmei (HK)	
	Qingmei (PRC)	
Su Qingjiang	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	Fujian Qingmei
	<u>Group Companies</u>	<u>Group Companies</u>
	Qingmei (PRC)	NIL
Su Shubiao	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	NIL
	<u>Group Companies</u>	<u>Group Companies</u>
	Qingmei (PRC)	NIL
Tan Siok Sing	<u>Other Companies</u>	<u>Other Companies</u>
	Xian Ke (Fujian) Electronics Co., Ltd. (先科(福建)电子有限公司)	NIL
	<u>Group Companies</u>	<u>Group Companies</u>
	NIL	NIL
Tan Siok Sing	<u>Other Companies</u>	<u>Other Companies</u>
	CentraLand Limited	Concept Cuisine Pte. Ltd.
	Changtian Plastic & Chemical Limited	Ei-Academy Pte. Ltd.
	Li Heng Chemical Fibre Technologies Limited	Ei-Infocomm Pte. Ltd.
	Shong Sing Pte. Ltd.	Ei-Infrastructure Pte. Ltd.
	Trump Dragon Distillers Holdings Limited	Ei-Media Pte. Ltd.
	Ironman Minerals & Ores Pte. Ltd.	Ei-Nets Ltd (now known as E3 Holdings Ltd.)
		Ei-Surveillance Pte. Ltd.
		Englo Real Estate Development Pte. Ltd.
		PCG Resources Pte. Ltd.
		Millennium Securities Nominees Pte Ltd
		Millennium Securities Pte Ltd
		Regalindo Holdings Pte. Ltd.
		Regalindo Logistics Pte. Ltd.
		Regalindo Mines Pte. Ltd.
		Regalindo Resources Pte Ltd
		Sun Yuan Holdings Pte Ltd
		Sun Yuan Investments Pte Ltd
		Sun Yuan Overseas Pte Ltd
		Sun Yuan (Indonesia) Pte Ltd

Name	Present directorships	Past directorships
Foo Say Tun	<u>Group Companies</u> NIL <u>Other Companies</u> Fu Yu Corporation Limited Sino Techfibre Limited	<u>Group Companies</u> NIL <u>Other Companies</u> SNF Corporation Ltd (currently known as Adventus Holdings Limited)
Ni Xiaorong	<u>Group Companies</u> NIL <u>Other Companies</u> NIL	<u>Group Companies</u> NIL <u>Other Companies</u> NIL

EXECUTIVE OFFICERS

The particulars of our Executive Officers are set out below:

Name	Age	Address	Position
Au-Yeung Yu Ching (欧阳汝正)	44	Flat 1, 12 th Floor, Block B, Chun Man Court, Homantin, Kowloon, Hong Kong	Chief Financial Officer
Du Jinfeng (杜金凤)	28	福建省泉州市洛江区马甲镇 马甲村桥下组 61号 No. 61, Qiaoxia, Majia Village, Majia Town, Luojiang Zone, Quanzhou City, Fujian Province 362200, PRC	Finance Manager
Liu Qi (刘旗)	56	北京市东城区地坛北里 6 楼 2 门 101 号 6th Floor, No. 2-101, Di Tan Bei Li, Dongcheng Zone, Beijing 100000, PRC	Research and Development Officer
Deng Chuangneng (邓创能) also known as Deng Zhichuang (邓治创)	38	广西省全州县枫塘乡 枫头村 6 号 No. 6, Zhen Tou, Zhen Tang Village, Quanzhou City, Guangxi Province 535000, PRC	Product Design Officer

Name	Age	Address	Position
Zhang Yuguang (张玉光)	42	江西省赣州市赣县梅林镇菜市场路 24 号 No. 24, Market Road, Meilin Town, Gan County, Ganzhou City, Jiangxi Province 341000, PRC	Procurement Officer
Du Kunming (杜昆明)	28	福建省泉州市洛江区马甲镇新建村外坂 12 号 No. 12, Wai Ban, Xinjian Village, Majia Town, Luojiang Zone, Quanzhou City, Fujian Province 362200, PRC	Sales and Marketing Officer

Information on the business and working experience of our Executive Officers is set out below:

Au-Yeung Yu Ching

Mr. Au-Yeung Yu Ching is our Chief Financial Officer and is responsible for the finance and accounting matters of the Group. He reports to our Executive Director, Mr. Su Shubiao. Mr. Au-Yeung graduated with a Bachelor of Commerce (Major in Accounting) from University of Western Sydney, Australia in 1993. After his graduation on April 1993, Mr. Au-Yeung started his career with K.P. Cheng & Co. as an audit manager and was involved in the provision of audit assurance and taxation services. In October 1997, he joined Greater China Appraisal Limited and was engaged in the appraisal of intangible assets. He was appointed as finance manager of Goldway Promotion Holdings Limited when he joined this company in April 2000 and was in charge of the accounting and finance department of this company's Hong Kong operations. In February 2001, Mr. Au-Yeung joined CCT Telecoms Holdings Limited as the finance manager and he was put in charge of its subsidiaries' accounting and finance department. In November 2004, he was appointed as an executive director of Day Business Centre Limited, a company which was engaged in the business of providing meeting and office facilities. From March 2005 to September 2005, he was engaged in the setting up of the accounting and finance department of CCT Tech Singapore Pte. Limited, the Singapore subsidiary of CCT Telecoms Holdings Limited. In January 2007, he was appointed as chief financial officer of Tint Bright Group Holdings Limited. Our Chief Financial Officer joined Qingmei (PRC) in April 2009. Mr. Au-Yeung has been qualified as a CPA Australia in Australia and Certified Public Accountant (Practising) in Hong Kong since 1996 and 1998 respectively. In addition to his discharge of duties as our CFO, Mr. Au-Yeung is also involved in the strategic planning of the business activities of Nelson Au Yeung & Co, a partnership which he had founded in January 2006. This partnership is engaged in the business of the provision of accounting and auditing services. Mr. Au-Yeung has undertaken, *inter alia*, to our Audit Committee by way of an undertaking letter that he will resign from and cease to have any form of participation in this partnership within six months from the date of listing of the Company on the SGX-ST. In addition, our Audit Committee has also undertaken to inform the SGX-ST of his resignation from this partnership when it takes place.

Du Jinfeng

Ms. Du Jinfeng is our Finance Manager and she has been with our Group since Qingmei (PRC) was incorporated in April 2006. Ms. Du was awarded a Diploma in Audit and Accountancy from Fujian Management College (福建省经济管理干部学院) in 2004. Upon completion of her studies in August 2004, she started her career with Fujian Qingmei as an accounts manager and was involved in the day-to-day maintaining of accounts of the company. She joined Qingmei (PRC) in April 2006 as our Group's Finance Manager and oversees the finance activities of our Group. Ms. Du Jinfeng is the wife of our Executive Officer, Mr. Du Kunming.

Liu Qi

Mr. Liu Qi is our R&D Officer and spearheads our research and development activities and projects. Mr. Liu graduated with a Bachelors Degree in Industrial Economic Management from China People's University (中国人民大学) in 1997. He was certified as a senior engineer by the China Light Industry Association (中国轻工总会) in 1999. Mr. Liu Qi was a cadres with the Heilongjiang Army (黑龙江兵团) from August 1969 to September 1976 and the Inner Mongolia Ba Meng Handicraft Industry Authority (内蒙巴盟手工业管理局) from September 1976 to October 1977. He joined the Light Industry Footwear Industry Research Institute (轻工业部制鞋工业科学研究所) from November 1977 to October 1998 as a footwear research engineer and was promoted as the assistant supervisor and further promoted as the shoe production department supervisor. In November 1998, he joined the China Leather and Footwear Industry Research Institute (中国皮革和制鞋工业研究院) as a director and was engaged in the supervision of the production and technology research team. In May 2007, he was under the employment of Fujian Jinjiang City Guo Hui (China) Co., Ltd. (福建省晋江市国辉(中国)有限公司) as its chief engineer and production centre director and was placed in charge of the overall production operations. Since April 2009, Mr. Liu Qi has been our R&D Officer and plays an instrumental role in spearheading our product design and development initiatives of our Group. Mr. Liu Qi has been engaged in the technical work of footwear manufacturing for over 20 years.

Deng Chuangneng

Mr. Deng Chuangneng is our Product Design Officer and he has been with our Group since we commenced operations. He graduated from Guangxi Quanzhou Long Shui High School (广西省全州县龙水高中) in 1990. Mr. Deng Chuangneng embarked on his career in September 1994 with Guangzhou Xie Yi Mould Co., Ltd. (广州协易模具有限公司) as a product design team leader engaged in the observation and collation of trend information for the design of moulds. In October 2000, he joined Jinjiang Taiya Shoes Materials Co., Ltd. (晋江泰亚鞋材有限公司) as its product design manager. He was appointed as the research and development manager of Fujian Qingmei in October 2003 and was involved in the supervision of workers in the production and design of shoe soles and shoe sole components. He joined Qingmei (PRC) when it was incorporated in April 2006 and was made the vice president of research and development. He oversees the entire product design and development process and assists the CEO in the daily running and management of the product design and development team.

Zhang Yuguang

Mr. Zhang Yuguang is our Procurement Officer and has been with our Group since Qingmei (PRC) was incorporated. Mr. Zhang attended high school at Jiangxi Province Workers School (江西省职工学校) and graduated in 1986. He started his career with PRC Coloured Metals Nan Chang Co., Ltd. (中国有色金属南昌公司) as a chief production officer in April 1987. He was promoted to be the company secretary in November 1989 and deputy director of Office of Political Relations (党委办公室副主任) in April 1992. In January 2000, he joined Guangdong Dong Guan, Ji Bu, Jin Zheng Xing Footwear Industry Co., Ltd. (广东省东莞市寄步镇金正兴鞋业有限公司) as its

production manager and was in charge of the daily operations of the production floor. In September 2004, Mr. Zhang Yuguang took on a similar role of production supervisor at Fujian Jinjiang City Canhui Footwear Industry Co., Ltd. (福建省晋江市灿辉鞋业有限公司). He joined Fujian Qingmei in January 2006 as a production manager and Qingmei (PRC) as a production supervisor in May 2006. In September 2006, he took on a different role in Qingmei (PRC) as its assistant administrative manager involved in the leading of the administrative team in its day-to-day administrative functions. Since April 2009, Mr. Zhang Yuguang has been appointed as the Procurement Officer of Qingmei (PRC) and is in charge of the procurement department that purchases raw materials necessary for our production.

Du Kunming

Mr. Du Kunming is our Sales and Marketing officer and he has been with our Group since we commenced operations in April 2006. Mr. Du Kunming was awarded a Diploma in Decorative Art Design from Quanzhou Huaqiao University (泉州华侨大学) in 2004. Upon completion of his studies, he embarked on his career with Fujian Qingmei as a product design worker involved in the design and production operations. In April 2006, he joined Qingmei (PRC) as a product design supervisor and was involved in the supervision of the day-to-day operations of the product design department. In July 2008, he was appointed as the Sales and Marketing Officer of Qingmei (PRC) and he took on the role of supervising the sales team to facilitate the entering into of purchase orders with customers. Mr. Du Kunming is the husband of our Executive Officer, Ms. Du Jinfeng.

Save as disclosed below, none of the Executive Officers has any present and past directorships over the past 5 years:

Name	Present directorships	Past directorships
Au-Yeung Yu Ching	<u>Group Companies</u>	<u>Group Companies</u>
	NIL	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	Day Business Centre Limited Global Havers Limited Lucky Wind Limited Mutual Sky Investments Limited Shine Will Limited SK Comsec Services Limited Sky Base Financial Consultants Limited Sky Loyal Investment Limited
Du Jinfeng	<u>Group Companies</u>	<u>Group Companies</u>
	NIL	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	Jinjiang Kang Jie Trading Co., Ltd. (晋江康捷贸易有限公司)

Name	Present directorships	Past directorships
Liu Qi	<u>Group Companies</u>	<u>Group Companies</u>
	NIL	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	NIL
Deng Chuangneng	<u>Group Companies</u>	<u>Group Companies</u>
	NIL	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	NIL
Zhang Yuguang	<u>Group Companies</u>	<u>Group Companies</u>
	NIL	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	NIL
Du Kunming	<u>Group Companies</u>	<u>Group Companies</u>
	NIL	NIL
	<u>Other Companies</u>	<u>Other Companies</u>
	NIL	NIL

Save as disclosed in the section entitled “Directors, Management and Staff” in this Prospectus, none of our Directors and Executive Officers is related by blood or marriage to one another nor are they so related to any Substantial Shareholder of our Group. To the best of our knowledge and belief, there are no arrangements or undertakings with any Substantial Shareholders, customers, suppliers or others, pursuant to which any of our Directors and Executive Officers was appointed.

REMUNERATION

The compensation paid to our Executive Directors and our Executive Officers for services rendered to us and our subsidiaries and in remuneration bands during FY2007, FY2008, FY2009 and expected to be paid for the current financial year are as follows:

Names	FY2007	FY2008	FY2009	Estimated amount for FY2010⁽²⁾
Directors				
Su Qingyuan	N.A. ⁽³⁾	N.A. ⁽³⁾	N.A. ⁽³⁾	Band A ⁽¹⁾
Su Qingjiang	Band A	Band A	Band A	Band A
Su Shubiao	Band A	Band A	Band A	Band A
Tan Siok Sing	N.A.	N.A.	N.A.	Band A
Foo Say Tun	N.A.	N.A.	N.A.	Band A
Ni Xiaorong	N.A.	N.A.	N.A.	Band A

Names	FY2007	FY2008	FY2009	Estimated amount for FY2010⁽²⁾
Executive Officers				
Au-Yeung Yu Ching	N.A.	N.A.	Band A	Band A
Du Jinfeng	Band A	Band A	Band A	Band A
Liu Qi	N.A.	N.A.	Band A	Band A
Deng Chuangneng	Band A	Band A	Band A	Band A
Zhang Yuguang	Band A	Band A	Band A	Band A
Du Kunming	Band A	Band A	Band A	Band A

Notes:

- (1) Band A means compensation of an amount between S\$0 and S\$250,000.
- (2) The estimated amount for FY2010 does not take into account any performance bonus due to our Executive Directors and our Executive Officers. Our Executive Directors have entered into new service agreements with our Company which, *inter alia*, set out the revised performance bonus each of our Executive Directors are entitled to receive in respect of each financial year commencing from and including FY2010, further details of which are set out in the section entitled "Service Agreements" in this Prospectus.
- (3) Our Executive Chairman and CEO, Su Qingyuan did not receive any compensation in FY2007, FY2008 and FY2009. He received dividend payments from our Group in his capacity as a shareholder in FY2008, FY2009 and FY2010. Please refer to the section entitled "Dividend Policy" in this Prospectus for further details.

We have not set aside or accrued any amounts for our employees to provide for pension, retirement or similar benefits.

EMPLOYEES

As at the Latest Practicable Date, we had a workforce of approximately 3,591 full-time employees. Our employees are not unionised. The relationship and cooperation between the management and staff have been good and are expected to continue in the future. There has not been any incidence of work stoppages or labour disputes which affected our operations.

The functional distribution of our full-time employees as at 30 June 2007, 30 June 2008 and 30 June 2009 were as follows:

Function	As at 30 June 2007	As at 30 June 2008	As at 30 June 2009
Management	26	37	44
Administration and Finance	93	110	115
Sales	7	10	10
Product Design and Development	37	40	36
Production	2,986	3,110	3,392
Total	3,149	3,307	3,597

The increase in the number of employees was primarily due to the expansion of our production scale.

As at the Latest Practicable Date, our Group does not have any temporary employees.

SERVICE AGREEMENTS

Our Company has entered into separate Service Agreements with each of our Executive Directors for a period of three years with effect from the date of admission of our Company to the Official List of the SGX-ST (unless otherwise terminated by the Company giving not less than six months' written notice to the Executive Director). We may also forthwith terminate their Service Agreements if they, amongst other things, commit any material or persistent breach of any of the provisions in their Service Agreements or are guilty of any grave misconduct or gross neglect in the discharge of their duties to the Company. None of the Executive Directors will be entitled to any benefits upon termination of their respective Service Agreements.

Pursuant to the terms of their respective Service Agreements, Mr. Su Qingyuan, Mr. Su Qingjiang, Mr. Su Shubiao are entitled to an annual salary of RMB960,000, RMB660,000 and RMB600,000 respectively.

All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by our Executive Directors in the process of discharging their duties on behalf of our Group will be borne by our Company.

Each of our Executive Directors is also entitled to a performance bonus in respect of each financial year commencing from FY2010, calculated in the manner set out below:

PBT	Su Qingyuan	Su Qingjiang	Su Shubiao
RMB300 million < PBT ≤ RMB400 million	1.5% of PBT in excess of RMB300 million	0.75% of PBT in excess of RMB300 million	0.75% of PBT in excess of RMB300 million
RMB400 million < PBT ≤ RMB500 million	RMB1.5 million plus 2% of PBT in excess of RMB400 million	RMB0.75 million plus 1% of PBT in excess of RMB400 million	RMB0.75 million plus 1% of PBT in excess of RMB400 million
PBT > RMB500 million	RMB3.5 million plus 2.5% of PBT in excess of RMB500 million	RMB1.75 million plus 1.25% of PBT in excess of RMB500 million	RMB1.75 million plus 1.25% of PBT in excess of RMB500 million

Directors' fees do not form part of the terms of the Service Agreements as these require the approval of Shareholders in our Company's annual general meeting.

Had the Service Agreements been in existence for FY2009, the aggregate remuneration paid to the Executive Directors would have been approximately RMB2.2 million (equivalent to S\$0.5 million) instead of RMB1.0 million (equivalent to S\$0.2 million). Had the Service Agreements been in existence for FY2009, the profit before income tax for our Group would have been RMB198.7 million (equivalent to S\$42.6 million) instead of RMB200.0 million (equivalent to S\$42.9 million), and the profit attributable to equity holders would have been RMB181.3 million (equivalent to S\$38.9 million) instead of RMB182.5 million (equivalent to S\$39.1 million).

Save as disclosed above, there are no existing or proposed service agreements between our Company, our subsidiaries and any of our Directors. There are no existing or proposed service agreements entered or to be entered into by our Directors with our Company or any of its subsidiaries which provide for benefits upon termination of employment.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of our interested persons (namely, our Directors, our Chief Executive Officer, Controlling Shareholders or their Associates) are known as interested person transactions. The following discussion on material interested person transactions for the last three financial years and as at the Latest Practicable Date, is based on our Group and the term “interested persons” is construed accordingly.

Save for the interested person transactions discussed below and as set out under the section entitled “Restructuring Exercise” in this Prospectus, there are no other interested person transactions undertaken by our Group within the last three financial years and up to the Latest Practicable Date.

PAST INTERESTED PERSON TRANSACTIONS

Transactions entered into between Qingmei (PRC) and Fujian Qingmei

Fujian Qingmei was established in 2003 by our Executive Chairman and CEO, Mr. Su Qingyuan, and his brother, Mr. Su Qingfei. Mr. Su Qingyuan and Mr. Su Qingfei were at the relevant time both directors of Fujian Qingmei and held 51.0% and 49.0% respectively of the registered capital of Fujian Qingmei. In October 2009, Mr. Su Qingyuan transferred his entire equity interests in Fujian Qingmei to Mr. Su Qingfei and subsequently resigned as a director and from all executive positions in Fujian Qingmei.

Purchases of equipment and machineries, raw materials and moulds by Qingmei (PRC) from Fujian Qingmei

As disclosed under the section entitled “History & Development”, our Executive Chairman and CEO, Mr. Su Qingyuan, established Qingmei (PRC) in April 2006 to carry on the sports shoe soles business on his own while his brother, Mr. Su Qingfei, exited from participation in this business. In April 2006, Qingmei (PRC) purchased the land use rights of a piece of land of 46,174 sq m in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, PRC, and began construction of new production facilities in that location.

In September 2006, Qingmei (PRC) purchased from Fujian Qingmei certain equipment and machineries for a total consideration of approximately RMB29.8 million at its net book value, moulds for a total consideration of approximately RMB1.8 million at its net book value and raw materials for a total consideration of approximately RMB0.7 million at the prices at which Fujian Qingmei had purchased them from third party suppliers. These materials were no longer required by Fujian Qingmei due to it ceasing to carry on the sports shoe sole business. These transactions were not entered into on an arm’s length basis. There was no separate independent valuation assessment performed on these assets.

Sales of our shoe soles by Qingmei (PRC) to Fujian Qingmei

In FY2007 and FY2008, our subsidiary, Qingmei (PRC), sold our products to Fujian Qingmei, for their onward selling to their then existing customers in order for them to satisfy the orders from such customers after Fujian Qingmei decided to cease production and sale of their products sometime around September 2006.

For FY2007 and FY2008, we sold to Fujian Qingmei shoe soles amounting to a total of approximately RMB2.8 million and RMB1.5 million, respectively, which represented approximately 1.0% and 0.2% of our Group’s total sales in FY2007 and FY2008 respectively. These transactions were on an arm’s length basis.

Lease Agreement with Fujian Qingmei

Qingmei (PRC) and Fujian Qingmei entered into the lease agreement dated 1 December 2006, whereby Qingmei (PRC) agreed to lease an area in a factory building located at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村) with a gross floor area of 2,000 sq m from Fujian Qingmei for a period of eight years, commencing from 1 December 2006 to 30 November 2014, for a lease amount of RMB100,000 per annum.

The lease agreement was subsequently not effected as Qingmei (PRC) did not occupy the property for its use and did not make any rental payments to Fujian Qingmei.

Pursuant to a deed of termination of lease entered into on 4 November 2009 by Qingmei (PRC) and Fujian Qingmei, the lease agreement was terminated and the parties agreed that Qingmei (PRC) will not be held liable for any default due to its failure to occupy the property and to pay rental therefor to Fujian Qingmei pursuant to the lease agreement, or be required to make any payment in respect of the property. The lease agreement and the deed of termination of lease were not entered into on an arm's length basis.

Non-trading advances due to Fujian Qingmei

Qingmei (PRC)'s initial funding needs were mainly provided by i) its shareholder, Qingmei (HK), by way of injection of registered capital, and ii) Fujian Qingmei, by way of non-trading advances.

Non-trading advances from Fujian Qingmei to Qingmei (PRC) comprise i) cash advances, and ii) payments made on behalf of Qingmei (PRC).

1. Cash advances

Since the establishment of Qingmei (PRC) in April 2006 up to 30 June 2006, being the close of its first financial year, Fujian Qingmei provided to Qingmei (PRC) several cash advances, totaling RMB39.9 million. During FY2007, FY2008 and FY2009, Fujian Qingmei made aggregate cash advances amounting to RMB66.5 million, RMB12.0 million and RMB30.0 million to Qingmei (PRC), respectively. Such fundings were used mainly by Qingmei (PRC) to make payment for the purchase of the land use rights (RMB11.9 million), construction of its production facilities (RMB28 million), the purchase of equipment and machineries (RMB31.6 million) and working capital for its operations (RMB76.9 million).

2. Payments made on behalf of Qingmei (PRC)

Fujian Qingmei had also made payments on behalf of Qingmei (PRC) in respect of insurance premiums in November 2006, November 2007 and November 2008 of approximately RMB0.2 million each.

During the Period under Review, the largest amount outstanding in respect of the non-trading advances was approximately RMB105.1 million. The amount due was non-trading in nature, unsecured, interest-free and repayable on demand.

Repayments to Fujian Qingmei


Since December 2006, Qingmei (PRC) had begun making regular repayment of the non-trading advances to Fujian Qingmei from time to time when it started generating cash from operations.

Summary details of both advances from and repayments to Fujian Qingmei since the establishment of Qingmei (PRC) in April 2006, up to FY2009 are as follows:

	Cash Advances	Payment of insurance premiums on behalf of Qingmei (PRC)	Total Non-trading Advances	Repayments to Fujian Qingmei
RMB million				
FY2006	39.9		39.9	
FY2007	66.5	0.2	66.7	(29.4)
FY2008	12.0	0.2	12.2	(73.9)
FY2009	30.0	0.2	30.2	(45.7)
	148.4	0.6	149.0	(149.0)

From the above table, Qingmei (PRC) made aggregate repayments to Fujian Qingmei in the amounts of RMB29.4 million, RMB73.9 million and RMB45.7 million for FY2007, FY2008 and FY2009 respectively. All non-trading advances due from Fujian Qingmei have been settled on 31 December 2008. As we did not pay any fees or interest to Fujian Qingmei, this arrangement was not entered into on an arm's length basis.

Transfer of intellectual property rights from Mr. Su Qingyuan to Qingmei (PRC) pursuant to Trademark Transfer Agreement, Patent Transfer Agreement and Supplemental Patent Transfer Agreement

On 30 October 2009, Mr. Su Qingyuan entered into the Trademark Transfer Agreement with Qingmei (PRC) pursuant to which Mr. Su Qingyuan transferred all his rights in respect of trademark “” No. 3722492, as registered with the CTMO in class 25 in his name on 28 July 2006 to Qingmei (PRC) for a nominal consideration of RMB1.

Pursuant to the Patent Transfer Agreement and the Supplemental Patent Transfer Agreement made on 30 October 2009 and 8 December 2009 respectively, Mr. Su Qingyuan transferred all his rights in respect of the patent applications registered with the State Intellectual Property Office in his name to Qingmei (PRC) for a nominal consideration of RMB1.

These transactions were not entered into on an arm's length basis but our Group has benefitted and has not been prejudiced by these arrangements. For more details on the nature of these intellectual property rights, please see the section entitled “Trademarks/Patents and Other Intellectual Property Rights” in this Prospectus.

Guarantees given by our Executive Chairman and CEO, Mr. Su Qingyuan, and Fujian Qingmei

Our Executive Chairman and CEO, Mr. Su Qingyuan, and Fujian Qingmei have provided guarantees to secure bills payables extended to our Group. Mr. Su Qingyuan has provided guarantees in respect of bills payables extended to our Group of approximately RMB16.0 million and approximately RMB10.0 million as at FY2007 and FY2008 respectively. Fujian Qingmei has, as at FY2008, also provided a guarantee of approximately RMB10.0 million in respect of the bills payables extended to our Group.

In addition, Mr. Su Qingyuan and Fujian Qingmei have also provided guarantees to secure banking facilities extended to our Group. As these parties did not receive any payment in relation to the provision of such guarantees, the guarantees are on terms beneficial to our Group and were not provided on an arm's length basis. In respect of credit facilities granted by

中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited) (the "Citic Bank"), we have entered into two credit facilities agreements dated 3 September 2007 and 31 October 2008 (the "Master Credit Facility Agreements"), pursuant to which Citic Bank has agreed to provide credit facilities of up to RMB50.0 million and RMB45.0 million from time to time respectively. Mr. Su Qingyuan and Fujian Qingmei have provided guarantees in consideration of the respective credit facilities granted to us. Loans numbered one to 13 in the table below are separate loan agreements entered into under the respective Master Credit Facility Agreements. Such loans and guarantees are no longer subsisting as at the Latest Practicable Date.

Details of guarantees provided by Mr. Su Qingyuan and Fujian Qingmei during the Period under Review which are no longer subsisting as at the Latest Practicable Date are set out below:

S/No	Bank/Financier	Type of facility	Amount guaranteed and largest amount outstanding during the Period under Review	Guarantors
1.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 4 September 2007 to 3 September 2008	RMB15,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
2.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 23 January 2008 to 2 December 2008	RMB10,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
3.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 1 February 2008 to 1 December 2008	RMB10,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
4.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 3 February 2008 to 2 December 2008	RMB10,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
5.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 10 June 2008 to 25 November 2008	RMB3,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
6.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 14 August 2008 to 14 November 2008	RMB4,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei

S/No	Bank/Financier	Type of facility	Amount guaranteed and largest amount outstanding during the Period under Review	Guarantors
7.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 19 August 2008 to 19 November 2008	RMB4,500,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
8.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 1 September 2008 to 28 November 2008	RMB3,500,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
9.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 6 November 2008 to 5 November 2009	RMB10,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
10.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 12 November 2008 to 11 November 2009	RMB5,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
11.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 17 November 2008 to 16 November 2009	RMB5,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
12.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 18 November 2008 to 17 November 2009	RMB10,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
13.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 21 November 2008 to 20 November 2009	RMB15,000,000	晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) ⁽¹⁾ , Su Qingyuan, Fujian Qingmei
14.	兴业银行股份有限公司泉州广场支行 (Quanzhou Plaza Branch, Industrial Bank Co., Ltd)	Short term loan from 11 May 2007 to 10 May 2008	RMB7,000,000	泉州释小龙服饰发展有限公司 (Quanzhou Shi Xiao Long Apparel Development Co., Ltd.) ⁽²⁾ , Su Qingyuan, Yang Ai Zhi

S/No	Bank/Financier	Type of facility	Amount guaranteed and largest amount outstanding during the Period under Review	Guarantors
15.	兴业银行股份有限公司泉州支行 (Quanzhou Branch, Industrial Bank Co., Ltd)	Short term loan from 29 June 2007 to 28 June 2008	RMB5,000,000	泉州释小龙服饰发展有限公司 (Quanzhou Shi Xiao Long Apparel Development Co., Ltd.) ⁽²⁾ , Su Qingyuan, Yang Ai Zhi
16.	兴业银行股份有限公司泉州支行 (Quanzhou Branch, Industrial Bank Co., Ltd)	Short term loan from 12 December 2007 to 11 December 2008	RMB3,000,000	泉州释小龙服饰发展有限公司 (Quanzhou Shi Xiao Long Apparel Development Co., Ltd.) ⁽²⁾ , Su Qingyuan, Yang Ai Zhi
17.	兴业银行股份有限公司泉州支行 (Quanzhou Branch, Industrial Bank Co., Ltd)	Short term loan from 16 January 2008 to 15 January 2009	RMB5,000,000	泉州释小龙服饰发展有限公司 (Quanzhou Shi Xiao Long Apparel Development Co., Ltd.) ⁽²⁾ , Su Qingyuan, Yang Ai Zhi
18.	兴业银行股份有限公司泉州支行 (Quanzhou Branch, Industrial Bank Co., Ltd)	Short term loan from 5 March 2008 to 4 March 2009	RMB5,000,000	泉州释小龙服饰发展有限公司 (Quanzhou Shi Xiao Long Apparel Development Co., Ltd.) ⁽²⁾ , Su Qingyuan, Yang Ai Zhi, Zhang Weifang ⁽⁴⁾
19.	兴业银行股份有限公司泉州支行 (Quanzhou Branch, Industrial Bank Co., Ltd)	Short term loan from 14 July 2008 to 13 July 2009	RMB3,000,000	晋江市金鼠王鞋业有限公司 (Jinjiang City Jin Shu Wang Shoe Co., Ltd.) ⁽³⁾ , 泉州释小龙服饰发展有限公司 (Quanzhou Shi Xiao Long Apparel Development Co., Ltd.) ⁽²⁾ , Fujian Qingmei ⁽⁵⁾ , Su Qingyuan, Yang Ai Zhi, Zhang Xiuqing ⁽⁴⁾ , Zhang Weifang ⁽⁴⁾

Notes:

- (1) 晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) is our customer.
- (2) 泉州释小龙服饰发展有限公司 (Quanzhou Shi Xiao Long Apparel Development Co., Ltd.) is under common control of our customer, 晋江市金鼠王鞋业有限公司 (Jinjiang City Jin Shu Wang Shoe Co., Ltd.).
- (3) 晋江市金鼠王鞋业有限公司 (Jinjiang City Jin Shu Wang Shoe Co., Ltd.) is our customer.
- (4) Zhang Weifang and Zhang Xiuqing are both directors of 晋江市金鼠王鞋业有限公司 (Jinjiang City Jin Shu Wang Shoe Co., Ltd.).
- (5) The guarantee provided by Fujian Qingmei is a guarantee provided for the benefit of Qingmei (PRC) in the amount of RMB18.0 million in respect of certain liabilities which may occur in respect of Qingmei (PRC)'s borrowings from 兴业银行股份有限公司泉州支行 (Quanzhou Branch, Industrial Bank Co., Ltd) and also includes Qingmei (PRC)'s bills payables (guaranteed as at 30 June 2008), for the period commencing from July 2008 to July 2009.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Guarantees given by our Executive Chairman and CEO, Mr. Su Qingyuan, and Fujian Qingmei

Our Executive Chairman and CEO, Mr. Su Qingyuan, and Fujian Qingmei have provided guarantees to secure banking facilities extended to our Group. As these parties did not receive any interest, fees or benefits in relation to the provision of such guarantees, the guarantees are on terms beneficial to our

Group and were not provided on an arm's length basis. The loans which are detailed in the table below are loan agreements entered into under the Master Credit Facility Agreement dated 31 October 2008 (loan agreements entered into on the last date prior to the expiry of the availability period shall continue for a period of three months thereafter, i.e., until 30 January 2010) and are guaranteed by Mr. Su Qingyuan, Fujian Qingmei and our customer, 晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.).

Details of such guarantees subsisting as at the Latest Practicable Date are listed below:

S/No	Bank/Financier	Type of facility	Amount guaranteed and largest amount outstanding during the Period under Review	Amount outstanding as at Latest Practicable Date
1.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 17 September 2009 to 30 January 2010	RMB20,000,000	RMB20,000,000
2.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 21 September 2009 to 30 January 2010	RMB20,000,000	RMB20,000,000
3.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 23 September 2009 to 30 January 2010	RMB5,000,000	RMB5,000,000

Subsequent to the Latest Practicable Date, we have repaid these short term loans amounting to an aggregate of RMB45 million. Accordingly, the corresponding guarantees mentioned in the table above have been discharged.

Upon the repayment of these short term loans, we have entered into a credit facility agreement with 中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited), pursuant to which this bank has agreed to provide credit facilities of up to RMB50.0 million from time to time ("2010 Master Credit Facility Agreement"). We entered into four new short term loans under the 2010 Master Credit Facility Agreement, details of which are detailed in the table below. As requested by the bank, Mr. Su Qingyuan, Fujian Qingmei and our customer, 晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) have provided guarantees in consideration of this credit facility granted to us.

As these three guarantors did not receive any interest, fees or benefits in relation to the provision of such guarantees, the guarantees are on terms beneficial to our Group and were not provided on an arm's length basis.

Details of such guarantees entered into subsequent to the Latest Practicable Date are listed below:

S/No	Bank/Financier	Type of facility	Amount guaranteed and amount drawn down
1.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 25 January 2010 to 25 January 2011	RMB10,000,000
2.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 27 January 2010 to 27 January 2011	RMB15,000,000
3.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 29 January 2010 to 29 January 2011	RMB10,000,000
4.	中信银行股份有限公司泉州支行 (Quanzhou Branch, China Citic Bank Company Limited)	Short term loan from 1 February 2010 to 1 February 2011	RMB10,000,000

The Company intends to procure the discharge of the above guarantees after the admission of the Company onto the Official list of the SGX-ST. In the event that the Company is unable to obtain the said discharge without a material adverse effect to our Group, after the admission of the Company to the Official List of the SGX-ST, our Executive Chairman and CEO, Mr. Su Qingyuan, Fujian Qingmei and our customer, 晋江喜伯登体育用品有限公司 (Jinjiang City Xi Bo Deng Sports Wear Co., Ltd.) will continue with their obligations under these guarantees, which are all scheduled to expire latest by 1 February 2011.

OTHER TRANSACTIONS

Material transactions which involve our Group but do not fall within the ambit of the definition of an “interested person transaction” under Chapter 9 of the Listing Manual have been included in this section.

Guarantees provided by Yang Ai Zhi

Ms. Yang Ai Zhi was a former director of Qingmei (HK) and Qingmei (PRC) and she held the shares of Qingmei (HK) on trust for Mr. Su Qingyuan pursuant to a deed of trust. This trust arrangement was subsequently terminated and Ms. Yang Ai Zhi resigned as a director of Qingmei (HK) and Qingmei (PRC) on 13 August 2008 and 15 October 2008 respectively.

As at FY2007, FY2008 and FY2009, Ms. Yang Ai Zhi provided guarantees of approximately RMB12,000,000, RMB13,000,000 and RMB3,000,000 respectively to 兴业银行股份有限公司泉州支行 (Quanzhou Branch, Industrial Bank Co., Ltd) for the purpose of securing bank borrowings of our Group. As at FY2007, Ms. Yang Ai Zhi also provided a guarantee of RMB16,000,000 for the purpose of securing bills payables facilities extended to our Group. All the guarantees entered into by Ms. Yang Ai Zhi have been discharged. As we did not pay any fees to Ms. Yang Ai Zhi for such guarantees, they were not provided on an arm’s length basis.

REVIEW PROCEDURES FOR ONGOING AND FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee will review and approve all interested person transactions to ensure that they are on normal commercial terms and arm's length basis, that is, the transactions are transacted on terms and prices not more favourable to the interested persons than if they were transacted with a third party and are not prejudicial to the interests of our Shareholders in any way.

Before any agreement or arrangement that is not in the ordinary course of business of our Group is transacted, prior approval must be obtained from our Audit Committee. In the event that a member of our Audit Committee is interested in any of the interested person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by our Audit Committee. We shall maintain a register of all interested person transactions which are entered into by our Group, including quotations obtained from unrelated parties to support the terms of the interested persons transactions. We shall incorporate into our internal audit plan a review of all interested persons transactions.

Our Audit Committee will also review all interested person transactions to ensure that the prevailing rules and regulations of the SGX-ST (in particular Chapter 9 of the Listing Manual) are complied with. We will also comply with the provisions in Chapter 9 of the Listing Manual in respect of all future interested person transactions, and if required under the Listing Manual or applicable law, we will seek our Shareholders' approval (where necessary) for such transactions. We will also endeavour to comply with Code of Corporate Governance 2005 and Chapter 12 of the Listing Manual. Our Audit Committee shall review the internal audit reports at least annually to ascertain that the guidelines and procedures established to monitor and govern the interested persons transactions have been complied with.

CONFLICTS OF INTEREST

Save as disclosed in the sections entitled "Interested Person Transactions" and "Other Transactions" in this Prospectus, none of our Directors, Controlling Shareholders and/or their Associates has any material interest, direct or indirect in:

- (i) any company carrying out the same business or a similar trade as our Group, directly or indirectly;
- (ii) any enterprise or company that is our Group's customer or supplier of goods or services; and
- (iii) any transaction to which we were or are a party.

Please refer to the section entitled "Restructuring Exercise" in this Prospectus for information on the Deed of Non-Competition Undertaking entered into by our Executive Directors, Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao.

CORPORATE GOVERNANCE

Our Articles provide that our Board of Directors shall consist of not less than two Directors. Each Director shall retire from office at least once every three years. A retiring Director shall be eligible for re-election.

The Directors recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders of our Company.

Notwithstanding Mr. Su Qingyuan's concurrent appointment as our Executive Chairman and CEO, the Board is of the view, given the scope and nature of the operations of the Group and the strong element of independent presence on the Board, that it is not necessary to separate the functions of the Chairman and CEO. However, to ensure that there is no concentration of power and authority vested in one individual, we have appointed Mr. Tan Siok Sing as our Lead Independent Director, taking account of the recommendations in Commentary 3.3 of the Code of Corporate Governance 2005. In accordance with the recommendations in the said Commentary 3.3, Mr. Tan Siok Sing, as Lead Independent Director, will be available to address concerns of the Shareholders which contact through the normal channels with our Executive Chairman and CEO, Mr. Su Qingyuan, have failed to resolve or for which such contact is inappropriate.

We have established an Audit Committee, a Remuneration Committee and a Nominating Committee.

Audit Committee

Our Audit Committee comprises Mr. Tan Siok Sing, Mr. Foo Say Tun and Ms. Ni Xiaorong. The Chairman of our Audit Committee is Mr. Tan Siok Sing. Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the Shareholders of our Company. Our Audit Committee shall meet periodically to perform the following functions:

- (a) review the audit plans of our Company's external auditors, and (where applicable) our internal auditors, including the results of our auditors' review and evaluation of our system of internal controls (including review of management letter and management response);
- (b) review the performance and continued suitability of the Company's external auditors to meet their audit obligations, having regard to the adequacy of the resources and experience of the accounting firm and the persons assigned to the audit, the firm's audit requirements, the size and complexity of the Company, and the number and experience of supervisory and professional staff assigned to the audit;
- (c) conduct an annual review to ensure that safeguards, checks and balances are put in place to prevent any conflict of interest or any weakening of internal controls;
- (d) review the internal control procedures and ensure co-ordination between the external auditors, the internal auditors and our management, and review the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of our management, where necessary);
- (e) review the external auditors' reports;
- (f) review the co-operation given by our Company's officers to the external auditors;
- (g) review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the

audit, compliance with accounting standards and compliance with the Listing Manual and any other Prospectus relevant statutory or regulatory requirements;

- (h) consider the appointment and/or reappointment of external auditors and matters relating to the resignation or dismissal of the auditors and to ensure that the prior consent of the SGX-ST is sought in respect of any proposed change in the external auditors of the Group;
- (i) review the terms of employment of any existing and new employees who are related to any Executive Directors and Controlling Shareholders of the Company, and to propose any alternative employment arrangements or object to the employment of these persons;
- (j) review interested person transactions, falling within the scope of Chapter 9 of the Listing Manual, if any;
- (k) review and discuss with auditors any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and our management's response;
- (l) review any potential conflicts of interest;
- (m) review the performance and continued suitability of our Chief Financial Officer on an annual basis;
- (n) review the effectiveness and adequacy of our administrative, operating, internal accounting and financial control procedures;
- (o) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or the findings are material, immediately announced via SGXNET;
- (p) undertake such other reviews and projects as may be requested by our board of Directors and report to our board of Directors its findings from time to time on matters arising and requiring the attention of our Audit Committee;
- (q) monitor our foreign exchange exposure as well as review and approve the hedging instruments utilised to manage our foreign exchange exposure (if any); and
- (r) undertake generally such other functions and duties as may be required by law or the Listing Manual, as may be applicable from time to time.

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

In addition, all future transactions with related parties shall comply with the requirements of the Listing Manual. Each member of the Audit Committee shall abstain from voting any resolutions in respect of matters in which he is interested.

Our Audit Committee has reviewed our Chief Financial Officer's curriculum vitae and professional references, as well as conducted interview sessions with him. Our Audit Committee observed that Mr. Au-Yeung Yu Ching is diligent, able to solve accounting issues and has the technical knowledge required of a Chief Financial Officer. Based on the foregoing, our Audit Committee is of the view that Mr. Au-Yeung is able to discharge his duties as our Chief Financial Officer competently.

In addition, our Audit Committee will, for at least the first two years after our Company's admission to the SGX-ST, (i) commission the external auditors or a suitable accounting firm to review the adequacy

of our Group's system of internal controls, (ii) ensure that all internal control weaknesses are satisfactorily and properly rectified, and (iii) update the SGX-ST on any findings of the external auditor or accounting firm and any follow-up action taken by our Audit Committee.

Subsequent to such two year period, our Audit Committee will regularly consider if there is a need to undertake further review of the internal controls of our Group. Prior to the decommission of this audit, our Board will report to the SGX-ST on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal controls audit. Thereafter, such internal controls audit will be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective. Our Board will disclose via SGXNET these audit reports and any follow-up actions to be taken by our Board.

Our Audit Committee will review, at least annually, our Group's key financial risk areas (including but not limited to, our Group's cash management policies and cash position, collection of debts, hedging policies and transactions, speculative trading policies and positions and off-balance sheet items), with a view to providing an independent oversight on our Group's financial reporting. The outcome of these reviews and any weaknesses in internal controls will be disclosed in the annual report of our Group or where the findings are material, immediately announced via SGXNET.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular transaction.

Nominating Committee

Our Nominating Committee comprises Mr. Tan Siok Sing, Mr. Foo Say Tun and Ms. Ni Xiaorong. The Chairman of the Nominating Committee is Mr. Foo Say Tun. Our Nominating Committee will be responsible for (i) re-nomination of our Directors having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent, and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director. The Nominating Committee will decide how the board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the board, which address how the board has enhanced long-term Shareholders' value. The performance evaluation will also include consideration of the company's share price performance over a five-year period *vis-à-vis* the Singapore Straits Times Index and a benchmark index of its industry peers. The board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the board as a whole and for assessing the contribution by each individual Director to the effectiveness of the board. Each member of the Nominating Committee shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as Director.

Remuneration Committee

Our Remuneration Committee comprises Mr. Tan Siok Sing, Mr. Foo Say Tun and Ms. Ni Xiaorong. The Chairman of the Remuneration Committee is Mr. Tan Siok Sing. Our Remuneration Committee will recommend to our board of Directors a framework of remuneration for the Directors and key executives officers and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee on remuneration of Directors and Chairman should be submitted for endorsement by the entire board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting any resolutions in respect of his remuneration package.

QINGMEI EMPLOYEE SHARE OPTION SCHEME

On 29 December 2009, our Shareholders approved an employee share option scheme known as the Qingmei Employee Share Option Scheme (the “ESOS”), the rules of which are set out in Appendix H of this Prospectus. The ESOS complies with the relevant rules of Chapter 8 of the Listing Manual. The ESOS will provide eligible participants with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The ESOS, which forms an integral and important component of our employee compensation plan, is designed to primarily reward and retain executive directors, non-executive directors and employees of our Company and/or our subsidiaries whose services are vital to our well being and success.

As at the Latest Practicable Date, no Options have been granted under the ESOS.

Objectives of the ESOS

The objectives of the ESOS are as follows:

- (a) To motivate each participant to optimise his performance standards and efficiency and to maintain a high level of contribution to our Company and/or our subsidiaries;
- (b) To retain key employees and executive directors of our Company and/or our subsidiaries whose contributions are essential to the long-term growth and profitability of our Group;
- (c) To instill loyalty to, and a stronger identification by the participants with the long-term prosperity of our Company and/or our subsidiaries;
- (d) To attract potential employees with relevant skills to contribute to our Company and/or our subsidiaries and to create value for our Shareholders; and
- (e) To align the interest of the participants with the interests of our Shareholders.

Summary of the ESOS

A summary of the rules of the ESOS is set out as follows:

(1) *Participants*

Under the rules of the ESOS, executive and non-executive directors (including our independent directors), employees of our Company and our subsidiaries, and Controlling Shareholders or their associates who meet the eligibility criteria set out in the rules of the ESOS, are eligible to participate in the ESOS at the absolute discretion of the Remuneration Committee.

The participation by and actual number and terms of any Options to be granted to each such Controlling Shareholder or his associate and each grant of Options to any one of them may be effected only with a specific prior approval of independent Shareholders at a general meeting in separate resolutions. Our Company will at such time provide the rationale and justification for any proposal to grant the Controlling Shareholders and/or their associates any Options.

(2) *Scheme administration*

The ESOS shall be administered by the Remuneration Committee with powers to determine, *inter alia*, the following:

- (a) persons to be granted Options;

- (b) number of Options to be granted; and
- (c) recommendations for modifications to the ESOS.

As at the date of this Prospectus, our Remuneration Committee comprises Mr. Tan Siok Sing, Mr. Foo Say Tun and Ms. Ni Xiaorong. The Remuneration Committee will consist of Directors (including Directors or persons who may be participants of the ESOS). A member of the Remuneration Committee who is also a participant of the ESOS must not be involved in its deliberation in respect of Options to be granted to him.

(3) *Size of the ESOS*

The aggregate number of Shares over which our Remuneration Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of (i) all Options granted under the ESOS, and (ii) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by our Company and for the time being in force, shall not exceed 15.0% of the issued Shares of our Company (excluding treasury shares) on the day immediately preceding the ESOS Offer Date.

The aggregate number of Shares issued and issuable in respect of all Options granted under the ESOS available to all Controlling Shareholders and their associates must not exceed 25.0% of the Shares available under the ESOS. Separately, the number of Shares issued and issuable in respect of all Options granted under the ESOS available to each of the Controlling Shareholders or his associate must not exceed 10.0% of the Shares available under the ESOS.

We believe that the 15.0% limit set by the SGX-ST gives our Company sufficient flexibility to decide the number of Option Shares to offer to our existing and new employees. 15.0% of the post-Invitation issued shares of our Company constitutes 96,000,000 Shares. As it is intended that the ESOS shall last for ten years, assuming that there is no change in the total issued shares of our Company, the number of Options that may be granted in a year will average approximately 9,600,000 Shares. The number of eligible participants is expected to grow over the years. Our Company, in line with its goal of ensuring sustainable growth, is constantly reviewing our position and considering the expansion of its talent pool which may involve employing new employees. The employee base, and thus the number of eligible participants will increase as a result. If the number of Options available under the ESOS is limited, our Company may only be able to grant a small number of Options to each eligible participant which may not be a sufficiently attractive incentive. Our Company is of the opinion that it should have sufficient number of Options to offer to existing employees as well as to new employees. The number of Options offered must also be significant to serve as a meaningful reward for contributions to our Company and/or our subsidiaries. However, it does not necessarily mean that our Remuneration Committee will grant Options up to the prescribed limit. The Remuneration Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee which will depend on, *inter alia*, the performance of our Company, our Subsidiaries, the years of service and individual performance of the employee, the contribution of the employee to the success and development of our Company and/or our subsidiaries and the prevailing market conditions.

(4) *Maximum entitlements*

The aggregate number of Shares comprised in any Option to be offered to a participant under the ESOS shall be determined at the absolute discretion of our Remuneration Committee, which shall take into account in respect of an employee of our Company or our subsidiaries criteria such as rank, performance, years of service and potential for future development of that participant and in respect of a non-executive director (including an independent director), his contribution to the success and development of the our Company and/or our subsidiaries.

(5) *Options, exercise period and exercise price*

The Options that are granted under the ESOS may have exercise prices that are, at our Remuneration Committee's discretion, set at a price (the "Market Price") equal to the average of the last dealt prices for the Shares on the Official List of the SGX-ST over the five consecutive Market Days immediately preceding the date of grant of the relevant Option; or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("Market Price Option") may be exercised after the first anniversary of the ESOS Offer Date of that Option while Options exercisable at a discount to the Market Price ("Discounted Option") may only be exercised after the second anniversary from the ESOS Offer Date of that Option. Options granted under the ESOS will have a life span of ten years. Under no circumstances shall the exercise price of an Option be less than the nominal value of a Share.

(6) *Grant of options*

Under the rules of the ESOS, there are no fixed periods for the grant of Options. As such, offers for the grant of Options may be made at any time from time to time at the discretion of our Remuneration Committee. However, no Option shall be granted during the period of 30 days immediately preceding the date of announcement of our Company's interim or final results (whichever the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant Options may only be made on or after the second Market Day on which such announcement is released.

(7) *Acceptance of Options*

The grant of Options shall be accepted within 30 days from the ESOS Offer Date. Offers of Options made to grantees, if not accepted before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay our Company a consideration of S\$1.00.

(8) *Termination of Options*

Special provisions in the rules of the ESOS deal with the lapse or earlier exercise of Options in circumstances which include the termination of the participant's employment in our Company and/or our subsidiaries, the bankruptcy of the participant, the death of the participant, a take-over of our Company and the winding-up of our Company.

(9) *Shares issued under the ESOS*

Shares arising from the exercise of Options are subject to the provisions of the Memorandum and Articles of our Company. The Shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued Shares, save for any dividend, rights, allotments or distributions, the record date ("Record Date") for which is prior to the relevant exercise date of the Option. "Record Date" means the date as at the close of business on which Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as the case may be).

(10) *Duration of the ESOS*

The ESOS shall continue in operation for a maximum duration of ten years and may be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

(11) *Abstention from voting*

Shareholders who are eligible to participate in the ESOS are to abstain from voting on any resolution of Shareholders relating to the ESOS.

In particular, all Shareholders who are eligible to participate in the ESOS shall abstain from voting on resolutions of the Shareholders relating to (a) the implementation of the ESOS; (b) the quantum of discount to be determined and (c) the participation by and Option grant to Controlling Shareholders and their associates. Notwithstanding the foregoing, participants of the ESOS may act as proxies, but such participants who are appointed as proxies will not vote on the aforementioned resolutions unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for the said resolutions.

Grant of Discounted Options

The ability to offer Options to participants of the ESOS with exercise prices set at a discount to the prevailing market prices of the Shares is intended, *inter alia*, to operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Company and/or our subsidiaries above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. The ESOS will also serve to recruit new employees whose contributions are important to the long-term growth and profitability of our Company and/or our subsidiaries. Discounted Options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Discounted Options as only employees who have made significant contributions to the success and development of our Company and/or our subsidiaries would be granted Discounted Options.

The flexibility to grant Discounted Options is also intended to cater to situations where the market conditions are bullish and market price of our Shares are traded at high premiums. In such events, our Remuneration Committee will have absolute discretion to:

- (a) Grant Options set at a discount to the Market Price of a Share (subject to a maximum limit of 20%); and
- (b) Determine the participants to whom, and the Options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, our Remuneration Committee shall be at liberty to take into consideration factors including but not limited to the performance of our Company and/or our subsidiaries, length of service and individual performance of the participant concerned, the contribution of the participant to the success and development of our Company and/or our subsidiaries and the prevailing market conditions.

At present, our Company foresees that Discounted Options may be granted principally in the following circumstances:

- (a) Where it is considered more effective to reward and retain talented employees by way of a Discounted Option rather than a Market Price Option. This is to reward the outstanding performers who have contributed significantly to our Company's and/or our subsidiaries' performance and the Discounted Option serves as additional incentives to such employees. Options granted by our Company on the basis of market price may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence during such period the ability to offer Discounted Options would allow our Company to grant Options on a more realistic and economically feasible basis. Furthermore, Discounted Options will give an opportunity to our Company's and/or our subsidiaries' employees to realise some tangible benefits even if external events cause the Share price to remain largely static;

- (b) Where it is more meaningful and attractive to acknowledge a participant's achievements through a Discounted Option rather than paying him a cash bonus. For example, Discounted Options may be used to compensate employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Furthermore, a discretion to grant Discounted Option provides our Company and/or our subsidiaries with a means to maintain the competitiveness of our remuneration and compensation strategy. The ESOS will provide our Company's and/or our subsidiaries' employees with an incentive to focus more on improving the profitability of our Company and/or our Subsidiaries thereby enhancing shareholder value when these are eventually reflected through the price appreciation of our Shares after the vesting period; and
- (c) Where due to speculative forces and having regard to the historical performance of the Share price, the Market Price of the Shares at the time of the grant of the Options may not be reflective of financial performance indicators such as return on equity and/or earnings growth.

Our Remuneration Committee will have the absolute discretion to grant Discounted Options, to determine the level of discount (subject to a maximum discount of 20.0% of the Market Price) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that our Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

We may also grant Options without any discount to the Market Price. Additionally, we may, if we deem fit, impose conditions on the exercise of the Options (whether Market Price Options or Discount Options), such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

Rationale for participation of Controlling Shareholders and their associates

An employee who is a Controlling Shareholder of our Company or an associate of a Controlling Shareholder shall be eligible to participate in the ESOS if (a) his participation in the ESOS and (b) the actual number and terms of the Options to be granted to him have been approved by independent Shareholders of our Company in separate resolutions for each such person. The relevant employee is required to abstain from voting on, and (in the case of employees who are Directors) refrain from making any recommendation on, the resolutions in relation to the ESOS.

One of the objectives of the ESOS is to motivate participants to optimise their performance standards and efficiency. The objectives of the ESOS apply equally to our employees who are Controlling Shareholders or associates of Controlling Shareholders. Our view is that all deserving and eligible participants should be motivated, regardless of whether they are Controlling Shareholders or associates of Controlling Shareholders. We believe that our employees should not be excluded from benefiting under the ESOS solely for the reason that they are Controlling Shareholders or associates of Controlling Shareholders. It is in our interest to ensure that our employees who are actively contributing to our progress are given the incentive to continue to remain with us and contribute towards our future progress and development.

Although our Controlling Shareholders and their associates have or may already have shareholding interests in our Company, the extension of the ESOS to allow the Controlling Shareholders and their associates who meet the eligibility criteria set out in the rules of the ESOS to participate in the Scheme, will ensure that they are equally entitled, with the other employees who are not Controlling Shareholders or their associates, to take part and benefit from this system of remuneration. The ESOS is intended to be part of our Company's system of employee remuneration and our Company is of the view that employees who are Controlling Shareholders or associates of Controlling Shareholders should not be unduly discriminated against by virtue only of their shareholding in our Company.

It is proposed that our Executive Chairman and CEO, Mr. Su Qingyuan who is a Controlling Shareholder, and Mr. Su Qingjiang who is an associate of Mr. Su Qingyuan and Executive Director, and Mr. Su Shubiao who is also an Executive Director of our Company and/or our Subsidiaries, be entitled to participate in the ESOS. The shareholding interests of Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao in the issued share capital of our Company are disclosed in the section entitled “Shareholders” in this Prospectus.

Rationale for participation of Mr. Su Qingyuan

Mr. Su Qingyuan is the Executive Chairman and CEO of our Company, responsible for overall business strategy and development of our Group.

Mr. Su Qingyuan is the founder of our Group and is responsible for the successful growth of our Company. As our Executive Chairman, Mr. Su Qingyuan plays a pivotal role in providing strategic leadership, business and management direction, business networks and market contacts to our Group. Our Directors believe that the potential contribution that may be made by Mr. Su Qingyuan to our Group’s future development will be substantial. Our Directors are of the view that the remuneration package of Mr. Su Qingyuan is fair given his contributions to our Group. The extension of the ESOS to Mr. Su Qingyuan is consistent with our Company’s objectives to motivate our employees to achieve and maintain a high level of performance and contribution which is vital to the success of the Company. Although Mr. Su Qingyuan already has a shareholding interest in the Company, the extension of the ESOS to him will ensure that he is equally entitled, with the other employees who are not Controlling Shareholders, to take part in and benefit from this system of remuneration, thereby enhancing his long-term commitment to our Company.

Rationale for participation of Mr. Su Qingjiang

Mr. Su Qingjiang is our Executive Director, responsible for the direction and overall management of the production as well as sales department of our Group.

Mr. Su Qingjiang has been with our Group since the incorporation of Qingmei (PRC). He is responsible for the procurement, production and sales departments of our Group and is instrumental in maintaining and building our reputation as a manufacturer of good quality sports shoe soles. His expertise in the production of sports shoe soles and contribution to our Group has been invaluable and his continuing contribution is an important factor for the further growth and success of the Company. Although Mr. Su Qingjiang is the sibling of our Executive Chairman and CEO, he does not have any beneficial interest in the shareholding interests of Mr. Su Qingyuan.

Our Directors are of the view that the remuneration package of Mr. Su Qingjiang is fair given his contributions to our Company. The extension of the ESOS to Mr. Su Qingjiang is consistent with our Company’s objectives to motivate our employees to achieve and maintain a high level of performance and contribution which is vital to the success of our Group.

Rationale for participation of Mr. Su Shubiao

Mr. Su Shubiao is our Executive Director, responsible for the direction and overall management of the finance and administration department.

Mr. Su Shubiao has been with our Group since the incorporation of Qingmei (PRC) in 2006 and he has played an important role in managing both the finance and administrative functions of our Group. Our Directors consider it crucial to provide incentives to instill a sense of commitment to our Group. Although Mr. Su Shubiao is the brother-in-law of our Executive Chairman and CEO, Mr. Su Qingyuan, he does not have any beneficial interest in the shareholding interests of Mr. Su Qingyuan.

The participation in the ESOS by Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao will take place only after the listing of our Company on the SGX-ST. By subscribing for the New Shares, investors shall be deemed to have acknowledged and approved the participation by each of Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao in the ESOS. Nonetheless, under the Listing Manual, the specific grant of Options to each of Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao and any other Controlling Shareholders or their associates will have to be approved by independent Shareholders in general meeting.

Rationale for participation of directors (including our Independent Directors) and employees of our Group

The extension of the ESOS to the executive and non-executive directors (including our Independent Directors and Controlling Shareholders or their associates) and employees of our Company and/or our subsidiaries allows our Company and/or our subsidiaries to have a fair and equitable system to reward directors and employees who have made and who continue to make significant contributions to the long-term growth of our Company and/or our subsidiaries.

Non-executive directors bring to our Company and/or our subsidiaries their wealth of knowledge, business expertise and contacts in the business community. It is desirable that non-executive directors of our Group be allowed to participate in the ESOS to instill in them a greater sense of involvement and belonging to our Company and/or our subsidiaries thereby enhancing our working relationship with them. We are of the view that including the non-executive directors of our Company and/or our subsidiaries in the ESOS will show our appreciation for, and further motivate them in their contribution towards our success.

Our Remuneration Committee, when deciding on the selection of the non-executive directors of our Group to participate in the ESOS and the number of Options to be offered, will take into consideration the nature and extent of their input, the assistance and expertise rendered by them to the Board and the impact thereof on the growth, success and development of our Company and/or our subsidiaries, as well as their involvement and commitment to the committees of directors on which they sit. Our Remuneration Committee may, where it considers relevant, take into account other factors such as the economic conditions and our Company's performance.

Although the non-executive directors of our Company and/or our subsidiaries may be appointed as members of our Remuneration Committee, the rules of the ESOS provide that a member is not to be involved in its deliberations in respect of the grant of Options to him. We will ensure that the number of Options granted to the non-executive directors of our Company and/or our subsidiaries will be such that any conflict of interests that may potentially arise is kept minimal and that the independence of the non-executive directors of our Company and/or our subsidiaries are not compromised.

It is our intention that all our employees whether key employees or not, should be treated equally for the purposes of the ESOS. The main purpose of the ESOS is to align the interests of our Company's and/or our subsidiaries' directors and all employees who are involved in our business and prosperity with those of our own. The extension of the ESOS to all employees of our Company and/or our subsidiaries allows us a fair and equitable system to reward all employees who have made and will continue to make important contributions to our long-term growth.

We believe that the ESOS will be an essential part of our strategy for recruiting and retaining capable employees. The ESOS will provide an incentive to our employees to achieve and maintain a high level of performance as well as to encourage greater dedication and loyalty by enabling our Company and/or our subsidiaries to give recognition to past contributions and services as well as to further encourage participants generally to contribute towards our long-term prosperity. We will determine the number of Options to be granted to an employee by taking into account the appointment, responsibilities, length of service, potential and performance. The level of performance of each employee will be assessed on the basis of an annual appraisal process for all employees.

Disclosures in Annual Reports

Details of, *inter alia*, the number of Options granted, the number of Options exercised and the exercise price (as well as the discounts involved, if any) will be disclosed in our annual reports.

Cost of Options granted under the ESOS to our Company

Any Option granted under the ESOS will have a fair value. Where such Options are granted at a consideration which is less than their fair value, there will be a cost to our Company, the amount of which will depend on whether the Options are granted at market price or at a discount.

The cost to our Company of granting Options under the ESOS would be as follows:

- (a) The exercise of an Option at a discounted exercise price would translate into a reduction of the proceeds from the exercise of such Option, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of the Shares. Such reduction of the exercise proceeds would represent the monetary costs to our Company;
- (b) As the monetary cost of granting Options with a discounted exercise price is borne by our Company, our earnings would effectively be reduced by an amount corresponding to the reduced interest earnings that we would have received from the difference in proceeds from exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our earnings per Share;
- (c) The effect of the issue of new Shares upon the exercise of Options, is that our Company's NTA per Share will increase if the exercise price is above the NTA per Share and decrease, if the exercise price is below the NTA per Share; and
- (d) The grant of Options under the ESOS will have an impact on our Company's reported profit because under the Singapore Financial Reporting Standards (the "SFRS"), share-based payment requires the recognition of an exercise in respect of Options granted under the ESOS. The expense will be based on the fair value of the Options at the date of grant (as determined by an option-pricing model) and will be recognised over the vesting period. The requirement to recognize an expense in respect of options granted to employees is set out in SFRS 102.

It should be noted that the financial effects discussed in (a), (b) and (c) above would materialise only upon the exercise of the relevant Options. The cost of granting Options discussed in (d) would only be recognised in the financial statements even if the Options are not exercised in (d). Measured against these costs would be the desirable effect of the Scheme in attracting, recruiting, retaining and motivating directors and employees which could, in the long term, yield greater returns for us and our Shareholders. Under the ESOS, each participant to whom an Option is offered pays a nominal consideration of S\$1.00 to our Company on his acceptance of the offer of the Option. Insofar as such Options are granted at a consideration that is less than their fair value at the time of grant, there will be a cost to our Company (in that we will receive from the participant upon the grant of the Option to him, a consideration that is less than the fair value of the Option).

The cost to our Company in granting an Option would vary depending on the number of Options granted pursuant to the ESOS, whether these Options are granted at Market Price or at a discount and the validity period of the Options. Generally, a greater discount and a longer validity period for an Option will result in a higher potential cost to our Company. If such costs were to be recognised in accordance with SFRS 102, it would have to be charged to our Company's profit and loss account over the vesting period.

The issuance of new Shares under the ESOS will have a dilutive impact on our combined EPS. However, the impact is not expected to be material in any given financial year as the Options are likely to be exercised over several years in accordance with the predetermined vesting schedules.

PURCHASE BY OUR COMPANY OF OUR OWN SHARES

Under the laws of the Cayman Islands, a company may, if authorised by its articles of association, purchase its own shares. Our Company has such power to purchase our own Shares pursuant to Article 3(2) of our Articles. Such power of our Company to purchase our own Shares shall, subject to the Cayman Companies Law and our Articles (and, if applicable, the rules and regulations of the SGX-ST and other regulatory authorities), be exercisable by the Directors upon such terms and subject to such conditions as they think fit, in accordance with Article 3(2).

Under the laws of the Cayman Islands, such purchases may be effected out of the profits of our Company or out of proceeds of a fresh issue of Shares made for that purpose or, in the manner authorised by our Articles, by a payment out of capital. At no time may our Company purchase our Shares if, as a result of the purchase, there would no longer be any member of our Company holding our Shares. Only fully paid Shares may be purchased by our Company. A payment out of capital by our Company for the purchase of our Shares is not lawful unless immediately following the date on which the payment out of capital is proposed to be made, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Shares purchased by our Company shall be treated as cancelled and our Company's issued, but not our authorised, capital will be diminished accordingly.

For further details, please see "Purchase of shares and warrants by a company and its subsidiaries" in Appendix D — "Summary of Cayman Islands Company Law" to this Prospectus.

Our Company presently has no intention of purchasing our own Shares after the listing. However, if we decide to do so later, we will seek our Shareholders' approval in accordance with our Articles and the rules of the SGX-ST.

Our Company will make a prompt public announcement of any such share purchase and has given an undertaking to the SGX-ST to comply with all requirements that the SGX-ST may impose in the event of any such share purchase.

ATTENDANCE AT GENERAL MEETINGS

Under the Cayman Companies Law, only persons who agree to become members of a company and whose names are entered on the register of members of such company are considered members, with rights to attend and vote at general meetings. Depositors holding Shares through CDP are not recognised as members of our Company, and do not under the Cayman Companies Law have a right to attend and to vote at general meetings of our Company. In the event that Depositors wish to attend and vote at general meetings of our Company, CDP will have to appoint them as proxies, pursuant to our Articles and the Cayman Companies Law.

In accordance with Article 77(1), unless CDP specifies otherwise in a written notice to our Company, CDP shall be deemed to have appointed as CDP's proxies each of the Depositors who are individuals and whose names are shown in the records of CDP, as at a time not earlier than forty-eight (48) hours prior to the time of the relevant general meeting, supplied by CDP to our Company. Therefore, Depositors who are individuals can attend and vote at the general meetings of our Company without the lodgment of any proxy form. Depositors who cannot attend a meeting personally may enable their nominees to attend as CDP's proxies by completing and returning appropriate proxy forms. Depositors who are not individuals can only be represented at a general meeting of our Company if their nominees are appointed by CDP as CDP's proxies. Proxy forms appointing nominees of Depositors as proxies of CDP would need to be executed by CDP as member and must be deposited at the place and within the time frame specified by our Company to enable the nominees to attend and vote at the relevant general meeting of our Company.

TAKE-OVERS

There are presently no Cayman Islands laws or regulations of general application which will require persons who acquire significant holdings in our Shares to make take-over offers for our Shares or to notify us.

However, pursuant to the SFA, the Singapore Take-over and Merger Laws and Regulations apply to take-over offers of companies which are incorporated outside Singapore and all or any of the shares of which are listed for quotation on a securities exchange (as defined in the SFA). Accordingly, the Singapore Take-over and Merger Laws and Regulations will apply to take-over offers for our Shares for so long as our Shares are primarily listed on a securities exchange in Singapore. Article 167(4) of the Articles of Association of our Company also stipulates that the Singapore Take-over and Merger Laws and Regulations will apply to all takeover offers for shares of the Company for as long as the shares of our Company are listed on the SGX-ST.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. None of our Directors or Executive Officers is or was involved in any of the following events:
 - (i) during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner;
 - (ii) during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding-up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (iii) any unsatisfied judgments against him;
 - (iv) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
 - (v) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including pending criminal proceedings of which he is aware) for such breach;
 - (vi) during the last 10 years, judgement entered against him in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
 - (vii) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
 - (viii) disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
 - (ix) the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
 - (x) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (a) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (b) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

- (c) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
- (d) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and

- (xi) the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.
2. Save as disclosed in the sections entitled “Interested Person Transactions” in this Prospectus, no Director or expert is (i) interested, directly or indirectly, in the promotion of, or in any assets acquired or disposed of by, or leased to, our Company within 2 years preceding the Latest Practicable Date, or in any proposal for such acquisition or disposal or leased as aforesaid, or (ii) interested where the interest consists in being a partner in a firm or a holder of shares in or debentures of a corporation interested in the same.
 3. Save as disclosed in the sections entitled “Interested Person Transactions” in this Prospectus, no Director has any interest in any existing contract or arrangement which is significant in relation to our business taken as a whole.
 4. There is no shareholding qualification for Directors or alternate Directors in our Articles.
 5. No sum or benefit has been paid or has been agreed to be paid to any Director or expert who is a partner of any firm in which a Director or expert or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise by any person (i) (in the case of a Director) to induce him to become, or to qualify him as our Director or otherwise for the services rendered by him or such firm or corporation in connection with the promotion or formation of our Company, or (ii) (in the case of an expert) for services rendered by him or such firm or corporation in connection with the promotion or formation of our Company.

SHARE CAPITAL

6. Save as disclosed below and set out in the section entitled “Share Capital” in this Prospectus, there were no changes in the issued and paid-up capital of our Company, its subsidiaries and subsidiary entities within the three years preceding the date of this Prospectus.

The Company

Date	Purpose	Number of shares	Par Value	Consideration	Resultant Issued and Paid-Up Share Capital
28 August 2009	Incorporation	1	HK\$0.10	HK\$0.10	HK\$0.10
4 November 2009	Redenomination of currency of share capital	1	S\$0.10	S\$0.10	Aggregate of (a) HK\$0.10 and (b) S\$0.10
4 November 2009	Purchase and cancellation of fully paid ordinary share of HK\$0.10	1	HK\$0.10	HK\$0.10	S\$0.10
4 November 2009	New nil-paid ordinary shares of S\$0.10 issued	9,999	S\$0.10	S\$999.90 (nil-paid)	Issued Share Capital: S\$1,000 Paid-Up Share Capital: S\$0.10 (9,999 ordinary shares were issued nil-paid)
3 March 2010	Issued fully paid 479,990,000 ordinary shares of S\$0.10 each and credited as fully paid the 9,999 ordinary shares of S\$0.10 each that were issued nil-paid, upon the completion of the Restructuring Exercise	479,990,000	S\$0.10	S\$47,999,000	S\$48,000,000

Qingmei (BVI)

Date	Purpose	Number of shares	Consideration
12 August 2008	Incorporation	10,000	US\$10,000
15 October 2009	New shares allotted and issued pursuant to the Restructuring Exercise	10,000	US\$14,644,000

Qingmei (HK)

Date	Purpose	Number of shares	Par Value	Consideration	Resultant Issued and Paid-Up Share Capital
24 January 2006	Incorporation	10,000	HK\$1.00	HK\$10,000	HK\$10,000

Qingmei (PRC)

Date	Purpose	Registered Capital	Payment towards Registered Capital	Resultant Paid-Up Registered Capital
29 April 2006	Initial registered capital on incorporation ⁽¹⁾	HK\$100 million		
For the period FY2006	Contribution towards initial registered capital		HK\$9.5 million	HK\$9.5 million
For the period FY2007	Contribution towards initial registered capital		HK\$43.4 million	HK\$52.9 million
For the period FY2008	Contribution towards initial registered capital		HK\$3.4 million	HK\$56.3 million
For the period FY2009 up to 15 September 2009	Contribution towards initial registered capital		HK\$43.7 million	HK\$100.0 million
25 August 2009	Increase in registered share capital ⁽²⁾	HK\$150.0 million		
For the period 16 September 2009 up to the Latest Practicable Date	Contribution towards increased registered capital		HK\$50.0 million	HK\$150.0 million

Notes:

- (1) Qingmei (PRC) was established on 29 April 2006 with an initial registered capital of HK\$100 million. 30% of the registered capital (or HK\$30 million) was to be paid by 29 July 2006, and the rest of the 70% registered capital (or HK\$70 million) was to be paid by 26 April 2009. By 29 July 2006, we had paid up an aggregate of HK\$17.5 million as part of the first instalment of the registered capital. The remainder of the first instalment of the registered capital was paid up by 30 August 2006. By 26 April 2009, we had paid up an aggregate of approximately HK\$56.3 million of the registered capital. As we were late in the payment of the remainder of the 70% registered capital being an amount of HK\$43.7 million, we filed an application report with Jinjiang MCB with respect to such delay and we were granted an extension up to 10 June 2010 for the full payment of the second instalment. We fully paid the second instalment of the initial registered capital on 15 September 2009.
- (2) The increase in the registered capital of Qingmei (PRC) was approved by Fujian Provincial Department of International Trading & Economic Cooperation (福建省对外贸易经济合作厅) on 25 August 2009. Of the balance of the sum of HK\$50 million to be contributed by the Group, 20% (or HK\$10 million) is required to be contributed by the Company prior to the application of the increase in registered capital with Quanzhou Municipal Administration for Industry and Commerce (the "Quanzhou AIC"). We have contributed an aggregate of HK\$20.5 million towards the increased registered capital by 19 October 2009 and we were issued a new business licence in respect of the increase in registered capital on 20 October 2009 by the Quanzhou AIC. As at the Latest Practicable Date, the remaining payment of the increase in the registered capital has been fully paid up.

On 25 August 2009, the registered capital of Qingmei (PRC) was increased from HK\$100 million to HK\$150 million. As at the Latest Practicable Date, the registered capital of HK\$150 million has been fully paid up.

7. Save as disclosed above and in the section entitled "Share Capital" in this Prospectus, no shares or debentures were issued or were agreed to be issued by our Company for cash or for a consideration other than cash during the last three years preceding the date of lodgment of this Prospectus.


8. There has been no previous issue of Shares by us or offer for sale of our Shares to the public within the two years preceding the Latest Practicable Date.

LITIGATION

9. Save as disclosed below, our Group was not engaged in any legal or arbitration proceedings in the last 12 months before the date of the lodgment of this Prospectus, as plaintiff or defendant in respect of any claims or amounts which are material in the context of the Invitation and our Directors have no knowledge of any proceedings pending or threatened against our Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or profitability of our Group.

On 4 July 2007, our operating subsidiary, Qingmei (PRC), instituted legal proceedings before the Jinjiang Municipal People's Court against Suzhou Chengxin Machinery Co., Ltd. (苏州成鑫机械有限公司, "Suzhou Chengxin"), in respect of a claim of a value of RMB2,900,000 arising from the breach of contract by Suzhou Chengxin which was entered into in relation to purchases of equipment and machinery by Qingmei (PRC) from Suzhou Chengxin. On 19 January 2009, Jinjiang Municipal People's Court rendered a civil judgment in favour of Qingmei China. Pursuant to the judgment, Suzhou Chengxin was liable to (i) pay damages of RMB1,822,500 to Qingmei China, and (ii) perform its responsibilities of installation and commission under the sales contract which it had breached. Suzhou Chengxin appealed against the aforesaid judgment. On 11 June 2009, Quanzhou Municipal Intermediate People's Court rendered a second-instance and final judgment, upholding the judgment of the first-instance court.

MATERIAL CONTRACTS

10. The following contracts not being contracts entered into in the ordinary course of business have been entered into by our Company and our subsidiaries within the 2 years preceding the date of lodgment of this Prospectus and are or may be material:
 - (a) The Cayman Share Swap Agreement dated 3 March 2010 entered into between our Company as purchaser, Super Riches as vendor and Qingmei (BVI), pursuant to which our Company acquired the entire issued and paid up share capital of Qingmei (BVI) comprising 20,000 shares in Qingmei (BVI) from Super Riches. Please see the section entitled "Restructuring Exercise" in this Prospectus for further details.
 - (b) The Trademark Transfer Agreement dated 30 October 2009 entered into between Mr. Su Qingyuan and Qingmei (PRC) pursuant to which Mr. Su Qingyuan transferred all his rights in respect of trademark "  " No. 3722492, as registered with the CTMO in class 25 to Qingmei (PRC). Please see the sections entitled "Restructuring Exercise" and "Trademarks/ Patents and Other Intellectual Property Rights" in this Prospectus for further details.
 - (c) The Patent Transfer Agreement dated 30 October 2009 and the Supplemental Patent Transfer Agreement dated 8 December 2009, entered into between Mr. Su Qingyuan and Qingmei (PRC) pursuant to which Mr. Su Qingyuan transferred all his rights in respect of the patent application registered with the State Intellectual Property Office in his name to Qingmei (PRC). Please see the sections entitled "Restructuring Exercise" and "Trademarks/ Patents and Other Intellectual Property Rights" in this Prospectus for further details.
 - (d) The Service Agreements of Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao, each dated 29 December 2009. Please refer to the section entitled "Service Agreements" in this Prospectus for further details.

- (e) The Lease Agreement dated 1 December 2004 entered into between Qingmei (PRC) and Fujian Qingmei in respect of the lease of an area of 2,000 square metres in a factory building located at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村) by Qingmei (PRC) from Fujian Qingmei. Please refer to the section entitled “Interested Person Transactions” in this Prospectus for further details.
- (f) The Termination Agreement dated 4 November 2009 entered into between Qingmei (PRC) and Fujian Qingmei in respect of the termination of the Lease Agreement. Please refer to the section entitled “Interested Person Transactions” in this Prospectus for further details.
- (g) The Non-Competition Undertaking dated 30 October 2009 entered into between our Executive Directors, Mr. Su Qingyuan, Mr. Su Qingjiang and Mr. Su Shubiao, Fujian Qingmei in favour of Qingmei (PRC) (for itself and on behalf of all members of the Group). Please see the sections entitled “Restructuring Exercise” in this Prospectus for further details.
- (h) The Technology Development (Engagement) contract dated 20 June 2009 entered into between Qingmei (PRC) and (中国科学院合肥物质科学研究院) (Hefei Institutes of Physical Sciences, Chinese Academy of Sciences) to carry out research into new and improved materials for our midsoles to improve the shock absorption and breathability properties. Please refer to the section entitled “Product Design and Development” in this Prospectus for further details.
- (i) The Transfer Agreements dated 18 December 2008 entered into by Qingmei (PRC) and 21 individuals in respect of acquisition by Qingmei (PRC) of new parcels of land of 11,920 square metres, located at Sucuo Village, Chendai Town, Jinjiang City (晋江市陈埭镇苏厝村).
- (j) The Deed of Indemnity dated 10 November 2009 executed by Mr. Su Qingyuan and High Crown Limited who have agreed to jointly and severally fully indemnify our Group Companies against the payment of certain taxation liabilities.
- (k) The Deed of Indemnity dated 10 November 2009 executed by Mr. Su Qingyuan, pursuant to which he has agreed to indemnify the Company against the Acquisition Costs, any other consideration paid in connection with the Acquisition and any incidental costs which may arise in connection with the acquisition of land pursuant to the Transfer Agreements referred to under paragraph (i) above. Please see the section entitled “Properties and Fixed Assets” in this Prospectus for further details.
- (l) The Security Deposit Agreement dated 18 December 2009 executed by Mr. Su Qingyuan, CITIC Bank, and Qingmei (PRC), pursuant to which Mr. Su Qingyuan agreed, *inter alia*, to maintain a balance of not less than RMB17,000,000 in his account with CITIC Bank (“Custody Account”) for a maximum period of 3 years from the date of establishment of the Custody Account for the purpose of ensuring that he has adequate financial resources to fulfil his obligations in respect of the indemnities provided by him to our Company referred to under paragraph (k) above. Please see the section entitled “Properties and Fixed Assets” in this Prospectus for further details.

MISCELLANEOUS

- 11. There has been not been any public takeover offer by a third party in respect of our Shares, or by our Company in respect of shares of another corporation or units of another business trust, which has occurred during the period between 1 July 2009 and the Latest Practicable Date.
- 12. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the Latest Practicable Date or is proposed or intended to be paid or given to any promoter at any time.

13. No expert is employed on a contingent basis by our Company or any of our subsidiaries, has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Offer.
14. Save as disclosed set out in the sections entitled “Risk Factors” and “Liquidity and Capital Resources” in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:
 - (a) known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Group’s liquidity increasing or decreasing in any material way;
 - (b) material commitments for capital expenditure;
 - (c) unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations; and
 - (d) known trends or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on revenue or operating income.
15. Save as disclosed set out in the section entitled “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Capitalisation and Indebtedness”, “Trend Information and Order Books” and “Liquidity and Capital Resources” in this Prospectus, the Directors are not aware of any event which has occurred since 30 June 2009 to the Latest Practicable Date, which may have a material effect on the financial position and results provided in the Combined Financial Information set out in Appendix A to this Prospectus respectively.
16. We currently have no intention of changing the auditors of the companies in our Group after the listing of our Company on the SGX-ST.

Details including the names, addresses and professional qualifications (including membership in a professional body) of the auditors of our Company for the last 3 financial years from FY2007 to FY2009 and up to the date of lodgment of this Prospectus are as follows:

Period	Name, Membership and Address	Professional Body	Partner-in-charge/ Professional Qualification
From the date of incorporation of the Company to the Latest Practicable Date	Grant Thornton Certified Public Accountants 6th Floor, Nexxus Building 41 Connaught Road Central Hong Kong	Hong Kong Institute of Certified Public Accountants	Lo Ngai Hang Certified Public Accountant (Practising)

CONSENTS

17. The Auditors and Joint Reporting Accountants have given and have not withdrawn their respective written consent to the issue of this Prospectus with the inclusion herein of the Combined Financial Information and Pro Forma Report set out in Appendices A and B to this Prospectus in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
18. Each of the Joint Issue Managers, the Underwriter and Placement Agent, the Sub-Placement Agent and the Solicitors to the Joint Issue Managers, Underwriter and Placement Agent has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein

of its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

19. The Legal Advisors to the Company on PRC law has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of its statements in the section entitled “Risks Relating to our business and operations”, “Risks relating to the PRC”, “Trademarks/Patents and other intellectual property rights”, “Properties and Fixed Assets” and “Summary of relevant PRC laws and regulations” in this Prospectus, in the form and context in which they are included and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
20. Each of the Solicitors to the Invitation, Legal Advisors to the Company on Hong Kong law, Legal Advisors to the Company on Cayman Islands law, the Registrar for the Invitation and Share Registrar, the Receiving Bank and the Principal Bankers has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

21. Copies of the following documents may be inspected at the office of Rajah & Tann LLP at 9 Battery Road #25-01, Straits Trading Building, Singapore 049910 during normal business hours for a period of 6 months from the date of registration of this Prospectus:
 - (a) the Memorandum of Association and Articles of our Company;
 - (b) Independent Joint Reporting Accountants’ Report on the Audited Combined Financial Statements of our Group for FY2007, FY2008 and FY2009 set out in Appendix A to this Prospectus;
 - (c) Report from the Independent Joint Reporting Accountants on the Unaudited Pro Forma Combined Financial Information of our Group for the Financial Year ended 30 June 2009 set out in Appendix B to this Prospectus;
 - (d) the material contracts referred to in the section entitled “General and Statutory Information” in this Prospectus;
 - (e) the letters of consent referred to in the section entitled “General and Statutory Information” in this Prospectus; and
 - (f) the Service Agreements referred to in the section entitled “Service Agreements” in this Prospectus.

STATEMENT BY OUR DIRECTORS AND THE VENDOR

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

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**INDEPENDENT JOINT REPORTING ACCOUNTANTS' REPORT ON THE
AUDITED COMBINED FINANCIAL STATEMENTS OF THE GROUP FOR THE
FINANCIAL YEARS ENDED 30 JUNE 2007, 30 JUNE 2008 AND 30 JUNE 2009**

8 March 2010

The Board of Directors
Qingmei Group Holdings Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Dear Sirs,

We have audited the accompanying combined financial statements of Qingmei Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), as set out on pages A-3 to A-40. The combined financial statements comprise the combined balance sheets of the Group as at 30 June 2007, 2008 and 2009, the combined income statements, the combined statements of changes in equity and the combined cash flow statements of the Group for each of the three years ended 30 June 2007, 2008 and 2009 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Combined Financial Statements").

MANAGEMENT'S RESPONSIBILITY FOR THE COMBINED FINANCIAL STATEMENTS

Management is responsible for the preparation and the fair presentation of these Combined Financial Statements in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Combined Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

JOINT REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Combined Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Combined Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Combined Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Combined Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Combined Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Combined Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Combined Financial Statements, for the purpose of this report and prepared on the basis set out in Note 3 of this report, present fairly, in all material respects, the state of affairs of the Group as at 30 June 2007, 2008 and 2009, and of the combined results, combined statements of changes in equity and the combined cash flows of the Group for the Relevant Periods, and have been properly prepared in accordance with IFRSs.

This report has been prepared for the inclusion in the preliminary prospectus (including any amended preliminary prospectus) and the final prospectus (the “Prospectus”) to be issued by the Company. No audited financial statements of the Company or its subsidiaries have been prepared for any period subsequent to 30 June 2009.

Yours faithfully

Foo Kon Tan Grant Thornton LLP

Public Accountants and
Certified Public Accountants
Singapore
Partner-in-charge: Tei Tong Huat

Grant Thornton

Certified Public Accountants

Hong Kong
Partner-in-charge: Lo Ngai Hang

COMBINED INCOME STATEMENTS
FOR THE YEARS ENDED 30 JUNE 2007, 2008 AND 2009

		Year ended 30 June		
	Notes	2007 RMB'000	2008 RMB'000	2009 RMB'000
Revenue	7	293,921	627,390	833,752
Cost of sales		(226,012)	(458,488)	(597,594)
Gross profit		67,909	168,902	236,158
Other income and gains	7	215	1,046	2,209
Selling and distribution expenses		(6,258)	(10,625)	(11,891)
Administrative expenses		(12,835)	(18,099)	(21,072)
Finance costs	8	(61)	(3,311)	(5,325)
Other expenses		—	—	(102)
Profit before income tax	9	48,970	137,913	199,977
Income tax expense	10	(2,009)	(3,500)	(17,509)
Profit for the year		46,961	134,413	182,468
Dividends	11	—	90,000	33,250
Earnings per share — basic (RMB cents)	12	9.8	28.0	38.0

COMBINED BALANCE SHEETS
AS AT 30 JUNE 2007, 2008 AND 2009

	Notes	2007 RMB'000	As at 30 June 2008 RMB'000	2009 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	13	199,319	196,247	188,403
Land use rights	14	81,215	79,576	77,937
Deposits paid for land use rights	14	—	—	16,641
		<u>280,534</u>	<u>275,823</u>	<u>282,981</u>
Current assets				
Inventories	15	18,880	33,342	25,537
Trade and other receivables	16	91,561	130,297	190,848
Prepayments		80	85	135
Pledged bank deposits	17	8,000	5,000	12,733
Cash and cash equivalents	18	1,900	1,228	16,135
		<u>120,421</u>	<u>169,952</u>	<u>245,388</u>
Current liabilities				
Trade and bills payables	19	62,049	73,778	106,676
Other payables and accruals	20	148,810	143,628	48,431
Due to a related company	25(ii)	77,241	15,586	—
Interest-bearing bank borrowings	21	12,000	61,000	62,000
Current income tax liabilities		—	—	11,202
		<u>300,100</u>	<u>293,992</u>	<u>228,309</u>
Net current (liabilities)/assets		<u>(179,679)</u>	<u>(124,040)</u>	<u>17,079</u>
Total assets less current liabilities		<u>100,855</u>	<u>151,783</u>	<u>300,060</u>
Non-current liabilities				
Deferred tax liabilities	22	—	3,500	2,500
Net assets		<u>100,855</u>	<u>148,283</u>	<u>297,560</u>
EQUITY				
Share capital	23	68	68	68
Reserves	24	100,787	148,215	297,492
Total equity		<u>100,855</u>	<u>148,283</u>	<u>297,560</u>

**COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 JUNE 2007, 2008 AND 2009**

	Share capital RMB'000 (note 23)	Capital reserves* RMB'000 (note 24)	Exchange reserve* RMB'000	Statutory reserve* RMB'000 (note 24)	(Accumulated loss)/ Retained profits* RMB'000	Total equity RMB'000
At 1 July 2006	68	9,730	—	—	(258)	9,540
Profit for the year	—	—	—	—	46,961	46,961
Total recognised income and expense for the year	—	—	—	—	46,961	46,961
Capital contribution from a shareholder	—	44,354	—	—	—	44,354
Transfer to reserve	—	—	—	4,504	(4,504)	—
At 30 June 2007	68	54,084	—	4,504	42,199	100,855
Profit for the year	—	—	—	—	134,413	134,413
Total recognised income and expense for the year	—	—	—	—	134,413	134,413
Capital contribution from a shareholder	—	3,015	—	—	—	3,015
Transfer to reserve	—	—	—	13,012	(13,012)	—
Dividends (note 11)	—	—	—	—	(90,000)	(90,000)
At 30 June 2008	68	57,099	—	17,516	73,600	148,283
Profit for the year	—	—	—	—	182,468	182,468
Total recognised income and expense for the year	—	—	—	—	182,468	182,468
Currency translation	—	—	2	—	—	2
Total income and expense for the year recognised directly in equity	—	—	2	—	—	2
Arising from Reorganisation (note 24(i))	—	57	—	—	—	57
Transfer to reserve	—	—	—	18,250	(18,250)	—
Dividends (note 11)	—	—	—	—	(33,250)	(33,250)
At 30 June 2009	68	57,156	2	35,766	204,568	297,560

* These reserve accounts comprise the combined reserves of approximately RMB100,787,000, RMB148,215,000, and RMB297,492,000 in the combined balance sheets as at 30 June 2007, 2008 and 2009, respectively.

COMBINED CASH FLOW STATEMENTS
FOR THE YEARS ENDED 30 JUNE 2007, 2008 AND 2009

	Year ended 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax	48,970	137,913	199,977
Adjustments for:			
Interest income	(70)	(759)	(310)
Interest expense	61	3,311	5,325
Depreciation of property, plant and equipment	19,837	25,954	29,222
Bad debts written off	—	—	102
Amortisation of land use rights	1,639	1,639	1,639
Operating profits before working capital changes	70,437	168,058	235,955
Increase in trade and other receivables	(91,561)	(38,736)	(60,653)
Increase in prepayments	(69)	(5)	(50)
(Increase)/decrease in inventories	(18,880)	(14,462)	7,805
Increase in trade and bills payables	62,049	11,729	32,898
Increase in other payables and accruals	16,066	7,964	17,777
Increase/(decrease) in amount due to a related company	37,335	(61,655)	(15,586)
Cash generated from operations	75,377	72,893	218,146
Income tax paid	(2,009)	—	(7,307)
<i>Net cash generated from operating activities</i>	<u>73,368</u>	<u>72,893</u>	<u>210,839</u>
Cash flows from investing activities			
Interest received	70	759	310
(Increase)/decrease in pledged bank deposits	(8,000)	3,000	(7,733)
Deposits paid for land use rights	—	—	(16,641)
Payment for purchases of land use rights	—	(43,536)	(21,041)
Payment for purchases of property, plant and equipment	(129,612)	(52,492)	(53,311)
<i>Net cash used in investing activities</i>	<u>(137,542)</u>	<u>(92,269)</u>	<u>(98,416)</u>
Cash flows from financing activities			
Bank borrowings	12,000	61,000	74,000
Capital contribution from a shareholder	44,354	3,015	57
Repayment of bank borrowings	—	(12,000)	(73,000)
Dividends paid	—	(30,000)	(93,250)
Interest paid	(61)	(3,311)	(5,325)
<i>Net cash generated from/(used in) financing activities</i>	<u>56,293</u>	<u>18,704</u>	<u>(97,518)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(7,881)</u>	<u>(672)</u>	<u>14,905</u>
Effect on foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>2</u>
Cash and cash equivalents at beginning of year	<u>9,781</u>	<u>1,900</u>	<u>1,228</u>
Cash and cash equivalents at end of year	<u>1,900</u>	<u>1,228</u>	<u>16,135</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2007, 2008 AND 2009

1. INTRODUCTION

The Combined Financial Statements of the Group have been prepared for inclusion in the Prospectus of the Company issued for the invitation (“the Invitation”) by the Company in respect of the offer of 184,000,000 ordinary shares of Singapore dollars (“S\$”) 0.10 each comprising 160,000,000 new shares and 24,000,000 vendor shares at S\$0.31 per share in the Company for cash.

2. THE COMPANY

The Company was incorporated in the Cayman Islands on 28 August 2009 under the Cayman Companies Law as an exempted company with limited liability with the name of Qingmei Group Holdings Limited.

At the date of incorporation, the authorised share capital of the Company was Hong Kong dollars (“HK\$”) 380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each. Pursuant to a written resolution dated 4 November 2009, the currency in which the share capital of the Company was denominated was changed from HK\$ to S\$ and the authorised share capital of the Company was consequently changed to S\$50,000 divided into 500,000 ordinary shares of S\$0.10 each. Upon the allotment of new shares through the Invitation and Reorganisation (as stated below), the resultant issued and paid-up share capital of the Company will be 640,000,000 shares.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located in Sucuo Village, Chendai Town, Jinjiang City, Fujian Province, the People’s Republic of China (“PRC”). The Company does not have a place of business in Singapore as at the date of this report.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 3 to the Combined Financial Statements.

Pursuant to written resolutions dated 29 December 2009 and 3 March 2010, the shareholders of the Company approved, *inter alia*, the following:

- (a) the increase in the authorised share capital of the Company from S\$50,000 divided into 500,000 shares to S\$100,000,000 divided into 1,000,000,000 shares;
- (b) the entry by the Company into the Cayman Share Swap Agreement as defined in note 3(f) below;
- (c) the adoption of a new set of Articles of Association by the Company;
- (d) the allotment and issue of the new shares which are the subject of the Invitation. The new shares, when issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up shares;
- (e) the offer for sale of up to 24,000,000 vendor shares held by the vendor, such vendor shares ranking *pari passu* in all respects with the existing issued and fully paid-up shares;
- (f) the adoption of the employee share option scheme of the Company;

2. THE COMPANY (Continued)

(g) the authorisation of the directors of the Company (the “Directors”) to:

- (i) (1) issue shares whether by way of rights, bonus or otherwise; and/or
- (2) make or grant offers, agreements or options (collectively referred to as the “Instruments”) that might or would require shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and
- (ii) issue shares in pursuance of any Instruments made or granted by the Directors while such authority was in force (notwithstanding that such issue of shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

Provided that:

- (1) the aggregate number of shares issued pursuant to such authority (including the shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the post-Invitation issued share capital, and provided further that where shareholders are not given the opportunity to participate in the same on a pro-rata basis, then the shares to be issued under such circumstances (including the shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20.0% of the post- Invitation issued share capital;
- (2) the 50% limit in paragraph (1) above may be increased to 100% for issues of shares pursuant to this resolution by way of a renounceable rights issue where shareholders are given the opportunity to participate in the same on a pro-rata basis; and
- (3) (unless revoked or varied by the Company in general meeting) the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is the earlier.

For the purposes of this resolution, the post-Invitation issued share capital shall mean the total number of issued shares of the Company immediately after the Invitation, after adjusting for: (i) new shares arising from the conversion or exercise of any convertible securities; and (ii) any subsequent bonus issue, consolidation or sub-division of shares; and

(h) that:

- (i) subject to and conditional upon the passing of the resolution referred to in paragraph (g) above, authority be given to the Directors at any time to issue shares (other than on a pro-rata basis to shareholders) at an issue price for each share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent a discount of more than 20% to the weighted average price of a share for trades done on the Singapore Exchange Securities Trading Limited (“SGX-ST”) (as determined in accordance with the requirements of the SGX-ST); and

2. THE COMPANY (Continued)

(h) (Continued)

- (ii) (unless revoked or varied by the Company in general meeting) the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is earlier.

As at the date of this report, the issued and paid-up capital of the Company is S\$48,000,000, divided into 480,000,000 shares of S\$0.10 each.

3. THE REORGANISATION AND BASIS OF PRESENTATION

The operation of the Group is basically carried out by its subsidiary, Qingmei (China) Co., Ltd (“Qingmei China”), which was established with limited liability in the PRC on 29 April 2006. Qingmei China was engaged in the business of manufacturing and trading shoe soles. Qingmei China is held by HK Qingmei Trading Group Develop Limited (“HK Qingmei”), an investment holding company incorporated in Hong Kong.

HK Qingmei was incorporated on 24 January 2006 and acted as an investment holding company. The authorised share capital of HK Qingmei was HK\$10,000 divided into 10,000 shares of HK\$1 each. Upon incorporation, Ms. Yang Ai Zhi (“Ms. Yang”) subscribed for and was allotted and issued 10,000 shares in HK Qingmei, representing the entire issued and paid-up capital of HK Qingmei and was appointed as the sole director of HK Qingmei on the date of incorporation. According to the declaration of trust and the nominee director agreement, both dated on 24 February 2006, Ms. Yang held 10,000 fully paid shares of HK Qingmei on trust for the beneficiary of Mr. Su Qing Yuan (“Mr. Su”) and acted on Mr. Su’s behalf. As a result, HK Qingmei was effectively controlled by Mr. Su since its incorporation. HK Qingmei is now wholly held by Qing Mei International Investment Limited (“Qing Mei International”), an investment holding company incorporated in the British Virgin Islands (“BVI”) on 12 August 2008, for which 10,000 shares of United States dollars (“US\$”) 1.00 per share in its share capital were issued and allocated to Mr. Su for cash at par.

The above-mentioned trust arrangement with Ms. Yang was subsequently terminated on 13 August 2008, whereby Ms. Yang transferred the 10,000 shares of HK\$1.00 in the share capital of HK Qingmei to Qing Mei International for the consideration of HK\$10,000.

A reorganisation exercise was undertaken by the Group to rationalise the corporate structure for the Invitation (the “Reorganisation”). The following steps were carried out in the Reorganisation.

(a) Establishment of High Crown

On 20 July 2009, High Crown was incorporated in the BVI as an investment holding company with an issued and paid up share capital of US\$1.00 consisting of 1 ordinary share. High Crown is wholly-owned by Mr. Su.

(b) Establishment of Super Riches Limited (“Super Riches”)

On 22 July 2009, Super Riches was incorporated in the BVI as a business company with an issued and paid up share capital of US\$1.00 consisting of 1 ordinary share, held by Mr. Su.

3. THE REORGANISATION AND BASIS OF PRESENTATION (Continued)

(c) Share swap agreement between Mr. Su and Super Riches

On 21 August 2009, Mr. Su entered into a share swap agreement with Super Riches and Qing Mei International, whereby Mr. Su transferred 10,000 shares of Qing Mei International, representing 100% shareholding interest of Qing Mei International, to Super Riches in consideration of Super Riches allotting and issuing 7,599 shares of US\$1.00 representing approximately 99.99% shareholding interest of Super Riches (credited as fully paid) to Mr. Su.

Upon completion of the transfer pursuant to the share swap agreement as mentioned above, Mr. Su held 7,600 fully paid shares of US\$1.00 each in the capital of Super Riches, representing the entire equity interest in Super Riches.

(d) Establishment of the Company

The Company was incorporated in the Cayman Islands on 28 August 2009 with an authorised capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each, one share of which was fully paid and subsequently transferred to High Crown. On 4 November 2009, the currency in which the share capital of the Company was denominated, was converted from HK\$ to S\$ and the authorised share capital of the Company was consequently increased on the same date to S\$50,000 divided into 500,000 ordinary shares of S\$0.10 each. On 4 November 2009, one share was issued, credited as fully paid for cash at par, to High Crown. The Company further issued 9,999 nil-paid ordinary shares to Super Riches on the same date.

(e) Subscription and issuance of convertible notes

On 24 August 2009, Super Riches entered into a subscription agreement (the “Subscription Agreement”) with CIM XX Limited (“CIM XX”), Rainbow Magic International Limited (“Rainbow Magic”) and New Times Group Limited (“New Times”) (collectively referred to as the “Pre-Invitation Investors”) as subscribers and Mr. Su as guarantor whereby CIM XX, Rainbow Magic and New Times subscribed for the convertible notes issued by Super Riches in the principal amount of US\$11,800,000, US\$1,422,000 and US\$1,422,000 respectively (the “Convertible Notes”).

Under the Subscription Agreement, the parties agreed, *inter alia*, that:

- (i) Super Riches would subscribe for an additional 10,000 ordinary shares of Qing Mei International for the consideration of US\$14,644,000, being the aggregate proceeds from the issue of the Convertible Notes under the Subscription Agreement;
- (ii) the Convertible Notes were to be exchangeable into 2,400 shares of Super Riches to be allotted and issued by Super Riches to the Pre-Invitation Investors on the terms and conditions of the Subscription Agreement and the convertible note instrument; and
- (iii) Mr. Su would guarantee, *inter alia*, the due payment by Super Riches of the principal amount and interest accruing on the Convertible Notes (if any), as and when the same should become due and payable.

On 15 October 2009, Super Riches issued the Convertible Notes to the Pre-Invitation Investors and the aggregate consideration of US\$14,644,000 was satisfied in full in cash.

On 15 October 2009, Super Riches subscribed for 10,000 shares of Qing Mei International for the consideration of US\$14,644,000.

3. THE REORGANISATION AND BASIS OF PRESENTATION (Continued)

(e) Subscription and issuance of convertible notes (Continued)

On 3 December 2009, Super Riches entered into a supplemental agreement to the Subscription Agreement with CIM XX, Rainbow Magic, New Times and Mr. Su, (the “Supplemental Subscription Agreement”) pursuant to which:

- (a) Super Riches partially redeemed the convertible note held by CIM XX in a principal amount of US\$5,700,000 without interest. Upon completion of the redemption, the principal amount of the convertible note held by CIM XX was reduced from US\$11,800,000 to US\$6,100,000 and, as a result of the redemption, the total number of shares of Super Riches that the convertible note held by CIM XX that were exchangeable for was reduced from 1,934 to 1,000. The partial redemption was effected as a consequence of some of CIM XX’s preference shareholders withdrawing their investment in CIM XX;
- (b) Mr. Su subscribed for 934 shares of Super Riches for an aggregate consideration of US\$5,700,000; and
- (c) the total number of shares of Super Riches that the Convertible Notes were exchangeable into was reduced from 2,400 to 1,466.

On 3 March 2010, the Pre-Invitation Investors exchanged their Convertible Notes for an aggregate of 1,466 shares of Super Riches allotted and issued to them by Super Riches (the “Exchange”).

Upon completion of the Exchange, Mr. Su, CIM XX, Rainbow Magic and New Times held 85.34%, 10.00%, 2.33% and 2.33% of the enlarged issued share capital of Super Riches respectively.

(f) Share swap agreement between the Company and Super Riches

On 3 March 2010, the Company, as purchaser, Super Riches, as vendor, and Qing Mei International entered into a share swap agreement (the “Cayman Share Swap Agreement”). Pursuant to the Cayman Share Swap Agreement, the Company acquired the entire issued and paid-up share capital of Qing Mei International, comprising 20,000 shares in Qing Mei International shares, from Super Riches. The consideration for the said acquisition amounting to S\$47,999,999.90, was satisfied by (i) the crediting as fully paid, at par, of 9,999 nil-paid ordinary shares of S\$0.10 in the capital of the Company held by Super Riches; and (ii) the allotment and issue to Super Riches of an aggregate of 479,990,000 new ordinary shares of S\$0.10 in the capital of the Company, credited as fully paid at par.

3. THE REORGANISATION AND BASIS OF PRESENTATION (Continued)

(f) Share swap agreement between the Company and Super Riches (Continued)

Pursuant to the Reorganisation, the Company became the holding company of the Group. Upon completion of the Reorganisation as set out above, the Company has direct and indirect interests in the following subsidiaries, each of which is a limited liability company:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/paid up registered capital	Effective interest attributable to the Group in the Relevant Periods	Principal activities	Notes
Qing Mei International Investment Limited	BVI 12 August 2008	US\$14,654,000	100%	Investment holding	(i)
HK Qingmei Trading Group Develop Limited	Hong Kong 24 January 2006	HK\$10,000	100%	Investment holding	(ii)
Qingmei (China) Co., Ltd*# 清美（中国）有限公司	The PRC 29 April 2006	HK\$150,000,000	100%	Manufacturing and trading of shoe soles	(iii)

Other than Qing Mei International, all of the Company's subsidiaries are indirectly held by the Company.

The entity is a wholly foreign owned enterprise established in the PRC.

* The English translation of the company name above is for reference only. The official name of that company is in Chinese.

Notes:

- (i) There is no audit requirement in the BVI.
- (ii) The statutory financial statements, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, of this company for the years ended 30 June 2007, 2008 and 2009 were audited by Grant Thornton. The financial statements of this company were prepared in consolidation basis and unqualified.
- (iii) Qingmei (China) was established with a registered capital of HK\$100,000,000 in the PRC on 29 April 2006 and its registered capital was paid-up in full on 15 September 2009. On 25 August 2009, the registered capital of Qingmei (China) was approved to be increased from HK\$100,000,000 to HK\$150,000,000. As the date of this report, the incremental registered capital of HK\$50,000,000 has been fully paid up. The statutory financial statements, prepared under the generally accepted accounting principles in the PRC, of this company were audited by 泉州市维正联合会计师事务所 for the years ended 31 December 2006 and 2007, and 泉州志成会计师事务所有限公司 for the year ended 31 December 2008, respectively, and all were unqualified.

The Combined Financial Statements have been prepared as a reorganisation of business under common control because the same ultimate controlling equity holder, Mr. Su, controlled the companies comprising the Group during the Relevant Periods and before and after the Reorganisation. Consequently there was continuation of the risks and benefits to the ultimate controlling equity holder. The combined income statements, combined statements of changes in equity and combined cash flow statements are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entity. The combined balance sheets as at 30 June 2007, 2008 and 2009, present the assets and liabilities of the companies now comprising the Group which had been incorporated/ established as at the relevant balance sheet dates as if the current group structure had been in existence at those dates. Pursuant to the Reorganisation completed on 3 March 2010, the Company was incorporated and interspersed between Qing Mei International and the shareholders of Qing Mei International and became the holding company of Qing Mei International and its subsidiaries.

3. THE REORGANISATION AND BASIS OF PRESENTATION (Continued)

The Combined Financial Statements have been prepared from the audited combined financial statements or, and where appropriate, unaudited management accounts of the companies comprising the Group during the Relevant Periods. The management of the respective companies of the Group are responsible for preparing true and fair financial statements. The Combined Financial Statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries.

For the purpose of this report, the Joint Reporting Accountants have examined the aforementioned audited financial statements and management accounts for the Relevant Periods and have carried out independent audit procedures as are necessary for the Joint Reporting Accountants to give an opinion on the Combined Financial Statements of the Group.

4. BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

The Combined Financial Statements have been prepared in accordance with IFRSs which collective term includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (“IASB”), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by IASB.

The Combined Financial Statements have been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below. These policies have been consistently applied to all the years presented unless otherwise stated.

It should be noted that accounting estimates and assumptions have been used in the preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas where assumptions and estimates are significant to the Combined Financial Statements or areas involving a higher degree of judgement or complexity are set out in note 6 “Critical accounting estimates and judgements”.

The Group has not issued any financial statements prior to this report since the Company was incorporated on 28 August 2009. The IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued a number of new and revised IFRS which are effective during the Relevant Periods and in preparing the Combined Financial Statements, the Group has adopted all these new and revised IFRS consistently throughout the Relevant Periods.

4. BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

At the date of authorisation of this report, the following new and amended IFRS have been published but are not yet effective, and have not been adopted early by the Group.

IAS 1 (Revised)	Presentation of Financial Statements ²
IAS 23 (Revised)	Borrowing Costs ²
IAS 24 (Revised)	Related Party Disclosures — Revised definition of related parties ¹⁰
IAS 27 (Revised)	Consolidated and Separate Financial Statements ³
IAS 28 (Revised)	Investments in Associates ³
IAS 31 (Revised)	Interests in Joint Ventures ³
IAS 32 (Amendment)	Financial Instruments: Presentation — Amendments relating to classification of right issues ⁸
IAS 1, IAS 32, IAS 39 and IFRS7 (Amendments)	Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation ²
IAS 39 (Amendment)	Eligible Hedged Items ³
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards ³
IFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards — Amendments relating to oil and gas assets and determining whether an arrangement contains a lease ⁵
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ⁹
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
IFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellations ²
IFRS 3 (Revised)	Business Combinations — Comprehensive Revision on Applying the Acquisition Method ³
IFRS 7 (Amendment)	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments ²
IFRS 8	Operating Segments ²
IFRS 9	Financial Instruments ¹²
IFRIC 2 (Amendment)	Members' shares in Cooperative Entities and Similar Instruments ²
IFRIC 14 (Amendment)	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ¹¹
IFRIC 15	Agreements for the Construction of Real Estate ²
IFRIC 16	Hedges of a Net Investment in a Foreign Operation ¹
IFRIC 17	Distributions of Non-cash Assets to Owners ³
IFRIC 18	Transfers of Assets from Customers ⁴
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ⁹
Improvements to IFRS	Annual Improvements to IFRS 2008 ⁶ and IFRS 2009 ⁷

Notes:

- ¹ Effective for annual periods beginning on or after 1 October 2008
- ² Effective for annual periods beginning on or after 1 January 2009
- ³ Effective for annual periods beginning on or after 1 July 2009
- ⁴ Effective for transfers of assets from customers received on or after 1 July 2009
- ⁵ Effective for annual periods beginning on or after 1 January 2010
- ⁶ Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific IFRS
- ⁷ Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific IFRS
- ⁸ Effective for annual periods beginning on or after 1 February 2010
- ⁹ Effective for annual periods beginning on or after 1 July 2010
- ¹⁰ Effective for annual periods beginning on or after 1 January 2011
- ¹¹ Effective for annual periods beginning on or after 1 January 2011 with respect to voluntary prepaid contributions
- ¹² Effective for annual periods beginning on or after 1 January 2013

4. BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

The Directors anticipate that all the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, IAS 1(Revised) *Presentation of Financial Statements* is expected to materially change the presentation of the Group's Combined Financial Statements. The amendments affect the presentation of changes in owner's equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, IFRS 8 *Operating Segments* may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in IFRS 8.

The Directors are in the process of assessing the impact of other new IFRS upon initial application. To date, the Directors have preliminarily concluded that the initial application of these IFRS are unlikely to have a significant impact on the Group's results and financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Merger accounting

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For such common control business combinations, the merger accounting principles are used.

The assets and liabilities of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. The combined income statements include the results of each of the combining entities or businesses from the date of incorporation/establishment or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(b) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to control its financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully combined from the date on which control is transferred to the Group. They are excluded from combination from the date that control ceases.

All significant intra-group transactions, balances, income and expenses, and unrealised gains on transactions have been eliminated on combination. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment

Property, plant and equipment, other than construction-in-progress ("CIP"), are stated at acquisition cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation on property, plant and equipment is provided on the straight line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold buildings	The shorter of the lease terms and 20 years
Plant and machinery	1-10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	5 years

The assets' estimated residual values, depreciation method, and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date.

The gain or loss arising on disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the combined income statement.

CIP, which represents buildings under construction, and plant and machinery pending installation, and is stated at cost less impairment losses, if any. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction-in-progress. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 cost, such as repairs and maintenance are charged to the combined income statement during the financial period in which they are incurred.

(d) Land use rights

Land use rights represent up-front payments to acquire long term leasehold interests in the usage of land. They are stated at cost less accumulated amortisation and impairment losses, if any. The up-front payments are amortised over the lease period on a straight-line basis and the amortisation is charged to the combined income statement.

(e) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using a weighted-average basis. In the case of work-in-progress and finished goods, cost comprises of direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(g) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and deposits pledged with banks.

(h) Financial assets

The Group classifies its financial assets as loans and receivables, cash and cash equivalents and pledged bank deposits.

Management determines the classification of its financial assets on initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Financial assets (Continued)

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, the impairment loss is determined and recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its costs.

Loss events in respect of a group of financial assets included observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If there is objective evidence exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in the combined income statement of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the combined income statement of the period in which the reversal occurs.

(i) Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, amount due to a related company and interest-bearing bank borrowings, which are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. They are included in balance sheet line items under current liabilities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial liabilities (Continued)

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the combined income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the combined income statement.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined income statement over the year 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.

Trade and bills payables, other payables and accruals, and amount due to a related company are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(j) Provision and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the combined income statement.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, 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, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Accounting for income taxes

Income tax comprises current and deferred tax. Income tax is recognised in the combined income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity. Current tax assets and liabilities for the current year and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the unused tax credits and the unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised if temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities in respect of taxable temporary differences associated with an investment in subsidiaries are not recognised where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Foreign currencies

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the group entity operates (i.e. the “functional currency”). The functional currency of the Company is RMB. The financial statements are presented in RMB, since the major subsidiary of the Group is operating in a RMB environment and its functional currency is RMB.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Foreign currencies (Continued)

In preparing the financial statements of individual group entity, transactions in currencies other than the individual entity's functional currency (i.e. foreign currency) are translated into the 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

(n) Borrowing costs

All borrowing costs are expensed as incurred.

(o) Revenue recognition

Revenue comprises the fair value for the sales of goods, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the customer, this is usually taken as the time when the goods are delivered and the customer has accepted the goods; and
- (ii) interest income, on a time-proportioned basis using the effective interest method.

(p) Retirement benefit costs

Pursuant to the relevant regulations of the PRC government, the subsidiary operating in the PRC participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiary of the Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund its retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the combined income statement as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(q) Research and development costs

All research costs are charged to the combined income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties

A party is considered to be related to the Group if:

- (i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operational decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The 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.

Critical accounting estimates and assumptions

(i) 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 selling products of similar nature. It could change significantly as a result of competitor's actions in response to severe industry cycles. Management reassesses the estimations at the balance sheet date.

(ii) Impairment of trade receivables

The Group's management assesses the collectibility of trade receivables on a regular basis. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision for impairment at the balance sheet date.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(iii) Estimated useful lives of property, plant and equipment

In assessing the estimated useful lives of the property, plant and equipment, the Group takes into account factors, such as the expected usage of the assets by the Group based on past experience, the expected physical wear and tear and technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of the useful lives is a matter of judgement based on the experience of the Group.

(iv) Income taxes

The Group is subject to income taxes in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax 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 provision in the period in which such determination is made.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold, less allowances for returns and trade discounts, for the Relevant Periods.

No separate analysis of segment information by business or geographical locations is presented as the Group's major business comprises the manufacture and sales of shoe soles. The Group's revenue, assets and capital expenditure are principally attributable to a single geographical region, which is the PRC.

An analysis of the Group's revenue, other income and gains is as follows:

	Year ended 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
<u>Revenue</u>			
Sale of goods	293,921	627,390	833,752
<u>Other income and gains</u>			
Interest income calculated using the effective interest method on financial assets not at fair value through profit or loss	70	759	310
Gains on disposal of scrap materials	145	287	139
Sundry income	—	—	1,760
	215	1,046	2,209

8. FINANCE COSTS

	Year ended 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Interest charges on financial liabilities carried at amortised cost:			
– Bank borrowings wholly repayable within five years	61	3,311	5,325

9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging the following items:

	Year ended 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Auditors' remuneration	20	112	157
Amortisation of land use rights (note 14)	1,639	1,639	1,639
Bad debts written off (note 16(ii))	—	—	102
Cost of inventories sold	150,265	305,800	388,556
Depreciation of property, plant and equipment (note 13)	19,837	25,954	29,222
Research and development costs (note (i))	6,609	14,494	13,529
Staff costs (including directors' remuneration) (note 25(iii))			
— Wages, salaries and other short-term benefits	48,244	92,186	122,090
— Defined contribution scheme	6,417	8,880	9,084
	54,661	101,066	131,174

Note:

- (i) These items are included in cost of sale on the face of the combined income statement.

10. INCOME TAX EXPENSE

The major components of income tax expense for the Relevant Periods are as follows:

	Year ended 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Current tax			
The PRC			
— Income tax (note (ii))	2,009	—	16,734
— Withholding tax (note (iv))	—	—	1,775
	<u>2,009</u>	<u>—</u>	<u>18,509</u>
Deferred tax (note 22)	—	3,500	(1,000)
	<u>2,009</u>	<u>3,500</u>	<u>17,509</u>

Notes:

- (i) No provision for Hong Kong income tax has been made as the Group had no assessable income arising from or derived in Hong Kong during the Relevant Periods.
- (ii) The PRC income tax is calculated based on the statutory income tax rate as determined in accordance with the relevant PRC income tax rules and regulations for the Relevant Periods. In accordance with the tax rules issued by State Tax Bureau and the Local Tax Bureau of the PRC, Qingmei China, established as a wholly foreign-owned enterprise ("WFOE") in the PRC, is exempted from the state and local corporate income tax for the first two profitable financial years, and thereafter is entitled to a 50% relief from the state corporate income tax and exempted from the local corporate tax of the PRC for the following three financial years (the "Tax Holiday").

Qingmei China had elected to apply for tax assessment on its profit for the calendar year ended 31 December 2006 as it operated for less than six months in 2006. Therefore, the calendar year ended 31 December 2007 was Qingmei China's first profit-making year and was the first year of its Tax Holiday year. Pursuant to the Income Tax Law of the PRC For Enterprises with Foreign Investment And Foreign Enterprises (effective as of 1 July 1991), Qingmei China is entitled to a preferential PRC foreign enterprise income tax rate of 27% of which 24% is attributable to the state government and 3% is attributable to the local government, applicable to companies located in the coastal economic areas.

According to a new Enterprise Income Tax Law of the PRC approved by the National People's Congress on 16 March 2007 (the "New EIT Law") as detailed in note (iii), Qingmei China would be subject to the reduced tax rate of 12.5% for the three calendar years from 31 December 2009 to 31 December 2011.

- (iii) On 16 March 2007, the National People's Congress approved the New EIT Law, which became effective on 1 January 2008. According to the New EIT Law, the income tax rate applicable to the Group's subsidiary in the PRC is unified at 25% starting from the tax year beginning 1 January 2008. Pursuant to the grandfathering arrangement under the new tax law, the Group's subsidiary will continue to enjoy the existing preferential tax treatment until the end of above mentioned Tax Holiday. Upon expiry of the Tax Holiday on 31 December 2011, a unified income tax rate of 25% is applicable to Qingmei China.

10. INCOME TAX EXPENSE (Continued)

Notes: (Continued)

- (iv) It represents the withholding tax imposed on 5% of dividends of approximately RMB35,500,000 received by HK Qingmei from Qingmei China for the year ended 30 June 2009.

A reconciliation of income tax expense and accounting profits at applicable tax rate is as follows:

	Year ended 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Profit before income tax	48,970	137,913	199,977
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	13,222	35,667	50,036
Non-deductible expenses	2,309	2,310	2,980
Effect of Tax Holiday of a subsidiary	(13,522)	(37,977)	(36,282)
Withholding tax on dividend received by a subsidiary	—	—	1,775
Withholding tax on undistributed earnings	—	3,500	775
Reversal of withholding tax on undistributed earnings	—	—	(1,775)
Income tax expense	2,009	3,500	17,509

11. DIVIDENDS

	Year ended 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Special interim dividends	—	90,000	33,250

Special interim dividends of approximately RMB90,000,000 and RMB33,250,000, represented dividends paid/payable by HK Qingmei and Qing Mei International to its then equity owner for the year ended 30 June 2008 and 2009 respectively. The rates of dividend and the number of shares ranking for dividends are not presented as such information are not meaningful.

Subsequent to 30 June 2009, Qing Mei International has declared a special interim dividends of approximately RMB50,000,000 to its then equity owner.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the combined profit attributable to the equity holders of the Company of approximately RMB46,961,000, RMB134,413,000 and RMB182,468,000 for the years ended 30 June 2007, 2008 and 2009 respectively, and the pre-placement share capital of the Company. The Company's pre-placement share capital of 480,000,000 shares are assumed to be in issued throughout the Relevant Periods.

Diluted earnings per share for the years ended 30 June 2007, 2008 and 2009 are not presented as there are no potential dilutive ordinary shares.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 July 2006						
At cost	—	—	—	—	28,000	28,000
Accumulated depreciation	—	—	—	—	—	—
Net book amount	—	—	—	—	28,000	28,000
Year ended 30 June 2007						
Opening net book amount	—	—	—	—	28,000	28,000
Additions	—	74,305	2,321	2,737	111,793	191,156
Transfers	139,793	—	—	—	(139,793)	—
Depreciation (note 9)	(4,718)	(14,181)	(522)	(416)	—	(19,837)
Closing net book amount	135,075	60,124	1,799	2,321	—	199,319
At 30 June 2007 and 1 July 2007						
At cost	139,793	74,305	2,321	2,737	—	219,156
Accumulated depreciation	(4,718)	(14,181)	(522)	(416)	—	(19,837)
Net book amount	135,075	60,124	1,799	2,321	—	199,319
Year ended 30 June 2008						
Opening net book amount	135,075	60,124	1,799	2,321	—	199,319
Additions	—	20,423	2,364	95	—	22,882
Depreciation (note 9)	(6,291)	(18,277)	(812)	(574)	—	(25,954)
Closing net book amount	128,784	62,270	3,351	1,842	—	196,247
At 30 June 2008 and 1 July 2008						
At cost	139,793	94,728	4,685	2,832	—	242,038
Accumulated depreciation	(11,009)	(32,458)	(1,334)	(990)	—	(45,791)
Net book amount	128,784	62,270	3,351	1,842	—	196,247
Year ended 30 June 2009						
Opening net book amount	128,784	62,270	3,351	1,842	—	196,247
Additions	—	17,453	—	1,421	2,504	21,378
Depreciation (note 9)	(6,291)	(21,496)	(887)	(548)	—	(29,222)
Closing net book amount	122,493	58,227	2,464	2,715	2,504	188,403
At 30 June 2009						
At cost	139,793	112,181	4,685	4,253	2,504	263,416
Accumulated depreciation	(17,300)	(53,954)	(2,221)	(1,538)	—	(75,013)
Net book amount	122,493	58,227	2,464	2,715	2,504	188,403

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Year ended 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Depreciation expense charged to:			
Cost of sales	17,160	22,244	25,420
Administrative expenses	2,593	3,598	3,708
Selling and distribution expenses	84	112	94
	<u>19,837</u>	<u>25,954</u>	<u>29,222</u>

- (a) The Group's leasehold buildings are erected on land held under term leases of 53 years in the PRC. As at 30 June 2009, the Group is still in the process of obtaining the building ownership certificates, and thus does not have the official gross floor area of the buildings and expiry date of tenure. These leasehold buildings are erected on land for which the Group was also in the process of obtaining the relevant land use rights certificates as at 30 June 2009. In this respect, the Group has proceeded to construct buildings prior to obtaining the relevant land use rights. The Group has also obtained confirmations from corresponding land resources bureau in Jinjiang, the PRC, stating that no further penalties, fines or other administrative sanctions would be imposed on this matter. As confirmed by the Group's legal advisors in the PRC, Jingtian & Gongcheng Attorneys At Law ("Jingtian & Gongcheng"), and in the opinion of the Directors, the Group has obtained the right to use these leasehold buildings. Subsequent to 30 June 2009, the Group has obtained the land use rights certificates on 2 September 2009, and building ownership certificates on 7 and 9 September 2009.
- (b) The construction-in-progress of approximately RMB 2,504,000 as at 30 June 2009, related to warehouse which was still under construction in the PRC.

14. LAND USE RIGHTS AND DEPOSITS PAID FOR LAND USE RIGHTS

(i) Land use rights

	RMB'000
Year ended 30 June 2007	
Opening net carrying amount	82,854
Amortisation charge (note 9)	<u>(1,639)</u>
Closing net carrying amount	<u>81,215</u>
At 30 June 2007 and 1 July 2007	
Gross carrying amount	82,991
Accumulated amortisation	<u>(1,776)</u>
Net carrying amount	<u>81,215</u>
Year ended 30 June 2008	
Opening net carrying amount	81,215
Amortisation charge (note 9)	<u>(1,639)</u>
Closing net carrying amount	<u>79,576</u>

14. LAND USE RIGHTS AND DEPOSITS PAID FOR LAND USE RIGHTS (Continued)

(i) Land use rights (Continued)

	RMB'000
At 30 June 2008 and 1 July 2008	
Gross carrying amount	82,991
Accumulated amortisation	(3,415)
Net carrying amount	79,576
Year ended 30 June 2009	
Opening net carrying amount	79,576
Amortisation charge (note 9)	(1,639)
Closing net carrying amount	77,937
At 30 June 2009	
Gross carrying amount	82,991
Accumulated amortisation	(5,054)
Net carrying amount	77,937

	Year ended 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Amortisation charged to:			
Cost of sales	820	983	983
Administrative expenses	819	656	656
	1,639	1,639	1,639

The Group's land use rights represented leasehold interests in land located in the PRC under term leases of 53 years.

As at 30 June 2009, the Group was in the process of obtaining necessary approval and land use rights certificates from Fujian provincial government. As confirmed by the Group's legal advisors in the PRC, Jingtian & Gongcheng and in the opinion of the Directors, the Group has obtained the right to use the land use rights for construction, and upon the payment of the land premium for the lands, the Group can obtain the land use rights certificates accordingly. On 2 September 2009, the Group has obtained the land use rights certificates.

(ii) Deposits paid for land use rights

In December 2008, the Group entered into agreements on the transfer of land use rights with various farmers in respect of acquisition of land use rights (the "Transfer Agreements"). Pursuant to the Transfer Agreements, the Group has made deposits of approximately RMB16,641,000 as acquisition cost (the "Acquisition Costs") as at 30 June 2009.

14. LAND USE RIGHTS AND DEPOSITS PAID FOR LAND USE RIGHTS (Continued)

(ii) Deposits paid for land use rights (Continued)

Mr. Su has on 10 November 2009 undertaken, *inter alia*, to that in the event that the Group is unable to obtain the aforesaid land use rights certificates successfully effected within 3 years from 10 November 2009 and the Group is unable to reclaim the Acquisition Costs, Mr. Su will fully indemnify the Group against the Acquisition Costs and any incidental costs which may arise in connection with the acquisition of the land use rights. In respect of the indemnities provided by Mr. Su to the Group, Mr. Su entered into a security deposit agreement on 18 December 2009 (the "Security Deposit Agreement") with a bank in the PRC and Qingmei China, pursuant to which Mr. Su agreed, *inter alia*, to maintain a fixed deposit balance of not less than RMB17,000,000 (the "Fixed Deposit Amount") in his bank account (the "Custody Account") for a maximum period of 3 years from the date of establishment of the Custody Account. Withdrawal of transfer of funds from the Custody Account will be refused by the bank if such withdrawal results in the balance to be less than the Fixed Deposit Amount, unless written consent is sought from all independent directors of the Company. The Company may, with the consent of all the directors of the Company, choose to terminate the Security Deposit Agreement at any time by notifying the bank of such intention.

15. INVENTORIES

	As at 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Raw materials	5,043	11,791	5,765
Work in progress	12,566	20,369	18,211
Finished goods	1,271	1,182	1,561
	<u>18,880</u>	<u>33,342</u>	<u>25,537</u>

During the years ended 30 June 2007, 2008 and 2009, there has been no inventory written off or allowance made for inventory obsolescence.

16. TRADE AND OTHER RECEIVABLES

	As at 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade receivables	91,561	130,297	185,028
Other receivables (note (iv))	—	—	5,820
	<u>91,561</u>	<u>130,297</u>	<u>190,848</u>

Notes:

- (i) Trade receivables generally have credit terms ranging from 60 days to 90 days and do not bear any effective interest rate. Credits are granted to the trade customers depending on the customers' relationship with the Group, its creditworthiness and settlement record.

In general, trade receivables that are aged below one year are not considered for impairment based on the management's historical experience and the Group would consider impairment provision only for trade receivables which are aged one year or above.

16. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (ii) At each balance sheet date, the Group's trade receivables are individually determined for impairment testing. The Group's trade receivables as at 30 June 2007, 2008 and 2009 are neither past due nor impaired and relate to a wide range of customers under review are of good credit quality. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly. As at 30 June 2009, the Group has determined trade receivables of approximately RMB102,000 (note 9) as irrecoverable and written off. There were no written-off of trade receivables for the years ended 30 June 2007 and 2008.
- (iii) The Group does not hold any collateral over the trade receivables as at 30 June 2007 and 2008. Trade receivables of approximately RMB16,675,000 are pledged for certain bank borrowings of the Group (note 21) as at 30 June 2009.
- (iv) The balance as at 30 June 2009 represented a cash advance to a third party, which was unsecured, interest-free and repayable on demand. The balance was fully settled in October 2009. The Group does not hold any collateral over the other receivables as at 30 June 2009.
- (v) The Directors considered the carrying amount of trade and other receivables to be approximately their fair values because these amounts have short maturity periods on their inception.

17. PLEDGED BANK DEPOSITS

The Group's bills payables amounting to approximately RMB16,000,000, RMB10,000,000 and RMB36,733,000 are secured by pledging of the Group's bank deposits of approximately RMB8,000,000 RMB5,000,000 and RMB12,733,000 as at 30 June 2007, 2008 and 2009 respectively. The effective interest rate per annum on the Group's pledged bank deposits range from 2.43% to 2.61%, 2.43% to 3.78% and 0.36% to 3.78% for the years ended 30 June 2007, 2008 and 2009 respectively.

The Directors consider the fair value of pledged bank deposits to be approximately their carrying amounts.

18. CASH AND CASH EQUIVALENTS

	As at 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Cash on hand	122	285	96
Bank balances	1,778	943	16,039
	<u>1,900</u>	<u>1,228</u>	<u>16,135</u>

Cash and cash equivalents are denominated in the following currencies:

	As at 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Cash at bank and in hand			
— RMB	1,895	1,223	16,122
— HK\$	5	5	13
	<u>1,900</u>	<u>1,228</u>	<u>16,135</u>

Cash deposited with banks bear interest at effective interest rates ranging from 0.01% to 1.00% per annum during the Relevant Periods.

18. CASH AND CASH EQUIVALENTS (Continued)

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Directors consider the carrying amounts of cash and cash equivalents to be approximately their fair value.

19. TRADE AND BILLS PAYABLES

	As at 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Trade payables (note (i))	46,049	63,778	69,943
Bills payables (note (ii))	16,000	10,000	36,733
	<u>62,049</u>	<u>73,778</u>	<u>106,676</u>

Notes:

- (i) Trade payables are non-interest bearing and are normally settled within a 60 to 90 days term.
- (ii) All bills payables of the Group are repayable within 6 months and are secured by pledged bank deposits set out in note 17. All bills payables of the Group as at 30 June 2007 and 2008 were guaranteed by certain related parties (note 25) and third parties, and some of the Group's bills payables of approximately RMB30,000,000 as at 30 June 2009 are guaranteed by a third party.
- (iii) The fair value of trade and bills payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the combined balance sheets to be reasonable approximation of their fair values.

20. OTHER PAYABLES AND ACCRUALS

	As at 30 June		
	2007 RMB'000	2008 RMB'000	2009 RMB'000
Other payables:			
— Land use rights cost payables	71,087	27,551	6,510
— Construction cost payables	58,174	30,174	—
— Value-added tax payables	4,169	4,603	10,895
— Various tax payables	513	1,015	2,025
— Others	7,447	10,062	13,742
	<u>141,390</u>	<u>73,405</u>	<u>33,172</u>
Dividend payables	—	60,000	—
Accruals	7,420	10,223	15,259
	<u>148,810</u>	<u>143,628</u>	<u>48,431</u>

21. INTEREST-BEARING BANK BORROWINGS

	As at 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Current and repayable within one year			
Bank loans, guaranteed (note (i))	12,000	61,000	48,000
Factoring loan financing, secured (note (ii))	—	—	14,000
	<u>12,000</u>	<u>61,000</u>	<u>62,000</u>

Notes:

- (i) The Group's interest-bearing bank borrowings are jointly guaranteed by certain related parties (note 25) and third parties.
The bank borrowings were arranged at fixed interest rates of 7.67% to 7.88%, 7.02% to 9.48% and 7.02% to 9.71% per annum during the years ended 30 June 2007, 2008 and 2009 respectively.
- (ii) Factoring loan financing as at 30 June 2009 is with recourse and bear fixed interest rate of 4.86% per annum. The factoring loan financing is secured by the Group's trade receivables of approximately RMB16,675,000 (note 16(iii)) and supported by corporate guarantees executed by a third party.
- (iii) The Directors consider the carrying amounts of the interest-bearing bank borrowings to be approximately their fair values.

22. DEFERRED TAX LIABILITIES

The following is the deferred tax recognised and movements thereon during the Relevant Periods:

	Withholding tax on undistributed earnings RMB'000
At 1 July 2006 and 30 June 2007	—
Charged to income statement during the year (note 10)	<u>3,500</u>
At 30 June 2008	3,500
Charged to income statement during the year	775
Credited to income statement during the year	<u>(1,775)</u>
Total deferred tax credit during the year (note 10)	<u>(1,000)</u>
At 30 June 2009	<u>2,500</u>

The Group has unrecognised deferred tax liabilities of approximately RMB7,481,000 in relation to withholding tax on undistributed earnings of a subsidiary as at 30 June 2009, due to the retention of the undistributed earnings by the subsidiary in the PRC determined by the Directors.

22. DEFERRED TAX LIABILITIES (Continued)

A reversal of deferred tax in respect of the withholding tax on undistributed earnings of RMB1,775,000 was made during the year ended 30 June 2009, following the dividends of approximately RMB35,500,000 were being paid/payable by Qingmei China to its immediate holding company, HK Qingmei.

23. SHARE CAPITAL

As disclosed in note 3 above, the Combined Financial Statements have been prepared under the merger accounting method and accordingly, financial statements of companies comprising the Group during the Relevant Periods were combined as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation of the relevant entity, whichever is a shorter period. Therefore, the share capital in the combined balance sheets as at 30 June 2007, 2008 and 2009 represented the issued share capital of Qing Mei International, which is deemed to have been in issued throughout the Relevant Periods presented.

24. RESERVES

Details of the movements on the Group's reserves are as set out in the combined statements of changes in equity:

(i) Capital reserves

The capital contribution made by Mr. Su, which is considered as perpetual, is recorded as a component of equity upon adoption of IAS 39. The capital contribution forms part of the net investment in the Group, of which settlement is neither planned nor likely in the foreseeable future.

The movement of capital reserve during the year ended 30 June 2009 represents the difference between the nominal value of the shares of Qing Mei International issued over and the nominal value of the shares of HK Qingmei issued as pursuant to the Reorganisation.

(ii) Statutory reserve

According to the relevant laws and regulations in the PRC, the subsidiary of the Group is required to transfer 10% of its profits after income tax and after off-setting the accumulated losses brought forward from prior years, as determined under the PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. These reserves may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities. The transfer to this reserve is made before distribution of a dividend to shareholder.

25. RELATED PARTY TRANSACTIONS

Other than the related party information disclosed elsewhere in these financial statements, the Group has the following related party transactions during the Relevant Periods:

(i) Significant related party transactions during the Relevant Periods

	Notes	Year ended 30 June		
		2007 RMB'000	2008 RMB'000	2009 RMB'000
Sales to a related company	(a)	2,805	1,482	—
Purchases of raw materials from a related company	(a)	624	—	—
Purchases of property, plant and equipment from a related company	(a)	31,595	—	—
Guarantees given by a related company in connection with bank borrowings and bills payables granted to the Group	(b)	—	58,000	48,000
Guarantees given by a shareholder and director of the Company, in connection with bank borrowings and bills payables granted to the Group	(c)	28,000	71,000	48,000
Guarantees given by an ex-director of certain subsidiaries of the Group, in connection with bank borrowings and bills payables granted to the Group	(d)	<u>28,000</u>	<u>13,000</u>	<u>3,000</u>

- (a) The sales and purchases were made to/from 福建省清美鞋材发展有限公司 (“清美鞋材”), a company which Mr. Su held 51% of the equity interest and acted as its executive director. The transactions were negotiated and carried out in the ordinary course of business and at terms agreed between the parties.
- (b) The Group's bank borrowings of approximately RMB48,000,000 were guaranteed by 清美鞋材, both as at 30 June 2008 and 2009. All bills payables of approximately RMB10,000,000 were guaranteed by 清美鞋材 as at 30 June 2008.
- (c) The Group's bank borrowings of approximately RMB12,000,000, RMB61,000,000 and RMB48,000,000 as at 30 June 2007, 2008 and 2009, respectively were guaranteed by Mr. Su. All bills payables of approximately RMB16,000,000 and RMB10,000,000 as at 30 June 2007 and 2008 respectively were guaranteed by Mr. Su.
- (d) The Group's bank borrowings of approximately RMB12,000,000, RMB13,000,000 and RMB3,000,000 were guaranteed by Ms. Yang Ai Zhi (“Ms. Yang”), an ex-director of HK Qingmei and Qingmei China, as at 30 June 2007, 2008 and 2009. All bills payables of approximately RMB16,000,000 were guaranteed by Ms. Yang as at 30 June 2007. A deed of trust was entered between Ms. Yang and Mr. Su, to acknowledge that the fully-paid shares of HK Qingmei was held by Ms. Yang in trust for the beneficiary, Mr. Su. Ms. Yang resigned as a director of HK Qingmei and Qingmei China on 13 August 2008 and 15 October 2008 respectively.

25. RELATED PARTY TRANSACTIONS (Continued)

(ii) Due to a related company

	As at 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
清美鞋材	77,241	15,586	—

The amount due to a related company was non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) Key management remuneration

Total staff costs include compensations to the key management personnel, the details of which are as follows:

	Year ended 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Directors			
Wages, salaries and other short-term benefits	728	932	978
Defined contribution scheme	5	6	6
	733	938	984
Other key management personnel			
Wages, salaries and other short-term benefits	226	295	536
Defined contribution scheme	7	8	12
	233	303	548

26. CAPITAL COMMITMENTS

At the balance sheet dates, the Group had the following capital commitments:

	As at 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
(i) Contracted, but not provided for, in respect of:			
— construction of leasehold buildings	—	—	504

- (ii) During the Relevant Periods, the Group had contracted advertising agreements with independent various broadcasting providers and advertising agents to promote the Group's products through television and other promotional channels. At the balance sheet dates, the Group had the following commitments:

	As at 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for, in respect of:			
— advertisement fees negotiated	2,425	2,460	2,460

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The board of directors meets periodically to analyse and formulate measures to manage and monitor the Group's exposure to market risk including principally changes in interest rates and currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's financial instruments mainly consisted of cash and cash equivalents, pledged bank deposits, trade and other receivables, trade and bills payables, other payables and accruals and amount due to a related company and interest-bearing bank borrowings. The most significant financial risks to which the Group is exposed are described below.

(i) Interest rate risk

The interest rates and terms of repayment of the Group's interest-bearing bank borrowings are disclosed in note 21. As the Group has no significant variable interest-bearing financial assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expenses.

The Directors are of the opinion that the Group's sensitivity to the change in interest rate is low.

(ii) Foreign currency risk

The Group mainly operates in the PRC. Most of the Group's transactions are carried out in RMB which is the functional currency of most of the group's entities. Exposures to currency exchange rates arise from the Group's cash and bank balances which are denominated in HK\$ as set out in note 18. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

By assessing foreign currency risk on cash and cash equivalents, the effect arising from the reasonable possible change of exchange rate until the next balance sheet as determined by the Group is not material to the Group's profit after tax for the year and retained profit at each of the balance sheet date, on the basis that all other variables remain constant.

(iii) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised in note (vi) below. The Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits, and cash and cash equivalents.

The credit risk on pledged bank deposits and cash and cash equivalents is limited because the counterparties are banks with high credit-ratings.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(iii) Credit risk (Continued)

The Group has no significant concentration of credit risk arising from its ordinary course of business due to its relatively large customer base. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group performs ongoing credit evaluation of its customers' financial position. Provision for impairment is based upon a review of the expected collectability of all receivables. None of the Group's financial assets are secured by collateral or other credit enhancements.

(iv) Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

(v) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents assessed as adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities as at the balance sheet dates, based on the contractual undiscounted payments, was as follows:

As at 30 June 2007					
	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	6 to 12 months
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	62,049	62,049	—	62,049	—
Other payables and accruals	148,810	148,810	—	148,810	—
Due to a related company	77,241	77,241	77,241	—	—
Interest-bearing bank borrowings	12,000	12,873	—	465	12,408
	<u>300,100</u>	<u>300,973</u>	<u>77,241</u>	<u>211,324</u>	<u>12,408</u>

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(v) Liquidity risk (Continued)

As at 30 June 2008					
	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	6 to 12 months
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	73,778	73,778	—	73,778	—
Other payables and accruals	143,628	143,628	—	143,628	—
Due to a related company	15,586	15,586	15,586	—	—
Interest-bearing bank borrowings	61,000	63,302	—	53,175	10,127
	<u>293,992</u>	<u>296,294</u>	<u>15,586</u>	<u>270,581</u>	<u>10,127</u>

As at 30 June 2009					
	Carrying amount	Total contractual undiscounted cash flow	On demand	Within 6 months	6 to 12 months
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	106,676	106,676	—	106,676	—
Other payables and accruals	48,431	48,431	—	48,431	—
Interest-bearing bank borrowings	62,000	63,846	—	63,846	—
	<u>217,107</u>	<u>218,953</u>	<u>—</u>	<u>218,953</u>	<u>—</u>

(vi) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 30 June 2007, 2008 and 2009 were categorised as follows. See notes 5(h) and 5(i) for explanations about how the categorisation of financial instruments affects their subsequent measurement.

	As at 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
<u>Financial assets</u>			
Current Assets			
Cash and cash equivalents	1,900	1,228	16,135
Pledged bank deposits	8,000	5,000	12,733
Loans and receivables			
— Trade and other receivables	91,561	130,297	190,848
	<u>101,461</u>	<u>136,525</u>	<u>219,716</u>

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(vi) Summary of financial assets and liabilities by category (Continued)

	As at 30 June		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
<u>Financial liabilities</u>			
Current liabilities			
Financial liabilities measured at amortised cost			
— Trade and bills payables	62,049	73,778	106,676
— Other payables and accruals	148,810	143,628	48,431
— Due to a related company	77,241	15,586	—
— Interest-bearing bank borrowings	12,000	61,000	62,000
	<u>300,100</u>	<u>293,992</u>	<u>217,107</u>

28. CAPITAL MANAGEMENT

The Group's capital management objectives are:

- (i) To ensure the Group's ability to continue as a going concern;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 30 June 2007, 2008 and 2009 amounted to approximately RMB100,855,000, RMB148,283,000 and RMB297,560,000 respectively, which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

29. SUBSEQUENT EVENTS

Except for events disclosed elsewhere in these financial statements, the following significant events have taken place subsequent to 30 June 2009 and up to the date of this report:

Subsequent to 30 June 2009, Qing Mei International has declared a special interim dividends of approximately RMB50,000,000 to its then equity owner.

Save as aforesaid, no other significant event took place subsequent to 30 June 2009 and up to the date of these financial statements.

**REPORT FROM THE INDEPENDENT JOINT REPORTING ACCOUNTANTS ON
THE UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION OF THE
GROUP FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

8 March 2010

The Board of Directors
Qingmei Group Holdings Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Dear Sirs,

We report on the unaudited pro forma combined financial information of Qingmei Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) as set out in Appendix B on pages B-3 to B-9 of the prospectus dated 8 March 2010 (the “Prospectus”).

The unaudited pro forma combined financial information which has been prepared, for illustrative purposes only and based on certain assumptions set out on pages B-8 to B-9 and after making certain adjustments to show what:—

- (i) the financial results of the Group for the financial year ended 30 June 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred on 1 July 2008;
- (ii) the financial position of the Group as at 30 June 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred on 30 June 2009; and
- (iii) the cash flows of the Group for the financial year ended 30 June 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred on 1 July 2008.

The unaudited pro forma combined financial information because of their nature, may not give a true picture of the Group’s actual financial position, results or cash flows.

The unaudited pro forma combined financial information, including determination of the adjustments, is the responsibility of the directors of the Company. Our responsibility is to express an opinion on the unaudited pro forma combined financial information based on our work.

We carried out our procedures in accordance with Singapore Statement of Auditing Practice — SAP 24: “Auditors and Public Offering Documents”. Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the unaudited pro forma combined financial information to the combined financial statements of the Group for the financial year ended 30 June 2009 (or where information is not available in the combined financial statements, to accounting records), considering the evidence supporting the adjustments and discussing the unaudited pro forma combined financial information with the directors of the Company.

In our opinion:—

- (a) the unaudited pro forma combined financial information has been properly prepared:
 - (i) in a manner consistent with both the format of the combined financial statements for the financial year ended 30 June 2009 and the accounting policies of the Group, which are in accordance with International Financial Reporting Standards; and
 - (ii) on the basis set out in Note 2 “Basis of Preparation”; and
- (b) each material pro forma adjustment made to the combined financial statements for the financial year ended 30 June 2009 used in the preparation of the unaudited pro forma combined financial information is appropriate for the purpose of preparing such financial information.

This report has been prepared for inclusion in the Prospectus of the Company in connection with the initial public offering of the shares of the Company.

Yours faithfully

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Certified Public Accountants
Singapore
Partner-in-charge: Tei Tong Huat

Grant Thornton
Certified Public Accountants
Hong Kong
Partner-in-charge: Lo Ngai Hang

UNAUDITED PRO FORMA COMBINED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

The unaudited pro forma combined income statement of the Group for the financial year ended 30 June 2009, and the pro forma adjustments made, are set out below.

	Audited Combined Income Statement RMB'000	Notes	Pro forma adjustments RMB'000	Unaudited Pro forma Combined Income Statement RMB'000
Revenue	833,752			833,752
Cost of sales	(597,594)			(597,594)
Gross profit	236,158			236,158
Other income and gains	2,209			2,209
Selling and distribution expenses	(11,891)			(11,891)
Administrative expenses	(21,072)			(21,072)
Finance costs	(5,325)			(5,325)
Other expenses	(102)			(102)
Profit before income tax	199,977			199,977
		1(ii)	(2,500)	
Income tax expense	(17,509)	1(iii)	2,500	(17,509)
Profit for the year	182,468			182,468
Dividends	33,250	1(i)	50,000	83,250
Earnings per share — basic (RMB cents)#	38.0			38.0

Notes:

1. The following pro forma adjustments were made in respect of the declaration and payment of dividends as set out in Note 3(a) of Note 3 "Significant Events":
 - (i) To illustrate the declaration and payment of dividends of approximately RMB50,000,000 by Qing Mei International Investment Limited ("Qing Mei International") to its then shareholder, Mr. Su Qing Yuan ("Mr. Su");
 - (ii) To illustrate the recognition of withholding tax expense of approximately RMB2,500,000 on the dividends of approximately RMB50,000,000 declared and paid by Qingmei (China) Co., Ltd ("Qingmei China") to its immediate holding company, HK Qingmei Trading Group Develop Limited ("HK Qingmei") as if occurred on 1 July 2008; and
 - (iii) To illustrate the reversal of deferred tax in respect of withholding tax on undistributed earnings of approximately RMB2,500,000 on the dividends of approximately RMB50,000,000 declared and paid by Qingmei China as if occurred on 1 July 2008.
- # These pro forma earnings per share were computed based on the pro forma profit attributable to equity holders and the pre-invitation number of shares of 480,000,000 shares.

The annexed notes form an integral part of and should be read in conjunction with these financial information.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET AS AT 30 JUNE 2009

The unaudited pro forma combined balance sheet of the Group as at 30 June 2009, and the pro forma adjustments made, are set out below.

	Audited Combined Balance Sheet RMB'000	Notes	Pro forma adjustments RMB'000	Unaudited Pro forma Combined Balance Sheet RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	188,403			188,403
Land use rights	77,937			77,937
Deposits paid for land use rights	16,641			16,641
	<u>282,981</u>			<u>282,981</u>
Current assets				
Inventories	25,537			25,537
Trade and other receivables	190,848			190,848
Prepayments	135			135
Pledged bank deposits	12,733			12,733
Cash and cash equivalents	16,135	1(i)	(50,000)	63,378
		1(ii)	(2,500)	
		2	99,743	
	<u>245,388</u>			<u>292,631</u>
Current liabilities				
Trade and bills payables	106,676			106,676
Other payables and accruals	48,431			48,431
Interest-bearing bank borrowings	62,000			62,000
Current income tax liabilities	11,202			11,202
	<u>228,309</u>			<u>228,309</u>
Net current assets	<u>17,079</u>			<u>64,322</u>
Total assets less current liabilities	<u>300,060</u>			<u>347,303</u>
Non-current liabilities				
Deferred tax liabilities	2,500	1(iii)	(2,500)	—
Net assets	<u>297,560</u>			<u>347,303</u>
EQUITY				
Share capital	68	2	99,743	99,811
Reserves	297,492	1(i)	(50,000)	247,492
Total equity	<u>297,560</u>			<u>347,303</u>

UNAUDITED PRO FORMA COMBINED BALANCE SHEET AS AT 30 JUNE 2009 (Continued)

Notes:

1. The following pro forma adjustments were made in respect of the declaration and payment of dividends as set out in Note 3(a) of Note 3 “Significant Events”:
 - (i) To illustrate the declaration and payment of dividends of approximately RMB50,000,000 by Qing Mei International to its then shareholder, Mr. Su;
 - (ii) To illustrate the payment of withholding tax of approximately RMB2,500,000 on the dividends of approximately RMB50,000,000 declared and paid by Qingmei China to HK Qingmei as if occurred on 1 July 2008; and
 - (iii) To illustrate the reversal of deferred tax in respect of withholding tax on undistributed earnings of approximately RMB2,500,000 on the dividends of approximately RMB50,000,000 declared and paid by Qingmei China as if occurred on 1 July 2008.
2. To illustrate the receipts of proceeds from issue of new ordinary shares by Qing Mei International as set out in Note 3(b) of Note 3 “Significant Events”.

The annexed notes form an integral part of and should be read in conjunction with these financial information.

UNAUDITED PRO FORMA COMBINED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

The unaudited pro forma combined cash flow statement of the Group for the financial year ended 30 June 2009, and the pro forma adjustments made, are set out below.

	Audited Combined Cash Flow Statement RMB'000	Notes	Pro forma adjustments RMB'000	Unaudited Pro forma Combined Cash Flow Statement RMB'000
Cash flows from operating activities				
Profit before income tax	199,977			199,977
Adjustments for:				
Interest income	(310)			(310)
Interest expense	5,325			5,325
Depreciation of property, plant and equipment	29,222			29,222
Bad debts written off	102			102
Amortisation of land use rights	1,639			1,639
Operating profits before working capital changes	235,955			235,955
Increase in trade and other receivables	(60,653)			(60,653)
Increase in prepayments	(50)			(50)
Decrease in inventories	7,805			7,805
Increase in trade and bills payables	32,898			32,898
Increase in other payables and accruals	17,777			17,777
Decrease in amount due to a related company	(15,586)			(15,586)
Cash generated from operations	218,146			218,146
Income tax paid	(7,307)	1(ii)	(2,500)	(9,807)
<i>Net cash generated from operating activities</i>	210,839			208,339
Cash flows from investing activities				
Interest received	310			310
Increase in pledged bank deposits	(7,733)			(7,733)
Deposits paid for land use rights	(16,641)			(16,641)
Payment for purchases of land use rights	(21,041)			(21,041)
Payment for purchases of property, plant and equipment	(53,311)			(53,311)
<i>Net cash used in investing activities</i>	(98,416)			(98,416)
Cash flows from financing activities				
Bank borrowings	74,000			74,000
Capital contribution from a shareholder	57	2	99,743	99,800
Repayment of bank borrowings	(73,000)			(73,000)
Dividends paid	(93,250)	1(i)	(50,000)	(143,250)
Interest paid	(5,325)			(5,325)
<i>Net cash used in financing activities</i>	(97,518)			(47,775)
Net increase in cash and cash equivalents	14,905			62,148
Effect on foreign exchange rate changes	2			2
Cash and cash equivalents at beginning of year	1,228			1,228
Cash and cash equivalents at end of year	16,135			63,378

UNAUDITED PRO FORMA COMBINED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009 (Continued)

Notes:

1. The following pro forma adjustments were made in respect of the declaration and payment of dividends as set out in Note 3(a) of Note 3 "Significant Events":
 - (i) To illustrate the dividend payment of approximately RMB50,000,000 by Qing Mei International to its then shareholder, Mr. Su; and
 - (ii) To illustrate the payment of withholding tax of approximately RMB2,500,000 on the dividends of approximately RMB50,000,000 declared and paid by Qingmei China to HK Qingmei as if occurred on 1 July 2008.
2. To illustrate the receipts of proceeds from issue of new ordinary shares by Qing Mei International as set out in Note 3(b) of Note 3 "Significant Events".

The annexed notes form an integral part of and should be read in conjunction with these financial information.

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. INTRODUCTION

The unaudited pro forma combined financial information for the financial year ended 30 June 2009 has been prepared for inclusion in the Prospectus in connection with the initial public offering of the shares of Qingmei Group Holdings Limited (the “Company”).

The unaudited pro forma combined financial information of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 30 June 2009 is expressed in Renminbi (“RMB”), being the reporting currency of the Company, and has been prepared in accordance with the historical cost convention.

2. BASIS OF PREPARATION

- (a) The unaudited pro forma combined income statement has been prepared to illustrate what the financial results of the Group for the financial year ended 30 June 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred on 1 July 2008.
- (b) The unaudited pro forma combined balance sheet has been prepared to illustrate what the financial position of the Group as at 30 June 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred on 30 June 2009.
- (c) The unaudited pro forma combined cash flow statement has been prepared to illustrate what the cash flows of the Group for the financial year ended 30 June 2009 would have been if the completion of the Significant Events as stated in Note 3 had occurred on 1 July 2008.
- (d) The unaudited pro forma combined financial information has been prepared based on the audited combined financial statements of the Group for the financial year ended 30 June 2009, after giving effect to the pro forma adjustments that are considered appropriate as set out in the unaudited pro forma combined balance sheet, unaudited pro forma combined income statement and unaudited pro forma combined cash flow statement.
- (e) The unaudited pro forma combined financial information has been prepared based on the reorganisation as disclosed in Note 3 to the audited combined financial statements of the Group for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 as set out in Appendix A of this Prospectus.
- (f) The unaudited pro forma combined financial information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the actual financial position, results and cash flows of the Group.
- (g) The unaudited pro forma combined financial information has been prepared in accordance with the accounting policies of the Company, as set out in the audited combined financial statements of the Group for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 as set out in Appendix A of this Prospectus.
- (h) Pursuant to Section 23 of Part IX of the Fifth Schedule of the Securities and Futures Regulations, the unaudited pro forma combined financial information for the financial year ended 30 June 2009 were based on the audited combined financial statements of the Company and its subsidiaries, which are prepared in accordance with International Financial Reporting Standards. The audited combined financial statements for the financial year ended 30 June 2009 were audited in accordance with International Standards on Auditing and were not subject to any qualifications.

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION (Continued)

3. SIGNIFICANT EVENTS

Except for the following changes in capital structure by the Group, the directors of the Company, as at the date of this report, are not aware of any other significant acquisition/disposal of assets, entity or business by the Group after 30 June 2009 and significant changes to the capital structure of the Group after 30 June 2009 (hereinafter collectively referred to as the “Significant Events”) during the period between the beginning of the most recent completed financial year and the date of registration of the Prospectus to the Monetary Authority of Singapore.

(a) Special interim dividends declared and paid

On 29 September 2009, both the directors of Qingmei China and Qing Mei International declared special interim dividends of RMB50,000,000 relating to the financial year ended 30 June 2009.

Pro forma adjustments are raised to recognise the pro forma effect of the payment of the special interim dividends of RMB50,000,000 by Qingmei China to HK Qingmei and Qing Mei International to its then shareholder, Mr. Su.

(b) Subscription of new shares in Qing Mei International

On 24 August 2009, Super Riches Limited (“Super Riches”) entered into a subscription agreement (the “Subscription Agreement”). Under the Subscription Agreement, Super Riches would subscribe for an additional 10,000 ordinary shares of Qing Mei International for a consideration of US\$14,644,000.

On 15 October 2009, Qing Mei International allotted and issued 10,000 ordinary shares, credited as fully paid, to Super Riches for the consideration of US\$14,644,000.

Pro forma adjustments are raised to recognised the pro forma effect of the receipt of proceeds from issue of new ordinary shares by Qing Mei International.

As the receipt of proceeds from issue of new ordinary shares has no impact on the combined income statement, no unaudited pro forma income statement has been prepared for the financial year ended 30 June 2009.

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SUMMARY OF THE MEMORANDUM OF ASSOCIATION AND SELECTED ARTICLES OF OUR COMPANY

This appendix provides information about certain provisions of our Memorandum of Association and Articles and certain aspects of Cayman Islands company law. The description below is only a summary and is qualified in its entirety by reference to our Memorandum of Association and Articles and the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Companies Law").

1. Registration number and Memorandum of Association

The registration number with which the Company was incorporated is CT-230192.

Our Memorandum of Association states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that our Company is an exempted company as defined in the Cayman Companies Law. Paragraph 3 of the Memorandum of Association states that the objects for which our Company is formed are unrestricted, including acting as an investment holding company. Its powers are set out in paragraph 4, which provides that our 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 by section 27(2) of the Cayman Companies Law.

2. Directors

(a) *Ability of interested directors to vote (Articles 101 and 102)*

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 considered, 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 on any resolution of the Board in respect of any contract or arrangement or proposed contract or arrangement in which he has directly or indirectly a personal material interest. However, the interested Director need not be excluded from being counted in the quorum for the meeting at which such contract or arrangement or proposed contract or arrangement is considered. Pursuant to the Articles, matters in which a Director will not be considered to have a personal material interest include the following:

- (a) any contract or arrangement for the giving to such Director any security or indemnity in respect of money lent by him or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) 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 has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement in which he is interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company;

- (d) any contract or arrangement concerning any other company in which he is interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules or regulations, where applicable, of the SGX-ST) is beneficially interested in (other than through his interest (if any) in the Company) five per cent. (5%) or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest is derived); or
- (e) any proposal 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 and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

A Director, whose remuneration (including pension or other benefits) for himself is the subject of a resolution tabled at a meeting of the Board, shall not be entitled to vote on the resolution as he shall be taken to have a personal material interest in the matter. Other Directors of the Company will not be prohibited by the Articles from voting on that resolution so long as they do not have any direct or indirect personal material interest in the subject matter of the said resolution.

(b) *Remuneration (Articles 90, 95, 97(1) and 98)*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting, and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

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 provided for by or pursuant to any other Article. A 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, 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 determine, and either in addition to or in lieu of his remuneration as a Director, but he shall not in any circumstances be remunerated by a commission on or a percentage of turnover.

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.

(c) *Borrowing powers (Article 109)*

The Board may exercise all the powers of the Company to raise or borrow money and 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 Cayman Companies Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

These powers conferred on the Board may be varied by amending the relevant Articles of the Company.

(d) *Retirement age limit*

There are no provisions relating to retirement of Directors upon reaching any age limit.

(e) *Shareholding qualification (Article 85(3))*

Neither a Director nor an alternate Director is required to hold any shares of the Company by way of qualification.

3. Share rights and restrictions

The Company currently has only one class of shares, namely ordinary shares.

(a) *Dividends and distribution (Articles 136, 137, 138, 140 and 143)*

Subject to the Cayman Companies Law, the Company in general meeting may from time to time 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. 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 the share premium account or any other fund or account which may be authorised for this purpose in accordance with the Cayman Companies Law, provided that 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 shall be able to pay its debts as they fall due in the ordinary course of business.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to a member by the Company on 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.

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. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company.

(b) *Voting rights (Articles 65 and 77(1))*

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 (i) on a show of hands every member present in person (or being a corporation, is present by a representative duly authorised under Article 83) or by proxy shall have one vote and the chairman of the meeting shall determine which proxy shall be entitled to vote where a member (other than CDP) is represented by two proxies, and (ii) 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 or which he represents and in respect of which all calls due to the Company have been paid, 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. If the member is CDP, CDP may appoint more than two proxies to attend and vote at the same general meeting and each proxy shall be entitled to exercise the same powers on behalf of CDP as CDP could exercise, including the right to vote individually on a show of hands.

The Articles do not provide for cumulative voting in relation to election or re-election of Directors.

(c) *Share in profits*

Holders of shares shall be entitled to share in the Company's profits by way of dividends declared or distribution approved by the Company in general meeting in accordance with the Cayman Companies Law.

(d) *Share in surplus upon liquidation (Article 163)*

Shareholders are entitled to the surplus assets of the Company in the event that it is wound up. 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 Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property 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 the members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(e) *Redemption provisions*

The shares do not have redemption rights.

(f) *Sinking fund*

The Articles do not contain sinking fund provisions.

(g) *Calls on shares (Articles 25, 26, 28 and 33)*

Subject to the Articles and to the terms of allotment, the Board may from time to time make calls upon the members in respect of any monies unpaid on their shares (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 a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion 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, and 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 (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide.

The Memorandum of Association states that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them.

(h) *Discriminatory provisions against substantial shareholder (Article 167)*

The Articles do not contain any provision discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares save that for so long as the shares of the Company are listed on the Designated Stock Exchange (which includes the SGX-ST), substantial shareholders (having the meaning ascribed to it in the Singapore Companies Act) have to disclose particulars of their interest in the Company and of any change in the percentage level of such interest. Such requirement to disclose does not apply to CDP.

(i) *Transfer of shares (Articles 19 and 46 to 51)*

A shareholder may transfer all or any of his shares by an instrument of transfer in the form acceptable to the Board provided always that the Company shall accept for registration an instrument of transfer in a form approved by the Designated Stock Exchange (as defined in the Articles to include the SGX-ST). The instrument of transfer of any Share shall be executed by or on behalf of both the transferor and the transferee and be witnessed, except that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository, and provided further that when a corporation executes an instrument of transfer under seal, the affixation and attestation of the corporation's seal may be accepted as compliance with the requirements of the Articles.

Save as provided in the Articles, there shall be no restriction on the transfer of fully paid up shares (except where required by law, or the rules or regulations of the Designated Stock Exchange).

The Articles provide that no transfer shall be made to an infant or to a person of unsound mind or under other legal disability. Further, under the Articles, the Board may decline to recognise any instrument of transfer unless: (a) a fee of such sum (not exceeding S\$2.00 or such other maximum sum as the Designated Stock Exchange may determine to be payable) as the Board may from time to time require is paid to the Company in respect thereof; (b) the instrument of transfer is in respect of only one class of share; (c) the instrument of transfer is presented to the Company together with 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); and (d) if applicable, the instrument of transfer is duly and properly stamped.

If the Board refuses to register a transfer of any share, it shall, within one (1) month after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.

The registration of transfers of shares or of any class of shares may, after notice has been given in accordance with the applicable requirements of the Designated Stock Exchange, be suspended at such times and for such periods as the Board may determine.

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 Register of Members of the Company to any branch register or any share on any branch register to the Register of Members of the Company or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.

Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register of Members of the Company shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register of Members of the Company or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the Register of Members of the Company, at the registered office of the Company or such other place at which the Register of Members is kept in accordance with the Cayman Companies Law.

Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and a new certificate shall be issued to the transferee in respect of the shares transferred to him. Where a shareholder transfers part only of the shares comprised in a certificate, the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such Member shall pay all or any part of the stamp duty payable (if any) on each share certificate prior to the delivery thereof which the Board in its absolute discretion may require and such fee as is provided in the Articles.

4. Variation of rights of existing shares or classes of shares (Article 10)

The special rights attached to any class of shares may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting and all adjournments thereof all the provisions of the Articles relating to general meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum (other than at an adjourned meeting) shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class and at any adjourned meeting of such holders, two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.

The Cayman Companies Law does not contain provisions determining the action necessary to change the rights of holders of shares, and thus the Articles impose more significant conditions than the Companies Law in this regard.

5. General meetings (Articles 2, 55, 56, 57, 58, 75 and 79)

Under the Cayman Companies Law, there is no distinction between annual general meetings and other general meetings. Under the Articles, the Company may in each year hold a general meeting as its annual general meeting and the Directors may, whenever they think fit, convene an extraordinary general meeting.

Article 2 defines an ordinary resolution as one passed by a simple majority of votes cast by members at general meetings, and a special resolution as a resolution requiring a 75 per cent. (75%) majority vote of members at general meetings of which (pursuant to Article 58) not less than 21 days' notice shall be given.

All registered shareholders of the Company are entitled to attend general meetings of the Company (provided that all calls or other sums presently payable by such shareholders in respect of shares in the Company have been paid). The Cayman Companies Law does not contain provisions as to any documentary evidence to be produced by proxies and corporate representatives. However, such provisions may be contained in the Articles. Where, for example, it is stated that the instrument of proxy must be deposited a specified number of hours before the meeting (see Article 79), an instrument of proxy deposited after that time cannot be accepted.

Corporate representatives are different from proxies and unless specifically required by the Articles, a letter of appointment does not need to be lodged before the meeting. There are currently no such provisions in the Articles.

6. No limitation on non-Caymanian shareholders

There are no limitations, either under Cayman Islands law or the Articles, on the rights of owners of the Company's shares to hold or vote their shares solely by reason that they are non-Caymanians.

7. Shareholding disclosure requirement (Article 167)

The Cayman Companies Law does not require disclosure of shareholder ownership beyond a certain threshold. However, Article 167 contains provisions to the effect that for so long as the shares of the Company are listed on the Designated Stock Exchange (which includes the SGX-ST), Directors and substantial shareholders (having the meaning ascribed to it in the Singapore Companies Act) of the Company will have to disclose particulars of their interest in the Company and any change in the percentage level of such interest. Article 167 does not apply to CDP.

8. Changes in capital (Articles 4 and 6)

Under the Cayman Companies Law, certain changes in the capital of a company such as an increase, consolidation or sub-division are permitted if authorised by its articles of association. Article 4 provides that an ordinary resolution is required for an increase to, or consolidation or sub-division of, the Company's share capital. With regard to a reduction of share capital, Article 6, following the requirement of the Cayman Companies Law, requires a special resolution to be passed.

9. Applicability of the Singapore Take-over and Merger Laws and Regulations (Article 167(4))

Sections 138, 139 and 140 of the SFA and the Singapore Code on Take-overs and Mergers including any amendment, modification, revision, variation or re-enactment thereof, will apply to all takeover offers for shares of the Company for as long as the shares of the Company are listed on the SGX-ST.

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SUMMARY OF CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 August 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Cayman Companies Law”). Set out below is a summary of certain provisions of 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 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 Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares must be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration for the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman 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 Cayman 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 shall be able to pay its debts as they fall due in the ordinary course of business.

The Cayman 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 of association, by special resolution reduce its share capital in any way.

(c) Membership

Under the Cayman Companies Law, only those persons who agree to become members of a Cayman Islands company and whose names are entered on the register of members of such a company are considered members. A Cayman Islands company is also not bound to see to the execution of any trust, whether express, implied or constructive, to which any of its shares are subject and whether or not the company had notice of such trust. Accordingly, persons holding shares through a trustee, nominee or depository will not be recognised as members of a Cayman Islands company under Cayman Islands law and may only have the benefit of rights attaching to the shares or remedies conferred by law on members through or with the assistance of the trustee, nominee or depository.

(d) Financial assistance to purchase shares of a company or its holding company

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.

(e) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Cayman 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 of association, 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 of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of 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 out of capital 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 of association 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.

(f) Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there is no statutory provision relating to the payment of dividends. Based upon English case law, which is regarded as persuasive authority in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph (b) above for further details).

(g) Protection of minorities

The court would ordinarily be expected to follow 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 a company's memorandum and articles of association.

The Cayman Companies Law provides that the court may, upon application of members holding not less than twenty per cent of the issued shares of a Cayman Islands company, appoint one or more inspectors to investigate the affairs of the company and to report thereon in such manner as the court may direct. The inspectors must on the completion of their investigation report to the court. Such report is not, unless the court so directs, opened to public inspection. A company also may, by special resolution, appoint inspectors for the purpose of examining into the affairs of the company. Inspectors appointed by a company's special resolution will have the same powers and perform the same duties as inspectors appointed by the court, except that instead of making their report to the court they will report in such manner and to such persons as the company by resolution of its members directs.

(h) Management

The Cayman Companies Law contains no specific restriction on the powers 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 act 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.

The Cayman Companies Law contains no specific provision in respect of the establishment or composition of audit committees or similar committees of the board of directors of a company.

(i) Accounting and auditing requirements

A company must 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.

(j) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(k) 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-Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or 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 the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 September 2009.

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 for 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.

(l) 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.

(m) Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(n) Inspection of corporate records

Members of a company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of a company. They will, however, have such rights as may be set out in the company's articles of association.

An exempted company may, subject to the provisions of its articles of association, 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 Cayman 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.

(o) Winding up

A company may be wound up (a) compulsorily by order of the court, (b) voluntarily, or (c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the court, or where the company is unable to pay its debts, or where it is, in the opinion of the court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be

wound up, the court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution or when the members so resolve in general meeting by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association provide 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 (except so far as it may be beneficial for its winding up) 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 therein, 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 must declare whether any act 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. Within 28 days of the date upon which the winding up order is made, the official liquidator must summon a meeting of the company's creditors or contributories, as may be relevant (depending on whether the winding up order was made on grounds of insolvency or otherwise), for the purpose of resolving any other matters which the liquidator puts before the meeting. 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. Within 28 days of the commencement of a voluntary winding up, the liquidator or, in the absence of any liquidator, the directors must, amongst others, file notice of the winding up, the liquidator's consent to act and the director's declaration of solvency with the Registrar of Companies, and publish notice of the winding up in the Gazette. A director or liquidator who fails to comply with these requirements commits an offence and is liable to a fine of CI\$10,000.

Where a company is being wound up voluntarily, its liquidator must apply to the court for an order that the liquidation continue under the supervision of the court unless the directors have signed the declaration of solvency referred to above. The signing of the declaration of solvency in the prescribed form means that a full enquiry into the company's affairs has been made and that to the best of the directors' knowledge and belief the company will be able to pay its debts in full together with interest at the prescribed rate, within such period, not exceeding 12 months from the commencement of the winding up, as may be specified in the declaration. A person who knowingly makes a declaration without having reasonable grounds for the opinion that the company will be able to pay its debts in full, together with interest at the prescribed rate, within the period specified commits an offence and is liable on summary conviction to a fine of CI\$10,000 or to imprisonment for a term of 2 years, or both.

When a resolution has been passed by the members to have a company wound up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, notwithstanding that the declaration of solvency has been made, on the grounds that the company is likely to become insolvent or the

supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. When making a supervision order, the court will appoint one or more qualified insolvency practitioners and may, in addition, appoint one or more foreign practitioners as liquidator or liquidators of the company.

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 and realise the assets of the company (including the amount (if any) due from the contributories (shareholders)), 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. It is also the function of the liquidator to report upon the affairs of the company and the manner in which it has been wound up.

If a voluntary winding up continues for more than a year, the liquidator must summon a general meeting of the company at the end of the first year and of each succeeding year from the commencement of the winding up within three months of each anniversary of the commencement of the liquidation, and must lay before such meeting a report and an account of his acts and the conduct of the winding up during the preceding year. A liquidator who fails to comply with these requirements commits an offence and is liable on conviction to a fine of CI\$10,000.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and 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 must be called by notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

Any person who is or was a director, officer, manager, professional service provider, voluntary liquidator or controller of a company which is to be wound up and who has prior to or in the course of the winding up acted in an improper manner with intent to defraud the company's creditors and contributories, may be liable for an offence and on conviction, may be liable to a fine, an imprisonment or both.

(p) Reconstructions, mergers and consolidations

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (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 court. 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 court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

In addition, the Cayman Companies Law provides a mechanism for mergers and consolidations between Cayman Islands companies as well as between Cayman Islands companies and foreign companies. A written plan of merger or consolidation has to be authorised by each constituent company by a shareholders' resolution approved by majority in number representing 75% in value of the shareholders voting together as one class.

(q) 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 ninety per cent. (90%) in value of the shares which are the subject of the offer accept the offer, 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 within one month of the date 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.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association 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).

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SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

Environmental Protection Regulations

In accordance with the Environmental Protection Law of the PRC adopted by the Standing Committee of the National People's Congress on 26th 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 licenses 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.

Mergers & Acquisition Rule

On 8 August 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission (中国证券监督管理委员会) ("CSRC") promulgated a new regulation with respect to mergers and acquisitions of domestic enterprises by foreign investors ("the "M&A Regulations"). The M&A Regulations became effective on 8 September 2006. Article 40 of the M&A Regulations ("Article 40") requires that an offshore special purpose vehicle ("SPV") formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, such as the Company, to obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange. On 21 September 2006, the CSRC published on its official website procedures specifying documents and materials required to be submitted to it by SPVs seeking CSRC approval of their overseas listing.

Jingtian & Gongcheng, Legal Advisors to the Company on PRC law, have opined that the Invitation and the Listing do not require CSRC approval as the Company had already obtained all necessary approvals from the relevant PRC foreign trade and economic cooperative regulatory authorities for the foreign acquisition before 8 September 2006, the effective date of the M&A Regulations.

Taxation

Enterprise Income Tax

There is no standardized enterprise income tax law which applied to all forms of enterprises in PRC before the National People's Congress of PRC ("NPC") promulgated the PRC Enterprise Income Tax Law on 16 March 2007 which became effect on 1 January 2008.

The former applicable income tax laws, regulations, notices and decisions (collectively referred to as "Old Foreign Enterprises Tax Law") related to foreign investment enterprises and their investors before 1 January 2008 were as follows:

- (a) Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法) adopted by the NPC on 9 April 1991;
- (b) Implementing Rules of the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法实施细则) promulgated by the State Council, which came into effect on 1 July 1991;
- (c) Notice Relating to taxes Applicable to Foreign Investment Enterprises/Foreign Enterprises and Foreign Nationals in Relation to Dividends and Gains obtained from Holding and Transferring of Shares promulgated by State Tax Bureau (国家税务总局关于外商投资企业 / 外国企业和外籍个人取得股票 (股权) 转让收益和股息所得税收问题的通知) on 2 July 1993;
- (d) Notice on Some Policy Questions Concerning Individual Income Tax (关于个人所得税若干政策问题的通知) issued by Ministry of Finance and the State Tax Bureau on 13 May 1994;
- (e) Notice on Relevant Policies Concerning the Reduction of Income Tax on Interest and Other Income of Foreign Enterprises Derived from Sources in China (关于外国企业来源于我国境内的利息等所得减征所得税问题的通知) issued by the State Council, which came into effect on 1 January 2000;
- (f) The third amendments to the Income Tax Law Applicable to Individuals of the PRC (中华人民共和国个人所得税法) promulgated by Standing Committee of NPC on 27 October 2005. According to the Old Foreign Enterprises Tax Law, foreign investment enterprises (including sinoforeign equity joint ventures, sino-foreign co-operative joint ventures and wholly foreign owned enterprises established in the territory of the PRC) are required to pay a national income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.

A foreign investment enterprise engaged in production having a period of operation of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years.

Foreign investment enterprises established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and foreign investment enterprises engaged in production in economic and technological zones may pay income tax at a reduced rate of 15%. Foreign investment enterprises engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income taxes at a reduced rate of 24%. A reduced income tax rate of 15% may apply to an enterprise located in such regions which is engaged in energy, communication, harbour, wharf or other projects encouraged by the State. Losses incurred in a tax year may be carried forward for not more than five years. The people's governments of provinces, autonomous regions and municipalities directly under the central government may grant exemptions from or reduced local income tax for a foreign investment enterprise engaged in an industry or a project encouraged by the State.

On 16 March 2007, NPC promulgated the new Enterprise Income Tax Law which became effective on 1 January 2008. On 28 November 2007, the Implemental Regulations of the Enterprise Income Tax Law was promulgated by the State Council which also became effective on 1 January 2008.

According to the new Enterprise Income Tax Law and its implemental regulations, a standardized enterprise income tax is applied all PRC resident enterprises (including foreign invested enterprises) and the tax rate is 25%, which means the aforesaid tax preferential treatment on the foreign invested enterprises in accordance with the Old Foreign Enterprises Tax Law is terminated.

However, according to promulgated by the NPC on, from 1 January 2008, all PRC resident enterprises. In addition, under the new PRC Enterprise Income Tax Law, enterprises established before 16 March 2007 which currently enjoy the preferential tax treatment of a two-year tax exemption, followed by a three-year 50% reduced tax rate, will be granted a five-year transition period during which they will still enjoy such preferential tax treatment and it is still unclear that whether or not the State Council, with the authorization of the NPC, will promulgated any preferential enterprise tax treatment rules on enterprises located in special zones established for foreign economic and technology cooperation in accordance with laws.

VAT

The Provisional Regulations of the People's Republic of China on Value Added Tax (中华人民共和国增值税暂行条例) promulgated by the State Council came into effect on 1 January 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China on Value Added Tax (中华人民共和国增值税暂行条例实施细则), value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

Value added tax payable in the PRO is generally charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of value added tax included in the price or charges, and less any deductible value added tax already paid by the taxpayer on purchases of goods and services in the same financial year.

Business tax

The Provisional Regulations of the People's Republic of China on Business Tax (中华人民共和国营业税暂行条例) promulgated by the State Council came into effect on 1 January 1994. Under these regulations and the Implementing Rules of the Provisional Regulations of the People's Republic of China on Business Tax (中华人民共和国营业税暂行条例实施细则), business that provides services (except entertainment business), assigns intangible assets or sells immovable property is liable to business tax at a rate ranging from 3% to 5% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

Tax on dividends from PRC enterprise with foreign investment

According to the Old Foreign Enterprises Tax Law, income such as rental, interest and royalty from the PRC derived by a foreign enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Old Foreign Enterprises Tax law. The dividends derived by a foreign investor from a PRC enterprise with foreign investment are exempted from the PRC withholding tax according to the Old Foreign Enterprises Tax Law. With the effectiveness of New Tax Law and its implemental rules since 1 January 2008, dividends derived by a foreign enterprise, which has no establishment in the PRC or has establishment but the dividends have no relationship with such establishment, from a PRC enterprise with foreign investment shall pay income tax at the rate of 20%, subject to possible preferential treatment provided by relevant tax treaties.

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TAXATION

SINGAPORE

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. The discussion is based on laws, regulations and interpretations now in effect and available as of the date of this Prospectus. These laws and regulations are subject to changes, which may be retrospective to the date of issuance of our Shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts of Singapore could later disagree with the explanations or conclusions set out below.

The discussion is limited to a general description of certain tax consequences in Singapore with respect to purchase, ownership and disposal of our Shares, and does not purport to be a comprehensive nor exhaustive description of all tax considerations that may be relevant to a decision to purchase, hold or dispose of our Shares. Prospective investors should consult their own tax advisors concerning the tax consequences of owning and disposing our Shares. Neither the Company, the Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

INCOME TAX

Individual Income Tax

Individual taxpayers who are Singapore tax residents are subject to tax on income accrued in or derived from Singapore. All foreign-sourced income (except for income received through a partnership in Singapore) received on or after 1 January 2004 in Singapore by tax resident individuals will be exempt from tax. Certain Singapore-sourced investment income (such as interest from debt securities) derived by tax resident individuals on or after 1 January 2004 from certain financial instruments (other than income derived through a partnership in Singapore or from the carrying on of a trade, business or profession) will be exempt from tax.

For a Singapore tax resident individual, the tax rate will vary according to the individual's circumstances but is subject to a maximum rate of 20% for year of assessment 2009 (i.e. calendar year 2008). It is proposed that the maximum rate will remain at 20% for year of assessment 2010 (i.e. calendar year 2009).

Non-resident individuals, subject to certain exceptions, are generally subject to income tax on income accrued in or derived from Singapore at the rate of 20%.

An individual will be regarded as being resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

Corporate Income Tax

Corporate taxpayers who are Singapore tax residents are subject to Singapore income tax on income accrued in or derived from Singapore and subject to certain exceptions, on foreign-sourced income received or deemed to be received in Singapore from outside Singapore. Foreign-sourced income in the form of dividends, branch profits and services income received or deemed to be received in Singapore by resident taxpayers on or after 1 June 2003 will be exempt from tax if certain prescribed conditions are met. Such foreign-sourced income will be exempt from income tax, so long as it is

earned from a jurisdiction with headline tax rate of at least 15% and is subject to tax of a similar character to income tax in that jurisdiction either by direct assessment or by withholding tax as the case may be.

A special concession has been granted whereby during the one-year period from 22 January 2009 to 21 January 2010, all foreign-sourced income earned or accrued outside Singapore prior to 22 January 2009 can be received in Singapore free from Singapore taxation.

Non-resident corporate taxpayers are subject to income tax on income accrued in or derived from Singapore and on foreign income received or deemed to be received in Singapore, subject to certain exceptions.

A corporate taxpayer is regarded as resident for Singapore tax purposes if its business is controlled and managed in Singapore.

The corporate tax rate in Singapore is 18% for year of assessment 2009. It is proposed that the corporate tax rate be reduced to 17% for year of assessment 2010. Further, corporate tax exemption will apply to the first S\$300,000 of a company's chargeable income as follows:–

- (i) 75% of up to the first S\$10,000 of a company's chargeable income; and
- (ii) 50% of up to the next S\$290,000 of a company's chargeable income.

Further, certain companies will, subject to certain conditions, be eligible for full tax exemption on their normal chargeable income of up to S\$100,000 a year for each of the company's first three years of assessment falling in or after year of assessment 2008. The conditions which a new company must satisfy in order to claim this exemption for a year of assessment include (a) it must be incorporated in Singapore; (b) it must be tax resident in Singapore for that year of assessment; and (c) it must have no more than 20 shareholders all of whom are individuals or at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company throughout the basis period for that year of assessment. The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate.

Cash Dividend Distributions

Income subject to normal corporate tax rules

As the Company will be tax resident in Singapore, dividends paid by the Company would be considered as sourced from Singapore. Dividends received in respect of the Shares by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax.

With effect from 1 January 2003, Singapore has adopted the "One-Tier" Corporate Tax System ("One-Tier System"). Under this One-Tier System, the tax collected from corporate profits is the final tax and the Company can pay tax exempt (one-tier) dividends which are tax exempt in the hands of the shareholder, regardless of the tax residence status or the legal form of the shareholder.

The Company is in the One-Tier System. Hence, dividends paid by the Company, being a tax resident in Singapore, will be exempt from tax in the hands of its Shareholders.

Bonus Issues And Scrip Dividends

Under current Singapore tax law and practice, a capitalisation of profits followed by the issue of new shares, credited as fully paid, pro-rata to shareholders ("bonus issue") does not represent a distribution of dividends by a company to its shareholders. Therefore, a Singapore resident shareholder receiving shares by way of a bonus issue should not have a liability to Singapore tax.

When a dividend is to be satisfied wholly or in part in the form of an allotment of ordinary shares credited as fully paid, the dividend declared will be treated as income to its shareholders. However, as the Company is under the One-Tier System, such a dividend will be exempt from Singapore tax. Similarly, when shareholders are given the right to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash, the dividend declared will be treated as exempt (one-tier) dividend income and will not be subject to Singapore tax.

Capital Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be construed to be of an income nature and subject to tax if they arise from activities which the Inland Revenue Authority of Singapore (“IRAS”) regards as the carrying on of a trade or business in Singapore.

Any profits from the disposal of the Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the disposal profits would be taxable as trading income.

Adoption of FRS 39 treatment for Singapore income tax purposes

On 30 December 2005, the IRAS issued a circular entitled “Income Tax Implications arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement” (“FRS 39 Circular”). Legislative amendments to give effect to the FRS 39 Circular have been enacted via the Income Tax (Amendment) Act 2006, with such amendments having been deemed to come into operation on 1 January 2005.

Prospective investors should consult their own accounting and tax advisers regarding FRS 39 and the related Singapore income tax consequences of their acquisition, holding or conversion of the Shares.

Stamp Duty

There is no stamp duty payable on the subscription, allotment or holding of the Shares.

Stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$0.20 for every S\$100 or any part thereof, computed on the amount or value of consideration. The amount or value of consideration is the actual consideration or market value of the Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty would be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

Stamp duty is, however, not applicable in respect of electronic transfers of the Shares through the Central Depository system.

Goods and Services Tax (“GST”)

The sale of the Shares by an investor belonging to Singapore through a SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt supply will become an additional cost to the investor.

Where the Shares are sold by a GST registered investor to a person belonging outside Singapore, the sale is a taxable supply subject to GST at zero-rate. Any GST incurred by a GST registered investor in the making of this supply in the course of furtherance of a business may, subject to the provisions of the Goods and Services Tax Act, be offset against the investor's GST liability and, in the event of an excess input tax credit, be recovered from the Comptroller of GST of Singapore.

Services such as brokerage, handling and clearing services rendered by a GST registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of the Shares will be subject to GST at the prevailing rate, that is, 7%. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate, provided that the investor belongs in a country outside Singapore when the services are performed and the services provided do not directly benefit any Singapore persons.

CAYMAN ISLANDS

TAXATION

Our Company is incorporated in the Cayman Islands. Dividends remitted to Shareholders resident outside the Cayman Islands will not be subject to Cayman Islands withholding tax. There are no reciprocal tax treaties between the Cayman Islands and Singapore. Further details are set out under Appendix D to this Prospectus.

COMPARISON OF CAYMAN ISLANDS COMPANY LAW WITH SINGAPORE COMPANY LAW

Comparison of Cayman Islands company law with Singapore company law

The following table sets forth a summary of certain differences between the provisions of the laws of Cayman Islands applicable to the Company (namely, under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Cayman Companies Law”)) and the laws applicable to Singapore companies (namely, under the Singapore Companies Act) and their shareholders. The summaries below are not to be regarded as advice on Cayman Islands company law or the differences between it and the laws of any jurisdiction, including, without limitation, the Singapore Companies Act. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by Cayman Islands company law as compared to the Singapore Companies Act that may be relevant to prospective investors. In addition, prospective investors should also note that the laws applicable to Singapore companies and Cayman Islands exempted companies may change, whether as a result of proposed legislative reforms to the Singapore Companies Act or the Cayman Companies Law, as the case may be, or otherwise. In addition, the summaries below do not describe the regulations and requirements prescribed by the Listing Manual of the SGX-ST. Prospective investors are advised to seek independent legal advice.

Cayman Islands company law

Singapore company law

POWER OF DIRECTORS TO ALLOT AND ISSUE SHARES

The power to allot shares normally lies with the directors. The Cayman Islands has no statutory provisions regulating the issue of shares. There is also no requirement for filing of returns of allotments.

The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the articles of association of that company.

However, notwithstanding anything to the contrary in the memorandum or articles of association of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company issue shares, or the share issue is void under the Singapore Companies Act. Such approval need not be specific but may be general and, once given, will only continue in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier.

POWER OF DIRECTORS TO DISPOSE OF THE ISSUER'S OR ANY OF ITS SUBSIDIARIES' ASSETS

The management of a Cayman Islands exempted company is the responsibility of and is carried on by its board of directors. Except as may be expressly provided in the company's articles of association, the shareholders can exercise control over the management of the company through their power to appoint and dismiss its directors.

The Cayman Companies Law contains no specific restrictions on the powers 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.

GIVING OF FINANCIAL ASSISTANCE TO PURCHASE THE ISSUER'S OR ITS HOLDING COMPANY'S SHARES

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a Cayman Islands exempted company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a Cayman Islands exempted 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.

The Singapore Companies Act provides that the business of a company is to be managed by or under the direction of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the memorandum and articles of association of the company require the company to exercise in general meeting.

Under the Singapore Companies Act, prior approval of the company at a general meeting is required before the directors can carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property notwithstanding anything in a company's memorandum or articles of association.

Generally, a company is prohibited from giving financial assistance to any person directly or indirectly for the purpose of, or in connection with, the acquisition of that company's shares or shares in its holding company.

Financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, and the release of a debt or obligation.

Certain transactions are specifically provided by the Singapore Companies Act as transactions not to be prohibited. These include the payment of a dividend in good faith and in the ordinary course of commercial dealing, the payment by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act, the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares in the company, and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments.

The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances which include, subject to compliance with certain conditions and procedures under the Singapore Companies Act: (i) where the amount of financial assistance does not exceed 10% of the aggregate of the total paid-up capital and reserves of the company as disclosed in the recent financial statements of the company and the company receives fair value in connection with the financial assistance; (ii) where the financial assistance is approved unanimously by all the shareholders of the company; and (iii) where the company has (and if the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation is the ultimate holding company, as the case may be) has passed a special resolution approving the giving of the financial assistance.

RELATED PARTY TRANSACTIONS

There is no express provision in the Cayman Companies Law regulating transactions between related parties.

The Singapore Companies Act does not impose compliance requirements relating to transactions with interested shareholders. The compliance requirements imposed on a company listed on the SGX-ST under the Listing Manual of the SGX-ST, insofar as transactions with interested persons are concerned, apply to that company regardless of whether such company is incorporated in Singapore or elsewhere.

LOANS TO DIRECTORS

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a Cayman Islands exempted company to any of its directors.

A company (other than an exempt private company) is prohibited from making a loan to a director of the company or a director of a related company (and to the spouse or natural, step or adopted children of any such director), and from giving a guarantee or providing any security in connection with such a loan, except in the following circumstances:

- (subject to, *inter alia*, the approval of the company in a general meeting) the provision of funds to such a director to meet expenditure incurred or to be incurred for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;

- (subject to, *inter alia*, the approval of the company in a general meeting) a loan to a director in full time employment of the company or a related company for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director; however, not more than one such loan may be outstanding from the director at any one time;
- any loan to a director in full time employment of the company or a related company pursuant to an employee loan scheme approved in a general meeting, provided the loan is in accordance with that scheme; and
- a loan made in the ordinary course of business by a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Monetary Authority of Singapore.

For these purposes, a related company of a company means its holding company, its subsidiary and a subsidiary of its holding company.

A company (the “first mentioned company”) (other than an exempt private company) is also prohibited from making loans to connected persons or entering into any guarantee or providing any security in connection with a loan made to connected persons by a third-party. Connected persons of the first mentioned company include companies in which the director(s) (or his spouse or natural, step or adopted children) of the first mentioned company, individually or collectively, have an interest in 20% or more (as determined in accordance with the Singapore Companies Act). This prohibition does not apply to:

- anything done by a company where the other company is its subsidiary, holding company or a subsidiary of its holding company; or
- a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done in the ordinary course of that business if the

activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS.

TRANSACTIONS AFFECTING SHARE CAPITAL

The Cayman Companies Law contains provisions relating to the reduction of share capital, and the redemption and repurchase of shares.

The Singapore Companies Act contains provisions relating to share capital reductions, permitted share buy-backs and redeemable preference shares.

MERGERS AND SIMILAR ARRANGEMENTS

The Cayman Companies Law contains provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (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 court. 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 court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of the management.

In addition, the Cayman Companies Law provides a mechanism for mergers and consolidations between Cayman Islands companies as well as between Cayman Islands companies and foreign companies. A written plan of merger or consolidation has to be authorised by each constituent company by a shareholders' resolution approved by majority in number representing seventy-five per cent. (75%) in value of the shareholders voting together as one class and, if the shares to be issued to each shareholder in the consolidated or surviving company are to have the same rights and economic value as the shares held in the constituent company, a special resolution of the shareholders voting together as one class.

The Singapore Companies Act provides that the Singapore courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two or more companies and that under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company. Such power only exists in relation to companies incorporated in Singapore.

The Singapore Companies Act further provides for a voluntary amalgamation process without the need for a court order. Under this voluntary amalgamation process, two or more companies may amalgamate and continue as one company, which may be one of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, the board of directors of each of the amalgamating company must make a solvency statement in relation to both the amalgamating company and the amalgamated company.

The Singapore Companies Act also provides for a more simplified form of amalgamation procedure for the amalgamation of a company with one or more of its wholly-owned subsidiaries or two or more wholly-owned subsidiary companies of the same corporation.

REMUNERATION

There is no provision in the Cayman Companies Law regulating remuneration for directors.

The Singapore Companies Act provides that a company shall not provide emoluments or improve emoluments for a director in respect of his office unless the provision has been approved by a resolution that is not related to other matters, and any resolution passed in breach of this provision is void.

For this purpose, the term “emoluments” in relation to a director includes fees and percentages, expenses allowance in so far as those sums are charged to income tax in Singapore, contributions paid under a pension scheme, and any benefits received otherwise than in cash in respect of his services as a director.

DISCLOSURE OF INTEREST IN CONTRACTS WITH THE COMPANY

There is no provision under the Cayman Companies Law relating to directors in a position of conflict of interest. The common law principle that a director must not put himself in a position of conflict between his personal interest and his duty to the company will apply to the Directors of the Company.

The Singapore Companies Act provides that, where a director of a company is directly or indirectly interested in a transaction or proposed transaction with that company, such a director must, as soon as practicable after the relevant facts have come to his knowledge, declare the nature of his interest at a meeting of directors of the company. For these purposes, an interest of a member of a director’s family (this includes his spouse, natural, step or adopted children) is treated as an interest of that director.

The Singapore Companies Act also provides that every director of a company who holds any office or possesses any property whereby whether directly or indirectly duties or interests might be created in conflict with his duties or interests as director shall declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict. For this purpose, an interest of a member of a director’s family shall be treated as an interest of the director.

APPOINTMENT, QUALIFICATION, RETIREMENT, RESIGNATION AND REMOVAL OF DIRECTORS

(a) Qualification and appointment of Directors

There must be at least one director of a Cayman Islands exempted company. There is no requirement that any of the directors be ordinarily resident in the Cayman Islands.

The initial director(s) is(are) appointed by the subscriber(s) to the memorandum of association. Thereafter, the addition and/or removal of directors will normally be effected in accordance with the provisions of the company's articles of association.

The names and addresses of the directors and officers must be entered in a register of directors and officers and kept at the registered office. A copy of the register and notice of any amendments must be filed with the Registrar of Companies in the Cayman Islands. There is no requirement that the register of directors and officers be made available for inspection to the public.

The Cayman Companies Law does not contain provisions on the retirement age of directors.

Under the Singapore Companies Act, every company must have at least one director who is ordinarily resident in Singapore. Where the company has only one member, that sole director may be also be the sole member of the company.

No person other than a natural person of full age and capacity can be a director of a company.

Every director, who is by the articles of association required to hold a specified share qualification and who is not already qualified, must obtain his qualification within two months after his appointment or such shorter period as is fixed by the articles of association.

The first directors of a company are named in the articles of association.

In the case of a public company, the appointment of directors at a general meeting must generally be voted on individually.

In addition, no person of or over the age of 70 years shall be appointed as a director of a public company or of a subsidiary of a public company, unless he has been appointed, re-appointed or authorised to continue in office as a director by an ordinary resolution passed at an annual general meeting of the company until the next annual general meeting of the company.

Subject to the provisions of the Singapore Companies Act, the articles of association of a company may also empower the board of directors to appoint any director to fill a casual vacancy or an additional director.

(b) Disqualification of Directors

The Cayman Companies Law does not contain provisions on disqualification of directors. The circumstances under which a person is disqualified from acting as a director will be as provided in the company's articles of association.

Under the Singapore Companies Act, a person may not act as a director of any corporation if he is an undischarged bankrupt unless he has the leave of the Singapore courts or the written permission of the Official Assignee to do so.

A person may be disqualified from acting as a director of a company by the Singapore courts for a period not exceeding five years if (a) he is or has been a director of a company which has at any time gone into liquidation (whether while

he was a director or within three years of his ceasing to be a director) and was insolvent at that time and (b) his conduct as a director of that company either taken alone or taken together with his conduct as a director of any other company or companies makes him unfit to be a director of or in any way, whether directly or indirectly, be concerned in, or take part in, the management of a company.

A person may, subject to certain exceptions, also be disqualified from acting as a director by the Singapore courts for a period of three years if he is a director of a company which is ordered to be wound up by the Singapore courts on the ground that it is being used for purposes against national security or interest.

He could also be disqualified on other grounds, such as conviction of any offence (whether in Singapore or elsewhere) involving fraud or dishonesty which is punishable with imprisonment for three months or more, or because of persistent default in relation to delivery of documents to the Registrar of Companies.

(c) Resignation of Directors

The Cayman Companies Law does not contain provisions on the resignation of directors.

Under the Singapore Companies Act, a director of a company cannot resign or vacate his office unless there is remaining in the company at least one director who is ordinarily resident in Singapore, and any purported resignation or vacation of office in breach of this provision is deemed to be invalid.

Subject to the provisions of the Singapore Companies Act, the articles of association of a company may provide that a director's resignation is effective by giving written notice of the company, unless the director's contract or the articles of association otherwise provide.

(d) Removal of Directors

The Cayman Companies Law does not contain provisions on the removal of directors. The removal of directors will normally be effected in accordance with the provisions of the company's articles of association.

A director of a public company may be removed before the expiration of his period of office by an ordinary resolution (which requires special notice to be given in accordance with the provisions of the Singapore Companies Act) of the shareholders, notwithstanding anything in the memorandum or articles of association of that company or in any agreement between that company and the director, but where the director

so removed was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove him shall not take effect until his successor has been appointed.

Subject to the provisions of the Singapore Companies Act, the articles of association of a company may prescribe the manner in which a director may be removed from office before the expiration of his term of office.

ALTERATION OF CONSTITUTION, MEMORANDUM OF ASSOCIATION OR ARTICLES OF ASSOCIATION

(a) Alteration of memorandum of association

The Cayman Companies Law provides that a Cayman Islands exempted company may, by special resolution of its shareholders, alter its memorandum of association with respect to any of the objects, powers or other matters specified therein.

The amended memorandum of association and a copy of the special resolution must be filed with the Registrar of Companies in the Cayman Islands.

Unless otherwise provided in the Singapore Companies Act, a company's memorandum of association may be altered by way of special resolution, except that any entrenching provision in the memorandum and any provision contained in the memorandum before 1 April 2004 which could not be altered before that date may be removed or altered only if all members of the company agree. For these purposes, the term "entrenching provision" means a provision of the memorandum or articles of association of a company to the effect that other provisions of the memorandum or articles (a) may not be altered in the manner provided by the Singapore Companies Act, or (b) may not be so altered except by a resolution passed by a specified majority greater than 75%, or where other specified conditions are met.

(b) Alteration of articles of association

The Cayman Companies Law provides that a Cayman Islands exempted company may, by special resolution of its shareholders, but subject otherwise to the memorandum of association, alter or add to its articles of association.

On an amendment of the articles of association, the amended version of the articles of association must be registered with the Registrar of Companies in the Cayman Islands. A copy of the special resolution must be filed with the Registrar.

Subject to the Singapore Companies Act and to any conditions in its memorandum, a company's articles of association may be altered by way of special resolution except that any entrenching provision in the articles of association may be removed or altered only if all members of the company agree.

VARIATION OF RIGHTS ATTACHED TO SHARES

The Cayman Companies Law does not contain provisions determining the action necessary to change the rights of holders of shares. The variation of the rights attached to any class of shares is usually dealt with generally in the articles of association of a company.

Under the Singapore Companies Act, if a provision is made in the memorandum or articles of association of a company for authorising the variation or abrogation of the rights attached to any class of shares in the company and in pursuance of that provision such rights are at any time varied or abrogated, the holders of not less in aggregate than 5% of the issued shares of that class (excluding treasury shares) may apply to the Singapore courts to have the variation or abrogation cancelled in accordance with the Singapore Companies Act. The Singapore courts may, if satisfied that the variation or abrogation would unfairly prejudice the shareholders of the class represented by the applicant, disallow the variation or abrogation, and shall, if not so satisfied, confirm it.

SHAREHOLDERS' PROPOSALS

The Cayman Companies Law provides that, in the absence of any provision in the articles of association as to the persons to summon general meetings, three members shall be competent to summon the same.

Under the Singapore Companies Act, (a) any number of members representing not less than 5% of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates or (b) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S\$500, may requisition the company to give to members notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting, and circulate to members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Members holding not less than 10% of the paid up capital of a company may requisition for an extraordinary general meeting in accordance with the provisions of the Singapore Companies Act. The directors must convene the meeting to be held as soon as practicable, but in any case not later than two months, after the receipt by the company of the requisition.

Two or more members holding not less than 10% of the issued shares of a company (excluding treasury shares) may also call a meeting of the company in accordance with the provisions of the Singapore Companies Act.

SHAREHOLDERS' ACTION BY WRITTEN CONSENT

Certain matters are required by the Cayman Companies Law to be decided by special resolution. Where so authorised by the articles of association of a company, special resolutions may be approved in writing by all of the members entitled to vote at a general meeting of the company in one or more instruments each signed by one or more of the members.

Notwithstanding any other provision of the Singapore Companies Act, a private company may pass any resolution by written means in accordance with the provisions of the Singapore Companies Act except for a resolution for which special notice is required. There is no corresponding provision in the Singapore Companies Act which applies to a public company.

SHAREHOLDERS' SUITS AND PROTECTION OF MINORITY SHAREHOLDERS

The court would ordinarily be expected to follow 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 one or more inspectors to examine into the affairs of the company and to report thereon in such manner as the court shall direct. The inspectors shall on the completion of their investigation report to the court. Such report is not, unless the court so directs, open to public inspection. A company also may, by special resolution, appoint inspectors for the purpose of examining into the affairs of the company. Inspectors so appointed will have the same powers and perform the same duties as inspectors appointed by the court, except that instead of making their report to the court they will report in such manner and to such persons as the company by resolution of its members directs.

A shareholder of a company who has held shares in a company for at least six (6) months 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.

A member or a holder of a debenture of a company may apply to the Singapore courts for an order under Section 216 of the Singapore Companies Act to remedy situations where:

- a company's affairs are being conducted or the powers of the company's directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the members, shareholders or holders of debentures of the company, including the applicant; or
- a company has done an act, or threatens to do an act, or the members or holders of debentures have passed some resolution, or propose to pass some resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the company's members or holders of debentures, including the applicant.

Singapore courts have wide discretion as to the relief they may grant under such application, including, *inter alia*, directing or prohibiting any act or cancelling or varying any transaction or resolution, providing that the company be wound up, or authorising civil proceedings to be brought in the name of or on behalf of the company by such person or persons and on such terms as the Court directs.

In addition, a member of a company who is seeking relief for damage done to the company may bring a common law derivative action in certain circumstances against the persons who have done wrong to the company.

Further, Section 216A of the Singapore Companies Act prescribes a procedure to bring a statutory derivative action. The statutory procedure is available to, *inter alia*, a member of a company not listed on the SGX-ST and any other person who, in the discretion of the Court, is a proper person to make an application under Section 216A of the Singapore Companies Act.

WINDING UP

A company may be wound up compulsorily by an order of the court, voluntarily by a special resolution of its members or under the supervision of the court. The court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the court, or where the company is unable to pay its debts, or where it is, in the opinion of the court, just and equitable to do so. For further details, please see paragraph (o) headed “Winding up” in Appendix D — Summary of Cayman Islands Company Law” of this Prospectus.

The winding up of a company may be done in the following ways:

- members' voluntary winding up;
- creditors' voluntary winding up;
- court compulsory winding up; and
- an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company.

The type of winding up depends, *inter alia*, on whether the company is solvent or insolvent.

RULES OF THE QINGMEI EMPLOYEE SHARE OPTION SCHEME

1. NAME OF THE ESOS

The ESOS shall be called the “Qingmei Employee Share Option Scheme”.

2. DEFINITIONS

2.1 In the ESOS, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Act”	The Companies Act, Chapter 50 of Singapore as amended, modified or supplemented from time to time;
“Articles”	The Articles of Association of the Company, as amended from time to time;
“Auditors”	The auditors of the Company for the time being;
“Board”	The board of directors of the Company;
“CDP”	The Central Depository (Pte) Limited;
“CPF”	Central Provident Fund;
“Committee”	The remuneration committee of the Company, or such other committee comprising directors of the Company duly authorised and appointed by the Board to administer this ESOS;
“Company”	Qingmei Group Holdings Limited 清美集團控股有限公司
“control”	The capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the Company;
“Controlling Shareholder”	A shareholder exercising control over the Company and unless rebutted, a person who controls directly or indirectly 15.0% or more of the Company’s issued shares (excluding treasury shares) shall be presumed to be a Controlling Shareholder of the Company;
“Date of Grant”	In relation to an Option, the date on which the Option is granted to a Participant pursuant to Rule 7;
“Director”	A person holding office as a director for the time being of the Company and/or its Subsidiaries, as the case may be;
“ESOS”	The Qingmei Employee Share Option Scheme, as the same may be modified or altered from time to time;
“ESOS Offer Date”	The date on which an offer to grant an Option is made pursuant to the ESOS;

“Executive Director”	A director of the Company and/or its Subsidiaries, as the case may be, who performs an executive function within the Company or the relevant Subsidiary, as the case may be;
“Exercise Price”	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 9, as adjusted in accordance with Rule 10;
“Grantee”	A person to whom an offer of an Option is made;
“Group”	The Company and its Subsidiaries;
“Group Employee”	Any confirmed employee of the Group (including any Executive Director) selected by the Committee to participate in the ESOS in accordance with Rule 4;
“Independent Director”	An independent Director of the Company;
“Market Day”	A day on which the SGX-ST is open for trading in securities;
“Market Price”	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five consecutive Trading Days immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices;
“Offeree”	The person to whom an offer of an Option is made;
“Option”	The right to subscribe for Shares granted or to be granted to a Group Employee pursuant to the ESOS and for the time being subsisting;
“Option Period”	The period for the exercise of an Option as determined pursuant to Rule 11;
“Participant”	The holder of an Option;
“Record Date”	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions;
“Rules”	Rules of the Qingmei Employee Share Option Scheme;
“S\$”	Singapore dollars;
“Securities Account”	The securities account maintained by a Depositor with CDP;
“Shareholders”	Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares;
“Shares”	Ordinary shares in the capital of the Company;
“Subsidiaries”	Companies which are for the time being subsidiaries of the Company as defined by Section 5 of the Act; and “Subsidiary” means each of them;

“SGX-ST”	Singapore Exchange Securities Trading Limited; and
“Trading Day”	A day on which the Shares are traded on the SGX-ST.

- 2.2 The terms “Depositor”, “Depository Register” and “Depository Agent” shall have the meanings ascribed to it by Section 130A of the Act and the term “associate” shall have the meaning ascribed to it by the Listing Manual or any other publication prescribing rules or regulations for corporations admitted to the Official List of the SGX-ST (as modified, supplemented or amended from time to time).
- 2.3 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.
- 2.4 Any reference to a time of a day in the ESOS is a reference to Singapore time.
- 2.5 Any reference in the ESOS to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the ESOS shall have the meaning assigned to it under the Act.

3. OBJECTIVES OF THE ESOS

The ESOS will provide an opportunity for Group Employees (including Executive and Independent Directors) who have contributed significantly to the growth and performance of the Group and who satisfy the eligibility criteria as set out in Rule 4 of the ESOS, to participate in the equity of the Company.

The ESOS is primarily a share incentive scheme. It recognises the fact that the services of such Group Employees are important to the success and continued well-being of the Group. Implementation of the ESOS will enable the Company to give recognition to the contributions made by such Group Employees. At the same time, it will give such Group Employees an opportunity to have a direct interest in the Company at no direct cost to its profitability and will also help to achieve the following positive objectives:

- (a) to motivate Participants to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) to retain key employees and Executive Directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity of the Group;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and
- (e) to align the interests of the Participants with the interests of the Shareholders.

4. ELIGIBILITY OF PARTICIPANTS

- 4.1 Confirmed Group Employees (including Executive and Independent Directors) who have attained the age of twenty-one (21) years on or prior to the relevant ESOS Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, shall be eligible to participate in the ESOS at the absolute discretion of the Committee.

- 4.2 Controlling Shareholders and their associates who meet the eligibility criteria in Rule 4.1 and who have contributed to the success and development of the Group are, subject to the absolute discretion of the Committee, eligible to participate in the ESOS provided that the participation by and actual number and terms of any Options to be granted to each such Controlling Shareholder or his associate and each grant of Options to any one of them may be effected only with a specific prior approval of independent Shareholders at a general meeting in separate resolutions. The Company will at such time provide the rationale and justification for any proposal to grant the Controlling Shareholders and/or their associates any Options.
- 4.3 There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by the Company or any other companies within the Group.
- 4.4 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the ESOS may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.

5. MAXIMUM ENTITLEMENT

Subject to Rule 4 and Rule 10, the aggregate number of Shares in respect of which Options may be offered to a Grantee for subscription in accordance with the ESOS shall be determined at the absolute discretion of the Committee who shall take into account in respect of a Group Employee, criteria such as rank, past performance, years of service and potential development of the Participant and in respect of a Independent Director, his contribution to the success and development of the Group.

6. LIMITATION ON SIZE OF THE ESOS

- 6.1 The aggregate number amount of Shares over which the Committee may grant Options on any date, when added to the number Shares issued and issuable in respect of (i) all Options granted under the ESOS and (ii) all awards granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force shall not exceed 15.0% of the issued shares of the Company (excluding treasury shares) on the day immediately preceding the ESOS Offer Date of the Option.
- 6.2 The aggregate number of Shares issued and issuable in respect of all Options granted under the ESOS available to all Controlling Shareholders and their associates must not exceed 25.0% of the Shares available under the ESOS.
- 6.3 The number of shares issued and issuable in respect of all Options granted under the ESOS available to each of the Controlling Shareholders or their associates must not exceed 10.0% of the Shares available under the ESOS.

7. ESOS OFFER DATE

- 7.1 The Committee may, save as provided in Rule 4, Rule 5 and Rule 6, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the ESOS is in force, except that no Option shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's interim and/or final results (whichever the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, offers to grant Options may only be made on or after the second Market Day on which such announcement is released.

- 7.2 An offer to grant the Option to a Grantee shall be made by way of a letter (the “**Letter of Offer**”) in the form or substantially in the form set out in Schedule A, subject to such amendments as the Committee may determine from time to time.

8. ACCEPTANCE OF OPTION

- 8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within thirty (30) days after the relevant ESOS Offer Date and not later than 5.00 p.m. on the thirtieth (30th) day from such ESOS Offer Date (a) by completing, signing and returning to the Company the Acceptance Form in or substantially in the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of S\$1.00 as consideration and (b) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the ESOS in accordance with these Rules.
- 8.2 If a grant of an Option is not accepted strictly in the manner as provided in this Rule 8, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.
- 8.3 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 or Exercise Notice given pursuant to Rule 12 which does not strictly comply with the terms of the ESOS.
- 8.4 Options are personal to the Grantees to whom they are granted and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee’s prior written approval, but may be exercised by the Grantee’s duly appointed personal representative as provided in Rule 11.6 in the event of the death of such Grantee.
- 8.5 The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of 1,000 Shares.
- 8.6 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect and the relevant Participant shall have no claim whatsoever against the Company.
- 8.7 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
- (a) it is not accepted in the manner as provided in Rule 8.1 within the thirty (30) day period; or
 - (b) the Grantee dies prior to his acceptance of the Option; or
 - (c) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
 - (d) the Grantee, being a Group Employee, ceases to be in the employment of the Group or (being a Director) ceases to be a Director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or
 - (e) the Company is liquidated or wound-up prior to the Grantee’s acceptance of the Option.

9. EXERCISE PRICE

9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, on the Date of Grant, at:

- (a) a price equal to the Market Price; or
- (b) a price which is set at a discount to the Market Price, provided that:
 - (i) the maximum discount shall not exceed 20.0% of the Market Price (or such other percentage or amount as may be determined by the Committee and permitted by the SGX-ST); and
 - (ii) the Shareholders in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the ESOS at a discount not exceeding the maximum discount as aforesaid.

9.2 In making any determination under Rule 9.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:

- (a) the performance of the Company, the Group and/or its Subsidiaries, as the case may be;
- (b) the years of service and individual performance of the eligible Group Employee or Director;
- (c) the contribution of the eligible Group Employee or Director to the success and development of the Company and/or the Group; and
- (d) the prevailing market conditions.

9.3 The Exercise Price shall in no event be less than the nominal value of a Share. Where the Exercise Price as determined above is less than the nominal value of a Share, the Exercise Price shall be the nominal value.

10. ALTERATION OF CAPITAL

10.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue or reduction (including any reduction arising by reason of the Company purchasing or acquiring its issued Shares), subdivision, consolidation or distribution, or otherwise howsoever) should take place, then:

- (a) the Exercise Price in respect of the Shares, class and/or number of Shares comprised in the Options to the extent unexercised and the rights attached thereto; and/or
- (b) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

may, be adjusted in such manner as the Committee may determine to be appropriate including retrospective adjustments where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

- 10.2 Notwithstanding the provisions of Rule 10.1 above, no such adjustment shall be made (a) if as a result, the Participant receives a benefit that a Shareholder does not receive; and (b) unless the Committee after considering all relevant circumstances considers it equitable to do so.
- 10.3 Unless the Committee considers adjustment to be appropriate:
- (a) the issue of securities as consideration for an acquisition or a private placement of securities by the Company; or
 - (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by the Shareholders (including any renewal of such mandate) is in force,
- shall not normally be regarded as a circumstance requiring adjustment under the provisions of this Rule 10.
- 10.4 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 10.
- 10.5 Upon any adjustment required to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect, class and/or number of Shares thereafter comprised in the Option so far as unexercised. Any adjustment shall take effect upon such written notification being given.

11. OPTION PERIOD

- 11.1 Options granted with the Exercise Price set at Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the ESOS Offer Date of that Option, Provided Always that the Options shall be exercised before the tenth anniversary of the relevant ESOS Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.2 Options granted with the Exercise Price set at a discount to Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the Offer Date of that Option, Provided always that the Options shall be exercised before the tenth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.
- 11.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company:
- (a) subject to Rules 11.4, 11.5 and 11.6, upon the Participant ceasing to be in the employment of the Company or any of the companies within the Group for any reason whatsoever; or
 - (b) upon a Participant, being an Independent Director, ceasing to be a Director of the Company and/or the relevant Subsidiary as the case may be, for any reason whatsoever; or

- (c) upon the bankruptcy of the Participant or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such Option; or
- (d) in the event of misconduct on the part of the Participant, as determined by the Committee in its absolute discretion.

For the purpose of Rule 11.4(a), a Participant shall be deemed to have ceased to be so employed with the Group and/or the Company as at the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

11.4 If a Participant ceases to be employed by the Group by reason of his:

- (a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;
- (b) redundancy;
- (c) retirement at or after a normal retirement age; or
- (d) retirement before that age with the consent of the Committee,

or for any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.5 If a Participant ceases to be employed by a Subsidiary:

- (a) by reason of the Subsidiary, by which he is principally employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such Subsidiary, being transferred otherwise than to another company within the Group; or
- (b) for any other reason, provided the Committee gives its consent in writing, he may, at the absolute discretion of the Committee, exercise any unexercised Options within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.6 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Participant within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.7 If a Participant, who is also an Executive Director, ceases to be a Director for any reason whatsoever, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

12. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF SHARES

12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Schedule C (the “**Exercise Notice**”), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. All

payments shall be made by cheque, cashier's order, bank draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the abovementioned Notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option.

12.2 Subject to:

- (a) such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and
- (b) compliance with the Rules, the Memorandum and Articles of Association of the Company, the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within ten (10) Market Days after the date of the exercise of the Option in accordance with Rule 12.1, allot the Shares in respect of which such Option has been exercised by the Participant and within five (5) Market Days from the date of such allotment, despatch the relevant share certificates to CDP for the credit of the securities account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.

12.3 The Company shall, if necessary, as soon as practicable after the exercise of an Option, apply to the SGX-ST or any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 10.

12.4 Shares which are all allotted on the exercise of an Option by a Participant shall be issued, as the Participant may elect, in the name of CDP to the credit of the securities account of the Participant maintained with CDP or the Participant's securities sub-account with a CDP Depository Agent.

12.5 Shares allotted and issued upon the exercise of an Option shall be subject to all provisions of the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the then existing issued Shares in the capital of the Company except for any dividends, rights, allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.

12.6 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

13. MODIFICATIONS TO THE ESOS

13.1 Any or all the provisions of the ESOS may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three quarters (3/4) of the aggregate number of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;
- (b) any modification or alteration which would be to the advantage of Participants under the ESOS shall be subject to the prior approval of the Shareholders in general meeting; and

- (c) no modification or alteration shall be made without the prior approval of the SGX-ST or (if required) any other stock exchange on which the Shares are quoted and listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 13.1(a), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

- 13.2 Notwithstanding anything to the contrary contained in Rule 13.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the ESOS in any way to the extent necessary to cause the ESOS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 13.3 Written notice of any modification or alteration made in accordance with this Rule 13 shall be given to all Participants.

14. DURATION OF THE ESOS

- 14.1 The ESOS shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the date on which the ESOS is adopted by Shareholders. Subject to compliance with any applicable laws and regulations in Singapore, the ESOS may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.
- 14.2 The ESOS may be terminated at any time by the Committee or by resolution of the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the ESOS is so terminated, no further Options shall be offered by the Company hereunder.
- 14.3 The termination, discontinuance or expiry of the ESOS shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 8, whether such Options have been exercised (whether fully or partially) or not.

15. TAKE-OVER AND WINDING UP OF THE COMPANY

- 15.1 In the event of a take-over offer being made for the Company, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rules 11.1 and 11.2) holding Options as yet unexercised shall, notwithstanding Rules 11 and 12 but subject to Rule 15.5, be entitled to exercise such Options in full or in part in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:
 - (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six (6) month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or
 - (b) the date of the expiry of the Option Period relating thereto,

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided Always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void.

Provided that the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11.3, remain exercisable until the expiry of the Option Period.

- 15.2 If, under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and 11.2) shall notwithstanding Rules 11 and 12 but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void, Provided always that the date of exercise of any Option shall be before the tenth anniversary of the ESOS Offer Date.
- 15.3 If an order or an effective resolution is passed for the winding up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 15.4 In the event 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, the Company shall on the same date as or soon after it dispatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provision of this Rule 15.4) and thereupon, each Grantee (or his personal representative) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Exercise Price whereupon the Company shall as soon as possible and in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.
- 15.5 If in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding up referred to in Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.
- 15.6 To the extent that an Option is not exercised within the periods referred to in this Rule 15, it shall lapse and become null and void.

16. ADMINISTRATION OF THE ESOS

- 16.1 The ESOS shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board.

- 16.2 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the ESOS) for the implementation and administration of the ESOS as it thinks fit.
- 16.3 Any decision of the Committee, made pursuant to any provision of the ESOS (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the ESOS or any rule, regulation, or procedure thereunder or as to any rights under the ESOS).
- 16.4 A Director, Controlling Shareholder or his associate who is a member of the Committee shall not be involved in its deliberation in respect of Options to be granted to him.

17. NOTICES

- 17.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.
- 17.2 Any notice or documents given by the Company to a Participant shall be sent to the Participant by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.

18. TERMS OF EMPLOYMENT UNAFFECTED

- 18.1 The ESOS or any Option shall not form part of any contract of employment between the Company or any Subsidiary (as the case may be) and any Participant and the rights and obligations of any individual under the terms of the office or employment with such company within the Group shall not be affected by his participation in the ESOS or any right which he may have to participate in it or any Option which he may hold and the ESOS or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.
- 18.2 The ESOS shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company and/or any Subsidiary directly or indirectly or give rise to any cause of action at law or in equity against the Company or any Subsidiary.

19. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the ESOS shall be borne by that Participant.

20. COSTS AND EXPENSES OF THE ESOS

- 20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent or CPF investment account with a CPF agent bank and all taxes referred to in Rule 19 which shall be payable by the relevant Participant.

- 20.2 Save for such costs and expenses expressly provided in the ESOS to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the ESOS including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

21. CONDITION OF OPTION

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

22. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained and subject to the Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the ESOS, including but not limited to the Company's delay in allotting and issuing the Shares or in applying for or procuring the listing of the Shares on the SGX-ST.

23. DISCLOSURE IN ANNUAL REPORT

The Company shall make the following disclosure in its annual report:

- (a) The names of the members of the Committee;
- (b) The information required in the table below for the following Participants (which for the avoidance of doubt, shall include Participants who have exercised all their Options in any particular financial year):
 - (i) participants who are Directors of the Company;
 - (ii) participants who are Controlling Shareholders and their associates; and
 - (iii) participants, other than those in (i) and (ii) above who receive 5.0% or more of the total number of Options available under the ESOS.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the ESOS to end of financial year under review	Aggregate Options exercised since commencement of the ESOS to end of financial year under review	Aggregate Options outstanding as at end of financial year under review

- (c) The number and proportion of Options granted at the following discounts to average market value of the Shares in the financial year under review:
 - (i) Options granted at up to 10.0% discount; and
 - (ii) Options granted at between 10.0% but not more than 20.0% discount.

24. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the ESOS are to abstain from voting on any resolution relating to the ESOS.

25. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

26. GOVERNING LAW

The ESOS shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the ESOS, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

QINGMEI EMPLOYEE SHARE OPTION SCHEME

LETTER OF OFFER

Serial No: _____

Date: _____

To: **Name**
Designation
Address

Private and Confidential

Dear Sir/Madam,

1. We have the pleasure of informing you that, pursuant to the Qingmei Employee Share Option Scheme ("ESOS"), you have been nominated to participate in the ESOS by the Committee (the "Committee") appointed by the Board of Directors of Qingmei Group Holdings Limited 清美集團控股有限公司 (the "Company") to administer the ESOS. Terms as defined in the ESOS shall have the same meaning when used in this letter.
2. Accordingly, in consideration of the payment of a sum of S\$1.00, an offer is hereby made to grant you an option (the "Option"), to subscribe for and be allotted Shares at the price of S\$ for each Share.
3. The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee.
4. The Option shall be subject to the terms of the ESOS, a copy of which is available for inspection at the business address of the Company.
5. If you wish to accept the offer of the Option on the terms of this letter, please sign and return the enclosed Acceptance Form with a sum of S\$1.00 not later than 5.00 p.m. on failing which this offer will lapse.

Yours faithfully,
For and on behalf of
Qingmei Group Holdings Limited
清美集團控股有限公司

Name:

QINGMEI EMPLOYEE SHARE OPTION SCHEME

ACCEPTANCE FORM

Serial No: _____

Date: _____

To: The Committee,
Qingmei Employee Share Option Scheme
Qingmei Group Holdings Limited
清美集團控股有限公司

Closing Date for Acceptance of Offer:	_____
Number of Shares Offered:	_____
Exercise Price for each Share: S\$	_____
Total Amount Payable: S\$	_____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and ESOS referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Option to subscribe for _____ Shares at S\$_____ for each Share. I enclose cash for S\$1.00 in payment for the purchase of the Option/I authorise my employer to deduct the sum of S\$1.00 from my salary in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to subscribe for such shares.

I agree to keep all information pertaining to the grant of the Option to me confidential.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in Full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

Note:

* *Delete accordingly*

QINGMEI EMPLOYEE SHARE OPTION SCHEME

FORM OF EXERCISE OF OPTION

Total number of ordinary shares (the “Shares”) offered at S\$_____ for each Share (the “Exercise Price”) under the ESOS on (Date of Grant)	:	_____
Number of Shares previously allotted thereunder	:	_____
Outstanding balance of Shares to be allotted thereunder	:	_____
Number of Shares now to be subscribed	:	_____

To: The Committee,
Qingmei Group Holdings Limited
清美集團控股有限公司

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the Option to subscribe for _____ Shares in Qingmei Group Holdings Limited 清美集團控股有限公司 (the “Company”) at S\$_____ for each Share.
2. I enclose a *cheque/cashiers order/banker’s draft/postal order no. _____ for S\$_____ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the ESOS and the Memorandum and Articles of Association of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. I request the Company to allot and issue the Shares in the name of The Central Depository (Pte) Limited (“CDP”) for credit of my *Securities Account with CDP/Sub-Account with the Depository Agent/CPF investment account with my Agent Bank specified below and I hereby agree to bear such fees or other charges as may be imposed by CDP in respect thereof.

Please print in block letters

Name in Full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

*Direct Securities Account No. : _____

OR

*Sub Account No. : _____

Name of Depository Agent : _____

OR

*CPF Investment Account No. : _____

Name of Agent Bank : _____

Signature : _____

Date : _____

Note:

* *Delete accordingly*

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TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply and subscribe for the 184,000,000 Invitation Shares at the Issue Price for each Offer Share and each Placement Share subject to the following terms and conditions:

YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.

Your application for Offer Shares may be made by way of printed Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks ("ATM Electronic Applications") or through Internet Banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications" which, together with ATM Electronic Applications, shall be referred to as "Electronic Applications"). Your application for the Placement Shares may only be made by way of Placement Shares Application Forms. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.**

You are allowed to submit only one application in your own name for the Offer Shares. If you submit an application for Offer Shares by way of an Offer Shares Application Form, you **MAY NOT** submit another application for Offer Shares by way of an Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company, the Vendor, the Joint Issue Managers or the Underwriter and Placement Agent.

If you submit an application for Offer Shares by way of Internet Electronic Application, you **MAY NOT** submit another application for Offer Shares by way of ATM Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company, the Vendor, the Joint Issue Managers or the Underwriter and Placement Agent.

If you (being other than an approved nominee company) have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Offer Shares Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of our Company, the Vendor, the Joint Issue Managers or the Underwriter and Placement Agent.

You are allowed to submit only one application in your own name for the Placement Shares. Any separate applications by you for the Placement Shares shall be deemed to be multiple applications and we have the discretion whether to accept or reject such multiple applications.

If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at our discretion.

If you have made an application for Placement Shares, and you have also made a separate application for Offer Shares either by way of an Application Form or through an Electronic Application, we shall have the discretion to either (i) reject both of such separate applications or (ii) accept any one (but not the other) out of such separate applications.

Conversely, if you have made an application for Offer Shares either by way of an Application Form or through an Electronic Application, and you have also made a separate application for Placement Shares, we shall have the discretion to either (i) reject both of such applications or (ii) accept any one (but not the other) out of such separate applications.

Joint applications shall be rejected. Multiple applications for Invitation Shares will be liable to be rejected at the discretion of our Company, the Vendor, the Joint Issue Managers or the Underwriter and Placement Agent. If you submit or procure submissions of multiple share applications for Offer Shares, Placement Shares or both Offer Shares and Placement Shares, you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Vendor.

1. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers.
2. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
3. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
4. **IF YOU ARE NOT A NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars, such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
5. **If your address as stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.**

6. **Our Company and the Vendor reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance. Our Company and the Vendor further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**
7. **OUR COMPANY AND THE VENDOR RESERVE THE RIGHT TO REJECT OR TO ACCEPT, IN WHOLE OR IN PART, OR TO SCALE DOWN OR TO BALLOT ANY APPLICATION, WITHOUT ASSIGNING ANY REASON THEREFOR, AND NO ENQUIRY AND/OR CORRESPONDENCE ON THE DECISION OF OUR COMPANY AND THE VENDOR WILL BE ENTERTAINED. THIS RIGHT APPLIES TO APPLICATIONS MADE BY WAY OF APPLICATION FORMS AND BY WAY OF ELECTRONIC APPLICATIONS. IN DECIDING THE BASIS OF ALLOTMENT, WHICH WILL BE AT THE DISCRETION OF OUR COMPANY AND THE VENDOR, OUR COMPANY AND THE VENDOR WILL GIVE DUE CONSIDERATION TO THE DESIRABILITY OF ALLOTING THE INVITATION SHARES TO A REASONABLE NUMBER OF APPLICANTS WITH A VIEW TO ESTABLISHING AN ADEQUATE MARKET FOR THE SHARES.**
8. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company or the Vendor. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
9. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

In the event of an under-subscription for Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

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

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through SGX-ST and by advertisement in a generally circulating daily press.

10. In the event that our Company lodges a supplementary or replacement prospectus (“Relevant Document”) pursuant to the Securities and Futures Act, Chapter 289 of Singapore or any application legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued and/or transferred, we will (as required by law) at the sole and absolute discretion of our Company and the Vendor either:
- (a) within 7 days from the lodgment of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdraw your application; or
 - (b) treat your application as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled and we shall refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from lodgment of the Relevant Document.

Where you have notified us within 14 days from the date of lodgment of the Relevant Document of your wish to exercise your option under paragraph 10(a) above to withdraw your application, we shall pay to you all monies paid by you on account of your application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, within 7 days from the receipt of such notification.

In the event that at the time of the lodgment of the Relevant Document, the Invitation Shares have already been issued and/or transferred but trading has not commenced, we will (as required by law) either:

- (c) within 7 days of the lodgment of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the Invitation Shares; or
- (d) subject to compliance with the Cayman Companies Law and our Articles, treat the issue and/or transfer of the Invitation Shares as void, in which case the issue shall be deemed to be void and we shall refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgment of the Relevant Document.

Where you have notified us within 14 days from the date of lodgment of the Relevant Document of your wish to exercise your option under paragraph 10(c) above to return the Invitation Shares issued and/or transferred to you, you shall return all documents, if any, purporting to be evidence of title to those Invitation Shares whereupon we shall, subject to compliance with the Cayman Companies Law and our Articles, pay to you all monies paid by you on account of your application for the Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, within 7 days from the receipt of such notification and documents, if any.

Additional terms and instructions applicable upon the lodgment of the Relevant Document, including instructions on how you can exercise the option to withdraw your application or return the Invitation Shares issued and/or transferred to you, may be found in such Relevant Document.

11. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to authorised operators.
12. Any reference to the “you” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares through the Placement Agent.

13. **BY COMPLETING AND DELIVERING AN APPLICATION FORM OR BY MAKING AND COMPLETING AN ELECTRONIC APPLICATION BY (IN THE CASE OF AN ATM ELECTRONIC APPLICATION) PRESSING THE “ENTER” OR “OK” OR “CONFIRM” OR “YES” OR ANY OTHER RELEVANT KEY ON THE ATM (AS THE CASE MAY BE) OR BY (IN THE CASE OF AN INTERNET ELECTRONIC APPLICATION) CLICKING “SUBMIT” OR “CONTINUE” OR “YES” OR “CONFIRM” OR ANY OTHER RELEVANT BUTTON ON THE IB WEBSITE SCREEN (AS THE CASE MAY BE) IN ACCORDANCE WITH THE PROVISIONS OF THIS PROSPECTUS, YOU:**
- (a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of the conditions set out in, this Prospectus and the Memorandum of Association and our Articles;
 - (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs of the Participating Banks, or the IB websites of the relevant Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
 - (c) agree that the aggregate Issue Price for the Invitation Shares applied for is due and payable to our Company and the Vendor forthwith; and
 - (d) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendor in determining whether to accept your application and/or whether to allot and/or allocate any Invitation Shares to you; and
 - (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Vendor, the Joint Issue Managers, and Underwriter and Placement Agent will infringe any such laws as a result of the acceptance of your application.
14. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendor being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the Invitation Shares on the Official List of the SGX-ST;
 - (b) no stop order which directs that no or no further shares to which this Prospectus related be allotted and/or allocated, has been issued by the Authority under the Securities and Futures Act, Chapter 289 of Singapore; and
 - (c) the Management and Underwriting Agreement and the Placement Agreement referred to in this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine.
15. In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority; and
- (a) the Invitation Shares have not been issued and/or sold, we will (as required by law) deem all applications withdrawn and cancelled and our Company (for itself as well as on behalf of the Vendor) shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or

- (b) If the Invitation Shares have already been issued and/or sold but trading has not commenced, the issue will (subject to compliance with the Cayman Companies Law and our Articles) be deemed void, and
 - (i) if documents purporting to evidence title had been issued to you, our Company (for itself as well as on behalf of the Vendor) shall inform you to return such documents to our Company within 14 days from the date; and
 - (ii) we (for ourselves as well as on behalf of the Vendor) will, subject to compliance with the Cayman Companies Law and our Articles, refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the date of receipt of those documents (if applicable) or the date of the stop order, whichever is later.

This shall not apply where only an interim stop order has been served.

In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued and/or sold to you until the Authority revokes the interim stop order.

- 16. The Authority is not able to serve a stop order in respect of the Invitation Shares if the Invitation Shares have been issued and/or transferred and listed on a securities exchange and trading in them has commenced.
- 17. We will not hold any applications in reserve.
- 18. We will not allot and/or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
- 19. The Issue Price for each Placement Share is S\$0.31.
- 20. The Issue Price for each Offer Share is S\$0.31. All payments in respect of any application for Offer Shares, and all refunds in respect of any unsuccessful applications thereto, shall be made in Singapore currency.
- 21. Additional terms and conditions for applications by way of Application Forms are set out on pages I-7 to I-10 of this Prospectus.
- 22. Additional terms and conditions for applications by way of Electronic Applications are set out on pages I-10 to I-19 of this Prospectus.
- 23. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a MASNET announcement to be posted on the Internet at the SGX-ST website www.sgx.com and through a paid advertisement in a local newspaper.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of Application Forms made on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on *“TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE”* on pages I-1 to I-6 of this Prospectus, as well as the Memorandum of Association and our Articles.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares and **WHITE** official envelope “A” and “B” for the Offer Shares and the **BLUE** Application Forms for Placement Shares, accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendor reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittance.**
2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading **“FOR OFFICIAL USE ONLY”** must be completed and the words **“NOT APPLICABLE”** or **“N.A.”** should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are a non-individual completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your memorandum of association and articles or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your memorandum of association and articles or equivalent constitutive documents must be lodged with our Share Registrar and Share Transfer Office. Our Company and the Vendor reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
 - (a) You must complete Sections A and B and sign page 1 of the Application Forms.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted), will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated

or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.

7. You may apply for the Invitation Shares using cash only. Each application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a **BANKER'S DRAFT** and **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**QINGMEI SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with the name and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by **ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED**. Remittances bearing the "**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings will be rejected. No acknowledgement of receipt will be issued by our Company, the Vendor, the Joint Issue Managers for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of the balloting after the close of the Application List at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. In the event that the Invitation is cancelled by us following the termination of the Management and the Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within five days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 14 days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:
 - (a) in consideration of our Company and the Vendor having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 15 March 2010** or such other date and/or time as our Company and the Vendor may, in consultation with the Joint Issue Managers and the Underwriter and Placement Agent, decide and by completing and delivering the Application Form, you agree that:
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendor;

- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and none of the Company, the Vendor, the Joint Issue Managers, and the Underwriter and Placement Agent or any other person involved in the Invitation, shall have any liability for any information not so contained;
- (f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, the share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendor, the Joint Issue Managers or other authorised operators; and
- (g) you irrevocably agree to subscribe for and/or purchase the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company and the Vendor decide to allot and/or allocate a smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

Applications For Offer Shares

1. Your applications for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;
 - (b) in the appropriate spaces on **WHITE** envelope "A":
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for;
 - (iii) tick the relevant box to indicate the form of payment; and
 - (iv) affix adequate Singapore postage;
 - (c) SEAL **WHITE** ENVELOPE "A";
 - (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, the number of Offer Shares you have applied for; and insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at your own risk to **Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623**, to arrive by **12.00 noon on 15 March 2010 or such other date and/or time as our Company and the Vendor may, in consultation with the Joint Issue Managers and the Underwriter and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their presentation are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope.

Applications For Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **BLUE** Placement Shares Application Form and your correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623**, to arrive by **12.00 noon on 15 March 2010 or such other date and/or time as our Company and the Vendor may, in consultation with the Joint Issue Managers and the Underwriter and Placement Agent, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their presentation are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications at ATMs are set out on the ATM screens (in the case on ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, DBS Bank and the UOB Group are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs of UOB Group and the IB website of UOB Group are set out respectively in the “Steps for Electronic Applications through ATMs of UOB Group and the IB website of UOB Group (the “Steps”) appearing on pages I-15 to I-19 of this Prospectus.

The Steps set out the actions that you must take at an ATM or IB website of UOB Group to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (“User ID”) and a Personal Identification Number/Password given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs of UOB Group or the IB website of UOB Group to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application, there will be an on-screen confirmation (“Confirmation Screen”) of the application which you can print out for your record. The

Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise, your application is liable to be rejected. You shall make an Electronic Application on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on *“TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE”* on pages I-1 to I-6 of this Prospectus as well as the Memorandum of Association and our Articles.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating the ATM for your Electronic Application:
 - (a) **that you have received a copy of this Prospectus (in the case of an ATM Electronic Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount (the “Relevant Particulars”) from your account with that Participating Bank to the Share Registrar, CDP, SCCS, our Company, the Vendor, the Joint Issue Managers (the “Relevant Parties”); and**
 - (c) **that this is your only application and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless you press the “Enter” or “OK” or “Confirm” or “Yes” key. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

1. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES, WHETHER AT THE ATM OR THE IB WEBSITES OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.

2. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application which does not conform strictly to the instructions set out on the screens of the ATM or IB website through which your Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Bank for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

3. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that our Company and the Vendor decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum of Association and our Articles.
4. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of applications. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List.

Responsibility for timely refund of application monies arising from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you (if any) before trading the Offer Shares on the SGX-ST. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon application for the service) and keying in the stock code (that will be made available together with the results of the allotment and/or allocation via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for this service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendor or the Joint Issue Managers assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

5. **If your Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Banks.**

If your Electronic Application is unsuccessful, no notification will be sent by such Participating Bank.

If you make Electronic Applications through the ATMs or IB websites of the following banks, you may check the results of your Electronic Applications as follows:

Bank	Telephone	Available at	Operating Hours	Service expected from
DBS Bank	1800 339 6666 (for POSB account holders) 1800 111 1111 (for DBS account holders)	Internet Banking or Internet Kiosk http://www.dbs.com ⁽¹⁾	24 hours	Evening of the balloting day
OCBC	1800 363 3333	Phone Banking/ATM/Internet banking/ http://www.ocbc.com ⁽²⁾	24 hours	Evening of the balloting day
UOB Group	1800 222 2121	ATM (Other Transactions — “IPO Enquiry”) http://www.uobgroup.com ^{(1) (3)}	24 hours	Evening of the balloting day

Notes:

- (1) If you make your Internet Electronic Applications through the IB website of DBS Bank or UOB Group, you may check the result of your application through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of DBS Bank or UOB Group.
- (2) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check the result of your application through the same channels listed in the table above.
- (3) If you make your Electronic Application through the ATMs or IB website of UOB Group, you may check the result of your application through UOB Personal UniBanking, UOB Group ATMs or UOB PhoneBanking Services.

6. **Electronic Applications shall close at 12.00 noon on 15 March 2010 or such other date and/or time as our Company and the Vendor may, in consultation with the Joint Issue Managers and the Underwriter and Placement Agent, decide.** An Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.
7. You are deemed to have irrevocably requested and authorised our Company and the Vendor to:
 - (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting of applications; and
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.

8. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendor, the Joint Issue Managers and if, in any such event, our Company, the Vendor, the Joint Issue Managers and/or the relevant Participating Bank do not receive your Electronic Application or tape or any other devices containing such data, or data relating to your Electronic Application is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendor, the Joint Issue Managers and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
9. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company and the Vendor will reject any application by any person acting as nominee except those made by approved nominee companies only.
10. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.
11. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.
12. BY MAKING AND COMPLETING AN ELECTRONIC APPLICATION, YOU ARE DEEMED TO HAVE AGREED THAT:
 - (a) in consideration of our Company and the Vendor making available the Electronic Application facility, through the Participating Banks acting as the agents of our Company and the Vendor, at the ATMs and the IB websites (if any):
 - (i) your Electronic Application is irrevocable; and
 - (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (b) none of our Company, the Vendor, the Joint Issue Managers or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
 - (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendor and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendor;
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and

- (e) reliance is placed solely on information contained in this Prospectus and that none of our Company, the Vendor, the Joint Issue Managers, and the Underwriter and Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained.

STEPS FOR ELECTRONIC APPLICATIONS THROUGH ATMS AND THE IB WEBSITE OF THE UOB GROUP

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through the ATMs or IB website of UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

Owing to space constraints on UOB Group's ATM screens, the following terms will appear in abbreviated form:—

"&"	:	and
"A/C" and "A/CS"	:	Account and Accounts, respectively
"ADDR"	:	Address
"AMT"	:	Amount
"APPLN"	:	Application
"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	Central Provident Fund Board
"CPFINVT A/C"	:	CPF Investment Account
"ESA"	:	Electronic Share Application
"IC/PSSPT"	:	NRIC or Passport Number
"NO" or "NO."	:	Number
"PERSONAL NO"	:	Personal Identification Number
"REGISTRARS"	:	Share Registrars
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"UOB/ICB CPFIS"	:	UOB or ICB CPF Investment Scheme
"YR"	:	Your

Steps for Electronic Application through the ATMs of UOB Group

- Step 1: Insert your personal Unicard, Uniplus card or UOB Visa/Master card and key in your personal identification number.
- 2: Select **"CASH CARD/OTHER TRANSACTIONS"**.
- 3: Select **"SECURITIES APPLICATION"**.
- 4: Select the share counter which you wish to apply for.
- 5: Read and understand the following statements which will appear on the screen:–

— **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS**

(Press **"ENTER"** to continue)

— **PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**

— **WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE SGX-ST WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**

(Please press **"ENTER"** key to confirm that you have read and understood the above statements.)

- 6: Read and understand the following terms which will appear on the screen:–

— **YOU HAVE READ, UNDERSTOOD & AGREED TO ALL THE TERMS OF THE PROSPECTUS/DOCUMENTS/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION**

— **YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YOUR A/CS TO CDP, CPF, SCCS, REGISTRARS, SGX-ST AND ISSUER/VENDOR(S)**

— **THIS IS YOUR ONLY FIXED PRICE APPLN & IS IN YOUR NAME & AT YR RISK**

(Please press **"ENTER"** to confirm)

- 7: Screen will display:–

NRIC/Passport No. XXXXXXXXXXXXX

IF YOUR NRIC NO/PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.

(Press **"CANCEL"** or **"CONFIRM"**)

- 8: Select mode of payment i.e. **"CASH ONLY"**. You will be prompted to select Cash Account type to debit (i.e., **"CURRENT ACCOUNT/I-ACCOUNT"**, **"CAMPUS"** OR **"SAVINGS ACCOUNT/TX ACCOUNT"**). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select
- 9: After you have selected the account, your Securities Account number will be displayed for you to confirm or change. (This screen with your Securities Account number will be shown for applicants whose Securities Account number is already stored in the ATM system of UOB). For an applicant who is using UOB's ATM for the first time to apply for Shares, the Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your Securities Account number.
- 10: Read and understand the following terms which will appear on the screen:–
 1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 2. **PLEASE USE YOUR OWN ATM CARD**
 3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
 4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
 5. **PRESS ENTER KEY**
- 11: Key in your Securities Account number (12 digits) and press the **"ENTER"** key.
- 12: Select your nationality status.
- 13: Key in the number of Shares you wish to apply for and press the **"ENTER"** key.
- 14: Check the details of your Electronic Application on the screen and press **"ENTER"** key to confirm your Electronic Application.
- 15: Select **"NO"** if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Owing to space constraints on UOB Group's IB website screens, the following terms will appear in abbreviated form:

"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	The Central Provident Fund
"NRIC" or "I/C"	:	National Registration Identity Card
"PR"	:	Permanent resident
"SGD" or "\$"	:	Singapore dollars
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"SGX"	:	Singapore Exchange Securities Trading Limited

Steps for Internet Electronic Application through the IB website of UOB Group

- Step 1: Connect to UOB website at <http://www.uobgroup.com>
- 2: Locate the Login icon on the top left hand corner next to "Internet Banking".
- 3: Click on Login and at the drop list select "UOB Personal Internet Banking".
- 4: Enter your Username and Password and click "**Submit**".
- 5: Select "EPS/IPO/CPFIS", followed by "Initial Public Offering" and click on "IPO Application".
- 6: Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions.
- 7: Click "**Continue**".
- 8: Select your country of residence (you must be residing in Singapore to apply), and click "**Continue**".
- 9: Select the IPO counter from the drop list (if there are concurrent IPOs), and click "**Continue**".
- 10: Check the share counter and select the mode of payment and account number to debit and click on "**Continue**".
- 11: Read the important instructions and click on "**confirm**" to confirm that:
1. **You have read, understood and agreed to all the terms and conditions of this application and the Prospectus/Document or Supplementary Document.**
 2. **You consent to disclose your name, I/C or passport number, address, nationality, Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, SGX, SCCS, CDP, CPF Board and issuer/vendor(s).**
 3. **This application is made in your own name, for your own account and at your own risk.**
 4. **For FIXED/MAX price share application, this is your only application. For TENDER price share application, this is your only application for at the selected tender price.**
 5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in SGD, based on the Bank's exchange profit or loss, or application monies may be debited and refunds credited in SGD at the same exchange rate.**
 6. **For 1ST-Come-1ST Serve securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**

12: Check your personal details, details of the share counter you wish to apply for and account to debit.

Select: (a) "Nationality"

Enter: (b) your Securities Account number; and

(c) the number of Shares applied for.

Click "**submit**"

13: Check your personal particulars (name, NRIC/Passport number and nationality), details of the share counter you wish to apply for, Securities Account number, account to debit and number of shares applied for.

14. Click "**Confirm**", "**Edit**" or "**Home**".

15: Print the Confirmation Screen (optional) for your reference and retention only.

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