

PROSPECTUS

THIS PROSPECTUS IS DATED
30 JULY 2009



MULTI SPORTS HOLDINGS LTD

(Bermuda Company No. 42425)

(Incorporated as an exempted company in Bermuda under the Companies Act 1981 of Bermuda)

(Malaysian Foreign Company Registration No. 995199-H)

(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

MULTI SPORTS HOLDINGS LTD

PROSPECTUS

THE INITIAL PUBLIC OFFERING OF 100,100,000 ORDINARY SHARES OF US\$0.05 EACH BY MULTI SPORTS HOLDINGS LTD COMPRISING:-

- (I) PUBLIC ISSUE OF 57,600,000 NEW ORDINARY SHARES OF US\$0.05 EACH COMPRISING:-
- 18,000,000 NEW ORDINARY SHARES OF US\$0.05 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC; AND
 - 39,600,000 NEW ORDINARY SHARES OF US\$0.05 EACH AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS;

AND

- (II) OFFER FOR SALE OF 42,500,000 ORDINARY SHARES OF US\$0.05 EACH AVAILABLE FOR PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE / OFFER PRICE OF RM0.85 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION PURSUANT TO OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Adviser, Sole Underwriter and Sole Placement Agent

AmInvestment Bank Berhad

(Company No.: 23742-V)
A member of



AmInvestment Bank
Group



FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 3 OF THIS PROSPECTUS

RESPONSIBILITY STATEMENTS

OUR DIRECTORS, PROMOTERS AND OFFERORS HAVE SEEN AND APPROVED THIS PROSPECTUS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN, AND CONFIRM THAT, AFTER HAVING MADE ALL REASONABLE ENQUIRIES, TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENTS OR OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING.

AmINVESTMENT BANK BERHAD, A MEMBER OF AmINVESTMENT BANK GROUP, AS THE ADVISER, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT FOR OUR INITIAL PUBLIC OFFERING ("IPO"), ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE IPO.

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION ("SC") HAS APPROVED OUR IPO. HOWEVER, THE APPROVAL OF THE SC FOR OUR IPO SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO.

THE SC SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

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YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 OF MALAYSIA.

ADMISSION TO THE OFFICIAL LIST OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF OUR IPO, OUR COMPANY OR OUR SECURITIES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE HEREIN BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS. BURSA SECURITIES MAKES NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS PROSPECTUS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THIS PROSPECTUS.

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THE BERMUDA MONETARY AUTHORITY HAS GIVEN ITS CONSENT TO THE ISSUE OF THE PUBLIC ISSUE SHARES AND THE SALE OF THE OFFER SHARES PURSUANT TO OUR IPO ON THE TERMS REFERRED TO IN THIS PROSPECTUS. A COPY OF THIS PROSPECTUS WILL BE FILED WITH THE REGISTRAR OF COMPANIES IN BERMUDA. THE BERMUDA MONETARY AUTHORITY IN GRANTING SUCH PERMISSION AND THE REGISTRAR OF COMPANIES IN BERMUDA IN ACCEPTING THIS PROSPECTUS FOR FILING ACCEPT NO RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF OUR GROUP OR ANY PROPOSAL OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS PROSPECTUS OR ANY OTHER DOCUMENTS.

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THIS PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT <http://www.bursamalaysia.com>. THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

YOU MAY OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT <http://www.eipocimb.com>, THE WEBSITE OF CIMB BANK BERHAD AT <http://www.cimbclicks.com.my>, THE WEBSITE OF MALAYAN BANKING BERHAD AT <http://www.maybank2u.com.my>, AND THE WEBSITE OF RHB BANK BERHAD AT <http://www.rhbbank.com.my>, VIA HYPERLINK TO THE WEBSITE OF BURSA SECURITIES.

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THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND SAVE FOR THE FILING OF A COPY OF THIS PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN BERMUDA, THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

THIS PROSPECTUS IS PUBLISHED SOLELY IN CONNECTION WITH OUR IPO. THE SHARES BEING OFFERED IN OUR IPO ARE OFFERED SOLELY ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THIS PROSPECTUS. NEITHER WE NOR THE ADVISER HAVE AUTHORISED ANYONE TO PROVIDE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS, AND ANY INFORMATION OR REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY US, THE ADVISER, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT, ANY OF THEIR RESPECTIVE DIRECTORS, OR ANY OTHER PERSON INVOLVED IN OUR IPO.

THIS PROSPECTUS HAS BEEN PREPARED IN THE CONTEXT OF AN IPO UNDER THE LAWS OF MALAYSIA. THIS PROSPECTUS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA. WE, OUR PROMOTERS, AND THE ADVISER HAVE NOT AUTHORISED AND TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. NO ACTION HAS BEEN TAKEN TO PERMIT A PUBLIC OFFERING OF OUR SHARES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA.

THE CIRCULATION OF THIS PROSPECTUS AND THE ISSUE, OFFER OR INVITATION OF THE SECURITIES MAY BE RESTRICTED IN CERTAIN JURISDICTIONS OUTSIDE MALAYSIA AND THEREFORE PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES SHALL SEEK ADVICE ON AND OBSERVE ANY SUCH RESTRICTIONS. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OR INVITATION TO SUBSCRIBE OR PURCHASE, ANY SHARES UNDER OUR IPO IN ANY COUNTRY OR JURISDICTION IN WHICH SUCH OFFER OR INVITATION IN ANY COUNTRY OR JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

THIS PROSPECTUS DOES NOT CONSTITUTE AN ISSUE, OFFER OR INVITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH ISSUE, OFFER OR INVITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH ISSUE, OFFER OR INVITATION.

IT SHALL BE YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND / OR OTHER PROFESSIONAL ADVISERS ON THE LAWS TO WHICH THE IPO OR YOU ARE OR MIGHT BE SUBJECTED. IT SHALL BE YOUR SOLE RESPONSIBILITY IF YOU ARE OR MAY BE SUBJECT TO THE LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT YOUR LEGAL AND / OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE IPO WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS. NEITHER WE NOR THE ADVISER NOR ANY OTHER ADVISERS IN RELATION TO OUR IPO SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, VOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE IPO WOULD BE IN COMPLIANCE WITH THE TERMS OF THE IPO AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE IPO IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

OUR SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"). OUR SHARES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO US PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT ("**REGULATION S**")), EXCEPT IN A TRANSACTION PURSUANT TO AN EXEMPTION FROM, OR A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT. ACCORDINGLY, OUR SHARES ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES IN RELIANCE ON REGULATION S.

THIS PROSPECTUS AND THE ISSUE, OFFER OR INVITATION OF THE PUBLIC OFFERING ARE NOT IN DEROGATION OF OR IN CONTRAVENTION OF ANY OF THE APPLICABLE LAWS AND REGULATIONS OF THE JURISDICTION IN WHICH THE FOREIGN CORPORATION IS INCORPORATED / REGISTERED, PROVIDED THAT THE PERMISSIONS OBTAINED FROM THE BERMUDA MONETARY AUTHORITY IN RELATION TO THE IPO REMAIN IN FULL FORCE AND EFFECT AND HAVE NOT BEEN AMENDED OR RESCINDED, AND SAVE FOR THE FILING OF THE PROSPECTUS WITH THE REGISTRAR OF COMPANIES IN BERMUDA IN ACCORDANCE WITH THE COMPANIES ACT 1981 OF BERMUDA WHICH FILING WILL BE MADE.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE IPO, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing and quotation of our entire enlarged share capital on the Main Market of Bursa Malaysia Securities Berhad is set out below: -

<u>Date</u>	<u>Event</u>
30 July 2009	: Publication of Prospectus / Opening date of the application for the IPO

Tentative Dates

7 August 2009	: Closing date of the application for the IPO
11 August 2009	: Balloting of application for the IPO Shares
18 August 2009	: Allotment and allocation of the IPO Shares to successful applicants
19 August 2009	: Listing

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 P.M. ON 7 AUGUST 2009 OR FOR SUCH FURTHER PERIOD OR PERIODS AS OUR DIRECTORS, OFFERORS AND PROMOTERS TOGETHER WITH OUR SOLE UNDERWRITER IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE.

IN THE EVENT THAT THE CLOSING DATE OF THE IPO IS EXTENDED, THE DATES FOR THE BALLOTING, ALLOTMENT AND ALLOCATION OF THE IPO SHARES AND THE LISTING OF MULTI SPORTS WILL BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE ABOVEMENTIONED DATES WILL BE ANNOUNCED BY WAY OF ADVERTISEMENT IN A WIDELY CIRCULATED BAHASA MALAYSIA AND ENGLISH DAILY NEWSPAPER IN MALAYSIA.

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DEFINITIONS

In this Prospectus and the accompanying Application Form(s), unless where the context requires otherwise, the following definitions/ words and abbreviations shall have the following meanings: -

1Q	:	Financial period commencing 1 January to 31 March
361°	:	361° (Fujian) Sports Goods Co., Ltd. (三六一度 (福建) 体育用品有限公司), an indirect wholly-owned subsidiary of 361 Degrees International Limited (361 度国际有限公司)
Acquisition Of Multi Sports Shares By Power Wide	:	The acquisition by Power Wide of the 20 Shares held directly by Lin Huozhi, for a nominal amount of US\$1.00, which was wholly satisfied by cash
Acquisition Of Paksing	:	The acquisition by Multi Sports of the entire issued and paid-up share capital of Paksing comprising 12,175 ordinary shares of HK\$1.00 each in Paksing, for an aggregate purchase consideration of US\$15,119,999, which was wholly satisfied by the issuance of an aggregate of 302,399,980 new Multi Sports Shares each credited as fully paid at par value of US\$0.05 per Share
Acquisitions	:	The Acquisition Of Paksing and Acquisition Of Multi Sports Shares By Power Wide, collectively.
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Admission	:	Admission of the Shares to the Official List of the Main Market of Bursa Securities
Adviser	:	AmInvestment Bank
AmInvestment Bank	:	AmInvestment Bank Berhad (23742-V), a member of AmInvestment Bank Group
Application(s)	:	The application(s) for the subscription of the Public Issue Shares by way of Application Forms, Electronic Share Application or Internet Share Application
Application Form(s)	:	The official printed application form(s) for the Application of the IPO Shares
ATM	:	Automated Teller Machine
Authorised Financial Institution(s)	:	The authorised financial institution(s) participating in the Internet Share Application, with respect to payments for the Public Issue Shares made available for subscription under the Public Issue
Baixing	:	Jinjiang Baixing Shoe Material Co., Ltd. (晋江百兴鞋材有限公司) (PRC company registration no. 350500400027080), a company established in Jinjiang City, Fujian Province, China
Bermuda Companies Act	:	The Companies Act 1981 of Bermuda, as amended, supplemented or modified from time to time
Board or Board of Directors	:	The Board of Directors of our Company as at the date of this Prospectus
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W), a subsidiary of Bursa Securities
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)

DEFINITIONS (Cont'd)

BVI	:	British Virgin Islands
Bye-laws	:	The bye-laws of our Company as amended, supplemented or modified from time to time
CDS	:	Central Depository System
Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991 of Malaysia, including any statutory modification, amendment or re-enactment thereof for the time being in force
CEO	:	Chief Executive Officer
China or PRC	:	The People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
CMSA	:	The Capital Markets and Services Act 2007 of Malaysia, including any statutory modification, amendment or re-enactment thereof
Consolidation	:	The consolidation of every five (5) existing ordinary shares of US\$0.01 each in the authorised and issued share capital of Multi Sports into one (1) ordinary share of US\$0.05
Deposited Security	:	A security in the Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Rules
Depositor	:	A holder of a Securities Account
Director(s)	:	The director(s) of our Company as at the date of this Prospectus
EBIDTA	:	Earnings before interest, depreciation, taxation and amortisation
EIT	:	Enterprise Income Tax
Electronic Prospectus	:	A copy of this Prospectus that is published, circulated or disseminated via the Internet, and / or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application	:	An application for subscription or purchase of the IPO Shares through Participating Financial Institutions' ATM, in accordance with the terms and conditions of this Prospectus
EPS	:	Earnings per Share
EU	:	European Union
FIE	:	Foreign investment enterprise under the PRC laws
Fujian Xdlong	:	Fujian Xdlong Sports Equipment Co., Ltd. (福建喜得龙体育用品有限公司)
FYE	:	Financial year ended or, as the case may be, ending 31 December
GDP	:	Gross domestic product
GGMC	:	GuoLine Group Management Co. Limited

DEFINITIONS (Cont'd)

Guohui	: Fujian Guohui Shoe Industry Co., Ltd. (福建国晖鞋业有限公司)
Hong Kong	: Hong Kong Special Administrative Region of the PRC
HK\$ and HK cents	: Hong Kong dollars and cents, respectively
Increase In Authorised Share Capital	: The increase of our authorised share capital from US\$10,000 comprising 200,000 ordinary shares of US\$0.05 each (after the Consolidation) to US\$50,000,000 comprising 1,000,000,000 ordinary shares of US\$0.05 each
Internet Participating Financial Institution(s)	: Participating organisation(s) in the Internet Share Application, as listed in Section 19.6.2 of this Prospectus
Internet Share Application	: Application for subscription of the Public Issue Shares through an Internet Participating Financial Institution
IPO	: Initial public offering in Malaysia comprising the Public Issue and Offer For Sale, collectively
IPO Price	: RM0.85 per IPO Share, being the price payable by investors under the Public Issue / Offer For Sale
IPO Share(s)	: The Public Issue Shares and Offer Shares, collectively
ISO	: International Organisation for Standardisation
JHX	: Jinjiang Huoxing Investment Co., Ltd. (晋江火星投资有限公司), formerly known as "Fujian Jinjiang Huoxing Shoe Material Co., Ltd." (福建省晋江市火星鞋材有限公司)
LPD	: 20 June 2009, being the latest practicable date prior to the publication of this Prospectus by our Company
Listing	: Admission to the Official List and the listing and quotation of our entire issued and paid-up share capital on the Main Market of Bursa Securities
Listing Requirements	: The Listing Requirements of Bursa Securities, as amended, supplemented or modified from time to time
Listing Scheme	: The Consolidation, Increase In Authorised Share Capital, Acquisitions, Public Issue, Offer For Sale and Listing, collectively
Malaysian Code	: The Malaysian Code on Take-Overs and Mergers, 1998, including any statutory modification, amendment or re-enactment thereof from time to time
Malaysian Companies Act	: The Companies Act, 1965 of Malaysia, including any statutory modification, amendment or re-enactment thereof from time to time
Malaysian Public or Public	: Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	: A day on which Bursa Securities is open for trading in securities
Memorandum or Memorandum of Association	: The memorandum of association of our Company as amended, supplemented or modified from time to time
MI	: Minority interest

DEFINITIONS (Cont'd)

MIH or Issuing House	:	Malaysian Issuing House Sdn Bhd (258345-X)
Multi Sports or Company	:	Multi Sports Holdings Ltd (Bermuda Company No. 42425) (Malaysia Foreign Company Registration No. 995199-H), incorporated in Bermuda as an exempted company under the Bermuda Companies Act and registered as a foreign company in Malaysia under the Malaysian Companies Act
Multi Sports Group or Group	:	Multi Sports and our subsidiaries, Paksing and Baixing
Multi Sports Share(s) or Share(s)	:	Ordinary shares of US\$0.05 each in the capital of Multi Sports
N/a	:	Not applicable
NA	:	Net assets
NTA	:	Net tangible assets
Offer For Sale	:	The invitation by the Offerors to selected investors to purchase the Offer Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Offer Shares	:	42,500,000 issued and fully paid-up Shares, which are the subject of the Offer For Sale
Offerors	:	Power Wide, Lim Geok Tin, Fortune United Investment Limited, Supreme Business Investments Limited, and Houton Limited, collectively
Official List	:	The official list of the Main Market of Bursa Securities
Participating Financial Institution(s)	:	The participating financial institution(s) for Electronic Share Application, as listed in Section 19.5.2(o) of this Prospectus
Paksing	:	Pak Sing Shoe Material (H.K.) Limited (百勝鞋材(香港)有限公司) (Hong Kong business registration certificate no. 33677256-000-06-08-0 and company no. 849373), a company incorporated in Hong Kong
PAT	:	Profit after taxation
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
Power Wide	:	Power Wide Holdings Limited (BVI Company No. 1496830), a company incorporated in BVI
Prescribed Security	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules
Promoters	:	Power Wide and Lin Huozhi, collectively
Prospectus	:	This Prospectus dated 30 July 2009 issued by our Company in respect of the IPO
Public Issue	:	The invitation by our Company to the Public to subscribe for the Public Issue Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus

DEFINITIONS (Cont'd)

Public Issue Shares	: The 57,600,000 new Shares, which are the subject of the Public Issue
Quality Reliable Products	: The "Quality Reliable Products" (质量信得过产品) award, which is awarded by China Light Industry Products Guarantee Centre (中国中轻产品质量保障中心)
R&D	: Research and development
RCLS Agreements	: Collectively the investment agreement dated 12 May 2009 and novation agreement dated 21 May 2009 pursuant to which GGMC subscribed for Redeemable Convertible Loan Stocks in Paksing, which was subsequently converted into 2,175 ordinary shares of HK\$1.00 each in Paksing prior to the Acquisition Of Paksing, based on the terms and conditions of the said agreements
Record of Depositors	: A record provided by Bursa Depository to the Company under Chapter 24.0 of the Rules
RM and sen	: Ringgit Malaysia and sen, respectively
RMB and RMB cents	: PRC Renminbi and cents, respectively
ROC	: Registrar of Companies, Malaysia
Rules	: The Rules of Bursa Depository
S\$ and S\$ cents	: Singapore dollars and cents, respectively
SAFE	: State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局)
SC	: Securities Commission of Malaysia
SC Guidelines	: SC's Guidelines on the Offering of Equity and Equity-linked Securities, as amended, supplemented or modified from time to time
Securities Account	: An account established by Bursa Depository for a Depositor for the purpose of recording the deposit of securities and for dealing in such securities by the Depositor
Shareholders	: Registered holders of our Shares
Sole Placement Agent	: AmInvestment Bank
Sole Underwriter	: AmInvestment Bank
sq m	: Square metres
Ton or tonnes	: Metric tonnes
Underwriting Agreement	: The underwriting agreement dated 3 July 2009 made between the Company and the Sole Underwriter for the underwriting of 18,000,000 Public Issue Shares upon the terms and subject to the conditions contained therein
US	: United States of America
US\$ and US cents	: US dollars and cents
WFOE	: Wholly foreign-owned enterprise under the PRC laws

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides a description of some of the technical terms and abbreviations commonly found in our industry. The terms and their assigned meanings may not correspond to standard industry or common meanings, or usage of these terms, as the case may be: -

BR	: Polybutadiene rubber, one of the main raw materials used in the production of our RB shoe soles
EVA	: Ethylene vinyl acetate, a key component of our EVA shoe soles which provides elasticity, softness and flexibility
EVA compound pellets	: Pellets resulting from the granulating process of EVA resin, used in the production of EVA shoe soles
insole or inner sole	: A thin layer of material that is glued to the top of the midsole. The insole is in contact with the sole of the foot, and serves as a cushion padding to the sole of the foot
MD or Phylon	: A type of lightweight material made of EVA pellets which is produced using the EVA double-foaming process, and which is commonly used in the production of midsoles
midsole	: A piece of material located between the outsole and insole. Controls excessive foot motion, provides stability and cushioning, and absorbs shock
outsole	: The threaded layer glued to the bottom of the midsole. Outsoles are in direct contact with the ground, resist wear and tear, and provide traction
PS	: Polystyrene, a chemical thermoplastic substance used as a base chemical in the production of TPR pellets
RB	: Rubber, a key component of our shoe soles which provides high resistance to wear and tear
SBR	: Styrene butadiene rubber, one of the main raw materials used in the production of our RB shoe soles
SVR	: Standard Vietnamese rubber, one of the main raw materials used in the production of our RB shoe soles
TPE	: Thermoplastic elastomers, one of the main raw materials used in the production of our TPR shoe soles
TPR	: Thermoplastic rubber, a key component of our TPR shoe soles which exhibits elastic characteristics at room temperature and thermoplastic or viscous characteristics at high temperature
TPR compound pellets	: Pellets resulting from the granulating process of TPE, used in the production of our TPR shoe soles
TPU	: Thermoplastic polyurethane, a component of our EVA and TPR shoe soles which increases the aesthetic value of our shoe soles
upper	: The top part of footwear that is stitched and/or glued to the shoe sole

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INTERPRETATION

All references to “Company” and “Multi Sports” in this Prospectus are to Multi Sports Holdings Ltd, references to “our Group” is to our Company and our subsidiaries, and references to “we”, “us”, “our” and “ourselves” are to our Company, and where the context requires, our Company and our subsidiaries.

Unless the context otherwise requires, references to “management” are to our Directors and key management personnel as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our Directors.

Certain acronyms, technical terms and other abbreviations used are defined in the “Definitions” and “Glossary of technical terms” section of this Prospectus. Words denoting the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include companies or corporations.

Multi Sports is a foreign incorporated company and not incorporated under the Malaysian Companies Act. However, for your ease of reference and understanding, all substantial shareholders and their indirect shareholdings in Multi Sports have been identified based on Section 69D and Section 6A of the Malaysian Companies Act.

Any reference in this Prospectus, the Application Form(s), Electronic Share Applications or Internet Share Applications to any legislation, statute or statutory provision is a reference to that legislation, statute or statutory provision for the time being as amended or re-enacted, and to any repealed legislation, statute or statutory provision which it re-enacts (with or without modification). Any word defined in the Malaysian Companies Act, Bermuda Companies Act, CMSA, Listing Requirements or any statutory modification thereof and used in this Prospectus and the Application Form(s) shall, where applicable, have the meaning ascribed to it under the Malaysian Companies Act, Bermuda Companies Act, CMSA, Listing Requirements or any statutory modification thereof (as the case may be).

Any reference to a time of day in this Prospectus, the Application Form(s), Electronic Share Applications or Internet Share Applications shall be a reference to Malaysia time unless otherwise stated.

Certain names, phrases, statements, terminology and other references originally in Chinese text in source documents / materials have been translated into English in this Prospectus solely for the convenience of readers. The Chinese text may be subject to differing interpretations and translations and accordingly no representation is made that, any such translations into English accurately reflect the Chinese text or meaning of the relevant original source documents / materials. Such translations 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.

The information on our websites, or any website directly or indirectly linked to such websites does not form part of this Prospectus and you should not rely on it.

The term “entity” includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest tenth/ hundredth or one/ two decimal places. Any numeric discrepancies in the tables included in this Prospectus between the listed amounts and the totals thereof are due to rounding differences.

In this Prospectus, references to “a person who is deemed connected” with another are references to such persons as defined under Section 122A of the Malaysian Companies Act. A person shall be deemed connected to a Director or substantial Shareholder of Multi Sports if he is: -

- (a) a member of that Director’s or substantial Shareholder’s family, which is defined to include his spouse, parent, child (including adopted child and step-child), brother, sister and the spouse of his child, brother or sister;
- (b) a body corporate that is associated with that Director or substantial Shareholder;

INTERPRETATION (Cont'd)

- (c) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which that Director or substantial Shareholder or member of his family is a beneficiary; or
- (d) a partner of that Director or substantial Shareholder, or a partner of a person connected with the Director or substantial Shareholder.

In this Prospectus, references to "a substantial Shareholder" shall have the meaning defined under the Malaysian Companies Act. A person has a substantial shareholding in a company: -

- (a) if he has an interest or interests in one or more voting shares in the company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five per centum of the aggregate of the nominal amounts of all the voting shares in the company; or
- (b) if, being a company the share capital of which is divided into two or more classes of the shares, if he has an interest or interests in one or more voting shares included in one of those classes and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is not less than five per centum of the aggregate of the nominal amounts of all the voting shares included in that class.

"A body corporate is associated with a director or substantial shareholder" as defined under the Malaysian Companies Act, if: -

- (a) the body corporate is accustomed or is under an obligation, whether formal or informal, or its directors or substantial shareholders are accustomed, to act in accordance with the directions, instructions or wishes of that director or substantial shareholder;
- (b) that director or substantial shareholder has a controlling interest in the body corporate; or
- (c) that director or substantial shareholder or persons connected with him, or that director or substantial shareholder and persons connected with him, are entitled to exercise, or control the exercise of, not less than fifteen per centum of the votes attached to the voting shares in the body corporate.

This Prospectus contains forward-looking statements, which are statements other than statements of historical facts, and are based on assumptions that are subject to known and unknown risks, uncertainties and contingencies. The words, such as "believe", "plan", "expect", "intend", "estimate" and similar expressions are used to identify such forward-looking statements. These forward-looking statements represent our Directors' views and beliefs with respect to the future of our Group, and do not constitute a guarantee of the future performance of our Group.

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EXCHANGE RATES

The average and closing exchange rates as outlined in the table below, are extracted from published information by Bloomberg L.P.. The average exchange rate for each financial period is the average of the closing exchange rates on the last day of each month during that financial period. These exchange rates have been presented solely for information only and should not be construed as a representation that those RMB or US\$ amounts could have been, or could be, or was converted into RM, at any particular rates, the rates stated below, or at all.

	RMB : RM rate		US\$: RM rate	
	Average	Closing	Average	Closing
FYE 2006	0.4600	0.4523	3.6667	3.5280
FYE 2007	0.4518	0.4528	3.4360	3.3067
FYE 2008	0.4799	0.5068	3.3323	3.4600
1Q 2009	0.5302	0.5335	3.6252	3.6455

(Source: Bloomberg L.P.)

The high and low exchange rates between RMB and RM, and between US\$ and RM for each of the past six (6) months prior and up to the LPD were as follows: -

	RMB : RM rate		US\$: RM rate	
	High	Low	High	Low
December 2008	0.5325	0.5033	3.6474	3.4390
January 2009	0.5306	0.5049	3.6285	3.4513
February 2009	0.5427	0.5233	3.7120	3.5763
March 2009	0.5466	0.5281	3.7390	3.6095
April 2009	0.5353	0.5176	3.6578	3.5425
May 2009	0.5236	0.5059	3.5750	3.4655

(Source: Bloomberg L.P.)

As at 19 June 2009, the closing exchange rate between RMB and RM was RMB1 to RM0.5172, whilst the closing exchange rate between US\$ and RM was US\$1 to RM3.5290.

The above exchange rates have been calculated with reference to exchange rates quoted from Bloomberg L.P. and should not be construed as representations that the RMB or US\$ amounts actually represent such amounts or could be or was converted into the RM at the rate indicated, or at any other rate, or at all. Fluctuations in the exchange rates between the RMB and the RM will affect the RMB equivalent of the RM price of our Shares on Bursa Securities and the RM equivalent of any cash dividend paid by us in RMB.

We believe that we have extracted the relevant information in its proper form and context in this Prospectus, and have not verified the above exchange rates.

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Address	Nationality / Occupation
Mr. Lin Huozhi (林火枝)	Executive Chairman and CEO	No. 11 Shanhe Road Yanshang Village Chendai Town, Jinjiang City Fujian Province, China (福建省晋江市陈埭镇奄 上村善和路11号)	China / Director
Ms. Lin Liying (林丽影)	Executive Director	No. 11 Shanhe Road Yanshang Village Chendai Town, Jinjiang City Fujian Province, China (福建省晋江市陈埭镇奄 上村善和路11号)	China / Director
Mr. Huang Weimin (黄卫民)	Executive Director	Block E-411, No. 66 Xinghu Road Licheng District, Quanzhou City China (泉州市鲤城区星湖路66 号E幢411室)	China / Director
Mr. Chan Chiu Hung Alex	Independent Non- Executive Director	Flat J, 4/F, 43 Ma Tau Wai Road Hung Hom Kowloon Hong Kong	China (Hong Kong) / Director
Ms. Gong Ane (龚安娥)	Independent Non- Executive Director	Room 27E, Block 1, Tianhu Park No. 50 Tianhu Road Xiamen City Fujian Province, China (福建省厦门市天湖路50 号天湖苑1座27E室)	China / Director
Mr. Lee Kian Hu	Independent Non- Executive Director	106, Jalan Sri Pelangi Taman Pelangi 80400 Johor Bahru Johor Malaysia	Malaysian / Director

AUDIT COMMITTEE

Name	Designation	Directorship
Mr. Chan Chiu Hung Alex	Chairman of Audit Committee	Independent Non-Executive Director
Ms. Gong Ane	Member of Audit Committee	Independent Non-Executive Director
Mr. Lee Kian Hu	Member of Audit Committee	Independent Non-Executive Director

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CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARY : Richard J. Evans*
Clarendon House, 2 Church Street
Hamilton HM11
Bermuda

Wong Wei Fong (MAICSA 7006751)
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

Note: -

* Richard J. Evans will resign as Company Secretary and be appointed Assistant Company Secretary upon our Listing on Bursa Securities.

COMPANY AGENT IN MALAYSIA : PFA Corporate Consultants Sdn Bhd
Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2264 8888
Facsimile No. : +6 (03) 2282 2733

REGISTERED OFFICE IN BERMUDA : Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Telephone No. : +1 (441) 295 1422
Facsimile No. : +1 (441) 292 4720

REGISTERED OFFICE IN MALAYSIA : Level 18, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2264 8888
Facsimile No. : +6 (03) 2282 2733

HEAD OFFICE / PRINCIPAL PLACE OF BUSINESS : Yanshang Industry Zone
Chendai Town
Jinjiang City
Fujian Province
China
Telephone No. : +86 (595) 8205 8888
Facsimile No. : +86 (595) 8508 3788
E-mail : admin@baixingshoes.com

REGISTRARS AND TRANSFER OFFICE IN MALAYSIA : Tenaga Koperat Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2264 3883
Facsimile No. : +6 (03) 2282 1886

BERMUDA SHARE REGISTRARS : Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Telephone No. : +1 (441) 295 1422
Facsimile No. : +1 (441) 292 4720

CORPORATE DIRECTORY (Cont'd)

- AUDITORS** : Foo Kon Tan Grant Thornton
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry
Building
Singapore 179365
Telephone No. : +65 6336 3355
Facsimile No. : +65 6337 2197
- REPORTING ACCOUNTANTS** : SJ Grant Thornton (AF:0737)
Level 11, Faber Imperial Court
Jalan Sultan Ismail
P.O. Box 12337
50774 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2692 4022
Facsimile No. : +6 (03) 2732 5119
- SOLICITORS FOR THE LISTING** : Wong Beh & Toh
Advocates & Solicitors
Level 12, West Block
Wisma Selangor Dredging
142-C, Jalan Ampang
50450 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2713 6050
Facsimile No. : +6 (03) 2713 6052
- LEGAL ADVISERS TO THE
COMPANY ON BERMUDA LAW** : Conyers Dill & Pearman Pte. Ltd.
50 Raffles Place #18-04
Singapore Land Tower
Singapore 048623
Telephone No. : +65 6223 6006
Facsimile No. : +65 6223 7887
- LEGAL ADVISERS TO THE
COMPANY ON PRC LAW** : Grandall Legal Group (Guangzhou)
9/F, Cheng Jian Building
189 Ti Yu Xi Road
Guangzhou
China 510620
Telephone No. : +86 (20) 3879 9345
Facsimile No. : +86 (20) 3879 9335
- LEGAL ADVISERS TO THE
COMPANY ON HONG KONG
LAW** : Gallant Y. T. Ho & Co
5th Floor, Jardine House
1 Connaught Place, Central
Hong Kong
Telephone No. : +852 2526 3336
Facsimile No. : +852 2845 9294
- PRINCIPAL BANKERS** : Quanzhou City Commercial Bank
Hepingzhong Road
Qingyang, Jinjiang City
Fujian Province
China 362200
Telephone No. : +86 (595) 8508 3829
- Industrial and Commercial Bank of China
Chongde Road
Qingyang, Jinjiang City
Fujian Province
China 362200
Telephone No. : +86 (595) 8586 2680

CORPORATE DIRECTORY (Cont'd)

- INDEPENDENT MARKET RESEARCH CONSULTANTS** : Vital Factor Consulting Sdn Bhd (266797-T)
75C & 77C, Jalan SS22/19
Damansara Jaya
47400 Petaling Jaya
Selangor Darul Ehsan
Telephone No. : +6 (03) 7728 0248
Facsimile No. : +6 (03) 7728 7248
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (258345-X)
27th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2693 2075
Facsimile No. : +6 (03) 2693 0858
- ADVISER, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT** : AmInvestment Bank Berhad (23742-V)
(a member of AmInvestment Bank Group)
22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2036 2633
Facsimile No. : +6 (03) 2070 8596
- LISTING SOUGHT** : Main Market of Bursa Securities

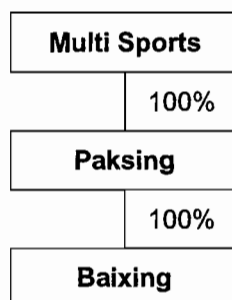
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1. INFORMATION SUMMARY

THIS INFORMATION SUMMARY IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP. YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN OUR SHARES. THE SUMMARY INFORMATION SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 HISTORY AND BUSINESS

As at the date of this Prospectus, our Group structure is as follows: -



Our subsidiaries and their respective principal activities are as follows: -

Corporation	Date / place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Paksing	11 June 2003 / Hong Kong	HK\$12,175	100	Investment holding
Baixing	28 May 2004 / China	HK\$20,000,000	100	Design, development and manufacture of sports-shoe soles

The business of Multi Sports is that of an investment holding company. Through Multi Sports' subsidiaries, our Group is principally involved in designing, developing and manufacturing sports-shoe soles.

We are a one-stop specialist in serving the shoe-sole requirements of China's sports-footwear industry. We are vertically integrated and possess the ability to process raw materials to produce all the components required for our shoe-sole offering, and also the ability to develop and design shoe-soles in-house. We work closely with customers to fine-tune designs to their specifications and we are known in the industry as providers of "Huoxing" brand shoe soles.

We currently operate in Jinjiang City, Fujian Province, China, which is China's sports-shoe manufacturing capital and one of the world's largest sports-shoe manufacturing centres. In 2007, Jinjiang City accounted for approximately 20% of the total sports-shoe production in the world*. Jinjiang City was bestowed the title of "China's Shoe Capital" in 2001* and "National Sports Industry Base" by China's State General Administration of Sport in 2007*.

Note:-

* Based on various public sources available.

Lin Huozhi, Executive Chairman and founder, is reputedly amongst the earliest entrepreneurs involved in shoe-sole production in Jinjiang City, and one of the pioneers that have contributed to the growth and development of Jinjiang City's status as sports-shoe capital of China.

The history of our Group can be traced back to 1993, when Lin Huozhi commenced the production of rubber (RB) shoe soles with two (2) assistants. RB shoe soles are durable, provide good traction, waterproof, oil-resistant and anti-static.

1. INFORMATION SUMMARY (Cont'd)

After four (4) years experience in the shoe-sole manufacturing industry, Lin Huozhi commenced operations on a larger scale in Yanshang Industry Zone, Chendai Town, Jinjiang City, Fujian Province, China, where we currently operate.

In 1995, thermoplastic rubber (TPR) shoe soles was added to his range of product offerings. In addition to being highly durable, TPR shoe soles are lighter than RB shoe soles, and have better cushioning abilities. From 1996 to 2001, he progressively expanded production capacity and improved operational efficiencies by investing in new production equipment, whilst continuously honing industry expertise and know-how.

In 1999, JHX was established to house Lin Huozhi's entire business operations (*which has now been taken over by Baixing since 2005*). In 2000, JHX began in-house production of TPR compound pellets, which is vital to improve raw-material quality control, lower production costs and eliminate reliance on third-party suppliers.

In 2003, EVA MD I shoe soles was added to JHX's product offerings and manufacturing capacity was increased. EVA MD I shoes soles are lighter, softer and provides even better cushioning and shock-absorbance qualities as compared to TPR shoe soles, thus commanding higher sale prices and profit margins.

In 2006, EVA MD II was launched with further improved features, such as enhanced elasticity and shock-absorbing characteristics, which was infused in new shoe-sole designs used in high-impact sports, such as basketball and tennis. Our offering of more advanced EVA products directly contributed to increasing orders from customers and enhanced our position in the industry.

In 2008, in-house production of EVA compound pellets began, which is a crucial component for EVA shoe-sole production. This has reduced production costs, increased profit margins and eliminated reliance on third-party suppliers. In the same year, Baixing received the "Quality Reliable Products" award, a testament to the quality of its products by China Light Industry Products Guarantee Centre.

Since inception, we have grown from a small-scale shoe-sole producer to a well-established sports-shoe-sole designer and manufacturer in Jinjiang City, with approximately 300 customers including Guohui, 361° and Xdlong, which are manufacturers of well-known local sports-shoes brands.

Our product range has grown from a single RB shoe-sole design to four main types of shoe soles (EVA MD I, EVA MD II, TPR and RB) comprising approximately 300 designs in 2008. From 2005 to 2008, annual production has grown from approximately 4.9 million to 22.0 million pairs of shoe soles and as at end 2008, our Group has a 1,900-strong workforce. The built-up area of the facilities used in Multi Sports Group's manufacturing activities is approximately 15,200 sq m.

As at LPD, the built-up area for our production facilities is approximately 15,200 sq m. We currently have twelve (12) production lines for RB shoe soles and shoe-sole components, six (6) production lines each for EVA MD II and EVA MD I shoe soles, and five (5) production lines for TPR shoe soles. In addition, we have twelve (12) production lines for TPU-component manufacturing, six (6) production lines for assembling and fusing together the various components of shoe soles, and one (1) production line each for manufacturing EVA compound pellets and TPR compound pellets.

To the best knowledge and belief of our Directors, we have consistently been at the forefront and amongst the pioneers in adopting the latest production process technologies comprising the conceptualisation and transformation of basic raw materials into key components with differing attributes and final designs with enhanced functional characteristics. Looking at our production capacity and integrated manufacturing expertise to produce our own compound pellets that are main raw materials for TPR and EVA shoe soles, and manufacture the complete range of components used in our sports-shoe sole offerings, we believe we are currently one of the top five sports-shoe-sole manufacturers in Jinjiang City.

1. INFORMATION SUMMARY (Cont'd)

1.1.1 Incorporation and restructuring

Multi Sports was incorporated in Bermuda under the Bermuda Companies Act on 18 September 2008 as an exempted company limited by shares under the name of Multi Sports Holdings Ltd. On 3 June 2009, we registered Multi Sports as a foreign company in Malaysia which subsequently became the holding company of our Group on 15 July 2009.

In June 2003, Paksing was incorporated by Lin Huozhi (80.0%) and Leung Sing Kit (20.0%), who is a nominee of Lin Huozhi. Subsequently, in May 2004, Baixing was incorporated as a wholly foreign-owned enterprise, with a registered capital of HK\$20.0 million, and with Paksing as its sole shareholder.

On 20 June 2005, Baixing entered into an asset transfer agreement with JHX, whereby Baixing acquired from JHX its production machinery and moulds for an aggregate consideration of RMB23,925,600 based on a willing-buyer willing-seller basis. Following this acquisition, Baixing took over the entire business operations of JHX, which has since ceased all its operations in shoe-sole design, manufacturing, and sales.

Baixing is currently the main entity carrying out the main business of designing, developing, and manufacturing sports-shoe soles within our Group.

Further details on our history and business are set out in Section 4 of this Prospectus.

1.2 COMPETITIVE STRENGTHS

Our success and future prospects are bolstered by a combination of strengths and advantages, as follows: -

- (i) Strong design and development capabilities;
- (ii) Wide range of offerings;
- (iii) One-stop supply centre for sports-shoe soles;
- (iv) Strategic location in Jinjiang City, China;
- (v) Vertically-integrated operations;
- (vi) Emphasis on quality control;
- (vii) Established market reputation and experienced management team;
- (viii) Wide customer base and long-term relationships with customers; and
- (ix) Financial strength.

Further details on our competitive strengths and advantages are set out in Section 4.4 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

1.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT

Our Promoters, substantial Shareholders, Directors and key management are as listed below:-

Name	Designation
<u>Promoters</u>	
Power Wide	Promoter and substantial Shareholder
Lin Huozhi	Executive Chairman and CEO
<u>Substantial Shareholders</u>	
Power Wide	Promoter and substantial Shareholder
Lin Huozhi	Executive Chairman and CEO
GGMC	Substantial Shareholder
<u>Directors</u>	
Lin Huozhi	Executive Chairman and CEO
Lin Liying	Executive Director
Huang Weimin	Executive Director
Chan Chiu Hung Alex	Independent Non-Executive Director
Gong Ane	Independent Non-Executive Director
Lee Kian Hu	Independent Non-Executive Director
<u>Key management</u>	
Teoh Toh Soon	Chief Financial Officer
Gong Deping	R&D Manager
Zhou Liuxing	Production Manager
Wu Chengdong	Sales Manager
Wang Caiyun	Finance Manager

Further details on our Promoters, substantial Shareholders, Directors and key management are set out in Section 5 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

	Audited		Unaudited		Audited	
	FYE 2006	FYE 2007	FYE 2008	1Q 2008 ⁽¹⁾	1Q 2009	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	% RM'000
Depreciation	6,883	8,961	9,383	2,549	2,067	1,103
Amortisation	-	-	24	-	24	13
Gross profit margin (%)	26.73	27.82	30.01	27.88	33.29	33.29
PAT margin (%)	22.59	24.84	23.92	22.65	26.04	26.04
Effective tax rate (%)	-	-	12.37	12.10	12.51	12.51

Notes:-

- (1) Stated for comparison purposes only.
- (2) Based on the issued share capital of 302,400,000 Shares after completion of the Consolidation and Acquisitions.
- (3) Based on the issued share capital of 302,400,000 Shares after completion of the Consolidation and Acquisitions; there is no dilutive effect.
- (4) Annualised to 12 months for comparison purposes.
- (5) Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

The proforma consolidated results of our Group are extracted from the audited combined financial statements of our Group for the FYE 2006 to 2008, 1Q 2008 and 1Q 2009, which have been prepared in accordance with International Financial Reporting Standards and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

Further information on the proforma consolidated results are set out in Section 9.7 and Section 10 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

1.5 PRINCIPAL STATISTICS RELATING TO THE IPO

	Number of Shares	Share capital US\$
Authorised share capital	1,000,000,000	50,000,000
Existing issued and paid-up share capital	302,400,000	15,120,000
- New Shares to be issued pursuant to the Public Issue	57,600,000	2,880,000
Enlarged issued and paid-up share capital upon Listing	360,000,000	18,000,000
Offer For Sale	42,500,000	2,125,000
- IPO Price per Share		RM0.85
- Proforma consolidated NTA per Share (based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM7 million)		RMB0.56 (equivalent to RM0.30 ⁽¹⁾)
- Market capitalisation (based on the IPO Price and enlarged issued and paid-up share capital after Listing)		RM306,000,000

Note:-

(1) Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

Further details on the IPO and our proforma consolidated NTA are set out in Section 2 and Section 9.7 of this Prospectus, respectively.

1.6 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM48.96 million, which shall accrue to us. We intend to utilise the proceeds raised in the following manner: -

	Estimated timeframe for utilisation upon Listing	Amount RM'000
(i) Expansion of production capacity	Within 24 months	30,000
(ii) Expansion of sales and marketing network in China	Within 18 months	3,960
(iii) Advertising and branding	Within 24 months	3,000
(iv) Enhancement of product development capabilities	Within 24 months	4,000
(v) Working capital	Within 24 months	1,000
(vi) Estimated Listing expenses	Immediate	7,000
Total proceeds		48,960

Further details on the utilisation of proceeds are set out in Section 2.5 of this Prospectus.

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1. INFORMATION SUMMARY (Cont'd)

1.7 RISK FACTORS

You should carefully consider the following risk factors in evaluating an investment in the IPO Shares: -

Risks relating to our business and operations

- (i) Dependence on principal market / sports-footwear manufacturing industry
- (ii) Absence of long-term contracts with customers
- (iii) Dependence on Executive Directors, key management and skilled workforce
- (iv) Failure to keep abreast with production technologies / market trends
- (v) Availability of funds to sustain operations and growth
- (vi) Risks inherent to our expansion plans
- (vii) Product defects
- (viii) Usage of our "Huoxing" brand
- (ix) Inadvertent infringement of third-party intellectual-property rights
- (x) Operational risks and insurance coverage
- (xi) Electricity / fuel supply disruptions

Risks relating to the industry in which our Group operates

- (i) Dependence on continual supply of raw materials
- (ii) Fluctuations in cost / availability of raw materials
- (iii) Competition
- (iv) Import restrictions in foreign countries
- (v) Business risks

Risks relating to our business in China

- (i) Foreign exchange controls
- (ii) Restrictions on dividends / payments from our subsidiaries
- (iii) Exchange rate fluctuations
- (iv) Dependence on China's political, economic, regulatory and social conditions
- (v) Changes to China's environmental laws and regulations
- (vi) Changes to China's tax laws and regulations
- (vii) PRC income taxes on gains on sales of and/or dividends on our Shares
- (viii) Changes to China's certain other laws and regulations
- (ix) New labour laws in China
- (x) Increases in labour costs and other costs of production in China
- (xi) Enforceability of shareholder rights
- (xii) Outbreak of severe contagious diseases in the PRC

Risks relating to our Company being incorporated in Bermuda

- (i) Rights and protection accorded to our Shareholders
- (ii) Depositors registered as our Shareholders
- (iii) Take-over protections
- (iv) Purchase of our own Shares

Risks relating to investment in our Shares

- (i) No prior market for our Shares
- (ii) Capital market risks / Share price volatility
- (iii) Uncertain economic outlook
- (iv) Control by Promoters
- (v) Failure / delay in our Listing
- (vi) Delay between Admission and trading of the IPO Shares
- (vii) Future fundraisings may dilute shareholders equity / restrict our operations
- (viii) Payment of dividends
- (ix) Capital restrictions on funds raised in Malaysia
- (x) Material litigation, claim or arbitration / legal uncertainties
- (xi) Disclosure regarding forward-looking statements

Further details on risk factors are set out in Section 3 of this Prospectus.

1. INFORMATION SUMMARY (Cont'd)

1.8 DIVIDEND POLICY

Subject to the factors outlined below, our Directors intend to recommend and distribute dividends of 20% of our net profit distributable to our Shareholders with respect to FYE 2010 and FYE 2011.

The abovesaid intention is in line with our Directors' policy to recommend dividends to allow our Shareholders to participate in the profits of our Group. Our Company will declare dividends, if any, in RM and will make payment of the dividends in RM.

Notwithstanding the above, our ability to pay dividends or make other distributions to our Shareholders for FYE 2009 as well as for future years post-FYE 2011 is subject to various factors, such as having profits and excess funds not required to be retained to fund our business. Our Directors will consider the following factors, amongst others, when recommending dividends for approval by our Shareholders or when declaring any interim dividends: -

- (i) the availability of adequate distributable reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and
- (iv) any material impact of tax laws and other regulatory requirements.

Further details on our dividend policy are set out in Section 9.6 of this Prospectus.

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2. PARTICULARS OF THE IPO

This Prospectus is dated 30 July 2009. The IPO is subject to the terms and conditions of this Prospectus.

A copy of this Prospectus has been registered with the SC and lodged with the ROC who takes no responsibility for its contents. A copy of this Prospectus will be filed with the Registrar of Companies in Bermuda. The Bermuda Monetary Authority has given its consent to the issue of the Public Issue Shares and the sale of the Offer Shares pursuant to the IPO on the terms referred to in this Prospectus. The Registrar of Companies in Bermuda in accepting this Prospectus for filing and the Bermuda Monetary Authority in granting its permission accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed in this Prospectus or any other documents.

The approval of the SC for the IPO, as set out in Section 6 of this Prospectus, shall not be taken to indicate that the SC recommends the IPO. You should rely on your own evaluation to assess the merits and risks of the IPO.

An application will be made to the Bursa Securities within three (3) Market Days of the publication of this Prospectus for admission to the Official List of the Main Market of Bursa Securities and for the listing and quotation of our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, failing which any allotment and allocation made on an application to subscribe for and/or purchase of our Shares pursuant to this Prospectus are required to be treated as void. Listing and quotation of Shares will commence after, amongst others, receipt of confirmation from Bursa Depository of the receipt of allotment and allocation information for the crediting of the IPO Shares, and receipt of an undertaking that all notices of allotment will be issued and despatched to all successful applicants prior to the date of listing and quotation of the Shares.

Acceptance of Application(s) for the IPO Shares will be conditional upon permission being granted by Bursa Securities for the quotation of the entire enlarged issued and fully paid-up share capital of our Company on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any Application(s) accepted from the IPO will be returned without interest within 14 days if the aforesaid permission is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If such monies are not repaid within the said period, the provision of sub-Section 243(2) of the CMSA shall apply accordingly.

If our Company is required by applicable Malaysian laws to cancel issued Public Issue Shares and repay application monies to applicants, subject to compliance with the Bermuda Companies Act, our Company will buy-back the Public Issue Shares at the IPO Price. Information relating to the buy-back of Shares by our Company is set out in Section 14.1.4 of this Prospectus.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a Prescribed Security. In consequence thereof, our Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and the Rules. We will not issue any share certificates to successful applicants. Please note that Bursa Depository or its nominee will be entered in the register of members of our Company as the registered holder of the entire issued share capital of our Company as joint-holder with the Depositors.

Person(s) submitting Application(s) by way of Application Form or by way of Electronic Share Application or Internet Share Application must have a CDS Account. If you do not have a CDS account, you may open one (1) by contacting any of the ADAs listed in Section 19.10 of this Prospectus. In the case of an Application by way of Application Form, an applicant should state his CDS Account number in the space provided in the Application Form. In the case of an Application by way of Electronic Share Application or Internet Share Application, only an applicant who is an individual and has a CDS Account can make an Application. A corporation or institution cannot apply to subscribe for and/or purchase of the IPO Shares by way of Electronic Share Application or Internet Share Application.

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2. PARTICULARS OF THE IPO (Cont'd)

Pursuant to the Listing Requirements, at least 25% of our total number of Shares for which listing is sought must be held by at least 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing. In the event that the above requirement is not met, we may not be allowed to proceed with our Listing on the Main Market of Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of our merit or the merit of our Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by us. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date hereof.

Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus that arise from the date of issue of this Prospectus up to the date of Listing, we shall issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA and file a copy thereof with the Registrar of Companies in Bermuda.

The distribution of this Prospectus and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of the IPO Shares are subject to Malaysian laws and the Company and the Offerors, together with the Adviser, Sole Underwriter and Sole Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of the IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for and/or purchase the IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in doubt concerning this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

If you intend to have a detailed review of the relevant laws and regulations of Bermuda, Hong Kong or China, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between that of Bermuda, Hong Kong and/or China, and that of Malaysia, you are recommended to seek independent legal advice from experts of the respective jurisdictions.

2.1 SHARE CAPITAL

As at the date of this Prospectus, the authorised share capital of our Company is US\$50,000,000 divided into 1,000,000,000 shares of US\$0.05 each, and the issued and fully paid-up share capital for our Company is US\$15,120,000 comprising 302,400,000 shares of US\$0.05 each.

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2. PARTICULARS OF THE IPO (Cont'd)

Upon the allotment and issue of the Public Issue Shares pursuant to our IPO, the enlarged issued and paid-up capital of our Company will be US\$18,000,000 comprising 360,000,000 shares of US\$0.05 each, as follows: -

	Number of Shares	Share capital US\$
Authorised share capital	1,000,000,000	50,000,000
Existing issued and paid-up share capital	302,400,000	15,120,000
- New Shares to be issued pursuant to the Public Issue	57,600,000	2,880,000
Enlarged issued and paid-up share capital upon Listing	360,000,000	18,000,000
Offer For Sale	42,500,000	2,125,000
- IPO Price per Share		RM0.85
- Proforma consolidated NTA per Share (based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM7 million)		RMB0.56 (equivalent to RM0.30 ⁽¹⁾)
- Market capitalisation (based on the IPO Price and enlarged issued and paid-up share capital after Listing)		RM306,000,000

Note: -

(1) Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

Our market capitalisation upon Listing, based on the IPO Price and our enlarged issued share capital of 360,000,000 Shares, amounts to RM306,000,000. The IPO Price is payable in full upon Application, subject to the terms and conditions of this Prospectus. The board lot size for our enlarged issued and paid-up share capital upon Listing will be standardised at 100 units per board lot.

2.1.1 Classes of Shares and rights

As at the date of this Prospectus, our Company has only one (1) class of shares, being ordinary shares of US\$0.05 each, all of which rank pari passu with one another. The rights and privileges of our Shares are stated in the Bye-laws of our Company.

The Shares owned by our Directors and substantial Shareholders are not entitled to any different voting rights from the IPO Shares. There are no founder, management or deferred Shares reserved for issuance for any purpose. The Public Issue Shares comprised in the IPO Shares will, when issued and fully paid for on the terms of this Prospectus, rank pari passu in all respects with our other existing Shares, including voting rights, liquidation rights, and rights to all dividends and distributions that may be declared subsequent to the date of allotment of the Public Issue Shares.

Subject to any special rights attaching to any Shares which we may issue in the future, the holders of our Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in respect of surplus in the event of our liquidation, in accordance with our Bye-laws.

2. PARTICULARS OF THE IPO (Cont'd)

At any of our general meetings, on a show of hands, every person present who is a Shareholder entitled to attend and vote thereat or is a representative or proxy or attorney of such a Shareholder shall have one (1) vote; on a poll, every such Shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each Share held.

2.1.2 Rights to attend general meetings

Under the Bermuda Companies Act, only those persons who agree to become members of a Bermuda company and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Depositors (holding shares jointly with Bursa Depository or its nominee) are recognised as members of our Company by virtue of their names being contained in the Record of Depositors entered in the register of members of our Company at our registered office in Bermuda and in the branch register of members of our Company at our branch office in Malaysia, and hence are accorded the full rights of membership such as voting rights, the right to appoint proxies, the right to receive shareholders' circular, proxy forms, annual reports, prospectuses and takeover documents.

Depositors will be recognised as members of our Company for so long as the Record of Depositors is entered in the register of members and branch register of our Company. For so long as the shares of our Company are listed on Bursa Securities, our Company is required to procure from Bursa Depository a copy of the Record of Depositors as at the close of each market day and entered in our Company's register of members and branch register upon receipt of the same.

In the event a Depositor is not named in the Record of Depositors entered in our register of members or branch register, *prima facie*, such Depositor will not be recognised as a member of our Company.

Our Shares will be deposited with Bursa Depository as deposited securities and the share certificate in respect of any deposited security held jointly by a Depositor and Bursa Depository or its nominee shall be issued in the name of, and delivered to Bursa Depository or its nominee and no share certificate will be issued to the Depositor. A Depositor shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

2.2 PURPOSES OF THE IPO

The purposes of the IPO are as follows: -

- (i) to obtain funds for the expansion of our production facilities and sales and marketing network, for the strengthening of our product development capabilities, and for future working capital requirements;
- (ii) to further enhance our corporate reputation, brand recognition and awareness of our products, and assist in the expansion of our customer base;
- (iii) to enable us to gain access to the capital markets, in order to tap fund-raising avenues, if and when required, to pursue opportunities for future expansion and growth; and
- (iv) to provide an opportunity for Malaysian investors and institutions to participate in our equity and the continuing growth of our Group.

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2. PARTICULARS OF THE IPO (Cont'd)

2.3 DETAILS OF THE IPO

We (for ourselves and on behalf of the Offerors) will undertake the Public Issue and Offer For Sale in conjunction with, and as an integral part of our Listing, as follows: -

(a) Public Issue

The Public Issue of 57,600,000 Public Issue Shares, representing 16% of our enlarged issued share capital, is offered at the IPO Price, payable in full on application upon the terms and conditions as set out in this Prospectus, and will be allocated and allotted in the following manner: -

(i) Malaysian Public via balloting

18,000,000 Public Issue Shares, representing 5% of our enlarged issued share capital, to be allocated via balloting, will be made available for application by the Malaysian Public; and

(ii) Selected investors via placement

39,600,000 Public Issue Shares, representing 11% of our enlarged issued share capital, by way of private placement to selected investors.

The Public Issue will increase our issued share capital from 302,400,000 Shares to 360,000,000 Shares.

All new Shares issued pursuant to the Public Issue shall, when allotted, issued and fully paid for on the terms of this Prospectus, rank *pari passu* in all respect with our existing issued and paid-up Shares, except that the Public Issue Shares will not be entitled to any dividends, rights, allotments or other distributions declared, made or paid prior to the date of allotment and issue of the Public Issue Shares.

(b) Offer For Sale

The Offer For Sale of 42,500,000 Offer Shares, representing approximately 11.81% of our enlarged issued share capital, is offered at the IPO Price, payable in full on application upon the terms and conditions as set out in this Prospectus, and will be allocated and allotted by way of private placement to selected investors.

The breakdown of the Offer Shares offered by the respective Offerors are as follows:-

Name	Number of Shares offered for sale	% of enlarged issued share capital
Supreme Business Investments Limited	7,200,000	2.00%
Fortune United Investment Limited	6,750,000	1.88%
Lim Geok Tin	5,150,000	1.43%
Houton Limited	3,600,000	1.00%
Power Wide	19,800,000	5.50%
Total	42,500,000	11.81%

All the 18,000,000 Public Issue Shares available for application by the Malaysian Public under Section 2.3(a)(i) of this Prospectus have been fully underwritten.

The 39,600,000 Public Issue Shares to be allocated by way of private placement to selected investors under Section 2.3(a)(ii) of this Prospectus are not underwritten as irrevocable undertakings have been obtained from the selected investors to take up the Public Issue Shares available under private placement.

2. PARTICULARS OF THE IPO (Cont'd)

Any Public Issue Shares not subscribed for under Section 2.3(a)(i) of this Prospectus may be made available to selected investors via private placement. Thereafter, any remaining re-offered Public Issue Shares that are not subscribed for will then be subscribed by the Sole Underwriter based on the terms of the Underwriting Agreement. However, in the event that all Public Issue Shares under Section 2.3(a)(i) of this Prospectus are oversubscribed, Public Issue Shares not subscribed for under Section 2.3(a)(ii) of this Prospectus and/or Offer Shares not subscribed for under Section 2.3(b) of this Prospectus, if any, will be made available for application for subscription by the Malaysian Public.

There is no minimum subscription amount to be raised from the IPO.

2.4 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price was determined and agreed upon by us, the Offerors and AmInvestment Bank as the Adviser, Sole Underwriter and Sole Placement Agent after taking into consideration, amongst others, the following factors: -

- (i) our Group's operating and financial history and position as outlined in Section 4 and Section 9, respectively of this Prospectus;
- (ii) our competitive strengths and advantages as listed in Section 4.4 of this Prospectus;
- (iii) our future plans and strategies as set out in Section 4.20 of this Prospectus;
- (iv) our EPS of RM0.14 per Share for FYE 2008, based on our enlarged issued and paid-up share capital of 360,000,000 Shares upon Listing; and
- (v) our proforma consolidated NTA as at 31 March 2009 of RM0.30 per Share, based on our enlarged issued and paid-up share capital of 360,000,000 Shares after Listing and after the utilisation of proceeds as set out in Section 2.5 of this Prospectus.

Our Directors and AmInvestment Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

However, you should note that the market price of our Shares upon listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties, which may affect the price of the Shares being traded.

You should bear in mind the risk factors as set out in Section 3 of this Prospectus and form your own views on the valuation of the IPO Shares and the reasonableness of the bases used before deciding to invest in our Shares.

2.5 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM48.96 million, which shall accrue to us. We intend to utilise the proceeds raised in the following manner: -

		Estimated timeframe for utilisation upon Listing	Amount RM'000
(i)	Expansion of production capacity	Within 24 months	30,000
(ii)	Expansion of sales and marketing network in China	Within 18 months	3,960
(iii)	Advertising and branding	Within 24 months	3,000
(iv)	Enhancement of product development capabilities	Within 24 months	4,000
(v)	Working capital	Within 24 months	1,000
(vi)	Estimated Listing expenses	Immediate	7,000
	Total proceeds		48,960

2. PARTICULARS OF THE IPO (Cont'd)

(i) Expansion of production capacity

We intend to utilise RM25 million of the IPO proceeds to expand our production capacity, with the construction of a new production centre with an estimated built-up area of approximately 60,000 sq m on the land owned by Baixing located in Shanxia Town, Hui'an County, Quanzhou City, Fujian Province, China. Completion of the new facility is expected to be within 24 months after our Listing.

As the various phases of construction are completed, we intend to setup the production lines which will require various production machinery and equipment. We intend to utilise an aggregate of approximately RM5 million of the IPO proceeds to fund the above purchases.

Upon completion of the aforementioned expansion, our annual production capacity should increase from approximately 24.6 million pairs per annum to approximately 74.6 million pairs per annum.

(ii) Expansion of sales and marketing network in China

We intend to utilise approximately RM3.96 million of the IPO proceeds to expand our sales and marketing network in China by establishing up to 5 additional sales and marketing offices in strategic locations, such as Guangdong Province, Zhejiang Province and Putian (Fujian Province), which are well-established footwear manufacturing hubs.

These offices will replicate our existing sales and marketing office in Jinjiang City, which will showcase our products and allow us to be in close proximity with our existing and potential customers in those provinces, and will also facilitate us in providing after-sales services to our customers through regular contact and feedback, thus enabling us to respond more promptly to our customers' needs.

(iii) Advertising and branding

We intend to utilise approximately RM3 million of the IPO proceeds to boost our existing advertising and promotional activities to strengthen our presence as well as to enhance the recognition of our "Huoxing" brand name, which is by way of: -

- (a) billboard advertising along major highways in sports-footwear-manufacturing regions such as Quanzhou of Fujian Province;
- (b) media advertising on sports-footwear journals and directories;
- (c) participating in trade fairs and exhibitions such as Jinjiang Footwear (International) Exposition, China, China Import and Export Fair; and
- (d) organising periodic new product-launchings, as well as briefing meetings.

(iv) Enhancement of product development capabilities

We intend to utilise approximately RM4.0 million of the IPO proceeds to enhance our product development capabilities and maintain our edge in the industry. Our Directors believe that constant innovation in developing new and improved products and production techniques are vital to our continuing success and to meet the changing needs of the market.

As such, we intend to strengthen our product-development capabilities with the view to improve the quality of our products and developing new varieties of shoe soles, by investing in additional software for shoe-sole designing, purchasing machinery and equipment dedicated for prototype development and testing, developing new and more advanced moulds, and recruiting more experienced and skilled R&D personnel. If the opportunity presents itself, we may also collaborate with universities and research institutes for product development.

2. PARTICULARS OF THE IPO (Cont'd)

(v) Working capital

Our requirement for working capital will increase in tandem with our expected business growth. Therefore, we expect to utilise approximately RM1.0 million as additional working capital to finance our day-to-day operations, including the payment of salaries, purchases of raw material, expansion of workforce and defrayment of operational expenses. This would further enhance our cash flow position and enable us to conduct our operations smoothly.

(vi) Estimated Listing expenses

The estimated listing expenses for our Listing are as follows: -

Estimated Listing expenses	Amount RM'000
Fees to authorities	200
Professional fees ⁽¹⁾	3,000
Underwriting and brokerage fees	2,500
Printing, advertising and other expenses in relation to Listing	300
Miscellaneous	1,000
Total	7,000

Notes: -

(1) Includes fees for the Adviser, Reporting Accountants, Solicitors, Independent Market Research Consultants and other professional advisors, as well as the Issuing House.

We will bear all expenses and fees incidental to our Listing, including professional fees, underwriting and selling commission, brokerage, placement fees, authorities' fees, advertising and other fees.

The Offerors will bear all expenses relating to the Offer For Sale.

If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.

2.6 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

Our utilisation of the proceeds from the IPO is expected to have a financial impact on our Group as follows: -

(i) Interest savings

Without the IPO proceeds, we are expected to incur the incremental borrowings of approximately RM40.96 million to fund our plans for expansion of our production capacity and sales and marketing network, advertising and branding, and enhancement of product-development capabilities. As such, with the IPO proceeds, and based on an assumed interest rate of 7% per annum, we expect to effect interest savings of approximately RM2.9 million per annum.

(ii) Enhancement of working capital

We will utilise RM1 million of the IPO proceeds for our working capital requirements, which includes payment to creditors, payment of salaries and operating expenses, and purchase of raw materials. Our cash and cash equivalent balance will be increased to approximately RM64.9 million after the Listing. This will allow us to internally fund our daily operational activities without being dependent on external funding, whilst giving us the flexibility to pursue acquisition, investment and/or joint venture opportunities.

2. PARTICULARS OF THE IPO (Cont'd)

(iii) Increase in revenue

The utilisation of RM30 million for the construction of a new production centre and investments in additional production machinery and equipment is expected to increase our production capacity of sports-shoe soles to approximately 74.6 million pairs per annum. Consequently, we will be able to increase our production output to satisfy existing and new customers' orders, hence contributing to our revenue.

2.7 UNDERWRITING COMMISSION, PLACEMENT FEE AND BROKERAGE

We will pay the Sole Underwriter an underwriting commission at the rate of 3.25% of the value of the total underwritten 18,000,000 Public Issue Shares under Section 2.3(a)(i) of this Prospectus (being the number of underwritten Public Issue Shares multiplied by the IPO Price).

We will pay the Sole Placement Agent a placement fee at the rate of 3.25% of the value of the 39,600,000 Public Issue Shares reserved for private placement under Section 2.3(a)(ii) of this Prospectus (being the number of Public Issue Shares reserved for private placement multiplied by the IPO Price) to be placed out successfully by our Sole Placement Agent.

We will pay the brokerage to be incurred on the sale of the 18,000,000 Public Issue Shares under Section 2.3(a)(i) at the rate of 1.0% of the IPO Price per Share in respect of successful applications that bear the stamp of member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and / or MIH.

The Offerors will pay the placement fee to be incurred on the sale of the 42,500,000 Offer Shares under Section 2.3(b) of this Prospectus at the rate of 3.25% of the IPO Price per Share, respectively.

2.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient clauses of the Underwriting Agreement, which may allow the Sole Underwriter to withdraw from its obligations under the Underwriting Agreement after the IPO, as extracted from the Underwriting Agreement, are set out below.

Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the Underwriting Agreement.

"(i) Conditions Precedent

Unless waived by the Underwriter (in which case any condition precedent or any part thereof so waived shall be deemed to have been satisfied), the obligations of the Underwriter under this Agreement shall be conditional upon the following:-

- (a) *this Agreement having been duly executed by all the parties hereto and duly stamped;*
- (b) *the issue of the Public Issue Shares having been approved by the SC and BMA or any other relevant authority and the shareholders of the Company in general meeting;*
- (c) *the listing and quotation of the Offer Shares/issued and paid up capital of the Company on the Stock Exchange having been unconditionally approved-in-principle by the Stock Exchange or subject only to conditions which are acceptable to the Underwriter and such approval is not withdrawn and the Underwriter being reasonably satisfied that such listing and quotation shall be granted within two (2) clear Market Days after an application for quotation is made to the Stock Exchange;*

2. PARTICULARS OF THE IPO (Cont'd)

- (d) *the Prospectus being in form and substance satisfactory to the Underwriter;*
- (e) *the Prospectus having been registered with the SC and lodged with the CCM within two (2) months from the date of this Agreement, or within such other period as the parties may mutually agree;*
- (f) *there shall not have occurred, on or prior to the Closing Date, in the opinion of the Underwriter (whose opinion is final and binding) any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Group from that existing as at the date of this Agreement which is material in the context of the Public Issue or the occurrence of any event rendering untrue, inaccurate or incorrect in any material respect any of the representations or warranties contained in Clause 5(1) hereof;*
- (g) *there shall not have occurred, on or prior to the Closing Date, any material breach of and or failure to perform any of the undertakings contained in Clause 5(1) hereof;*
- (h) *the Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in Clause 19 hereof;*
- (i) *the Public Issue not being prohibited by any statute, order, rule, regulation or directive promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, PRC, Bermuda and/or Hong Kong ;*
- (j) *the delivery of the following documents to the Underwriter on or before the Closing Date:*
 - (i) *such reports and confirmations dated the Closing Date from the board of directors of the Company as the Underwriter may reasonably require to confirm that there has not been any material adverse change or any development reasonably likely to involve a prospective material adverse change in the condition (financial or otherwise) of the Group from that existing as at the date of this Agreement which is material in the context of the Public Issue and the listing and quotation of the Offer Shares and/or the Underwritten Shares; and*
 - (ii) *a certificate, in the form or substantially in the form contained in the Third Schedule hereto, dated the Closing Date signed by a duly authorised officer of the Company stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 4(j)(i) above;*
- (k) *the Underwriter receiving a copy duly certified by a director or secretary of the Company to be a true copy of a resolution of the Board of Directors of the Company approving the Listing Exercise, the Prospectus and this Agreement, the issue and offer of the Public Issue Shares and authorising a person or persons to sign this Agreement on behalf of the Company;*
- (l) *the Prospectus having been issued within two (2) months of the date hereof or within such extended period as may be consented to by the Underwriter; and*

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2. PARTICULARS OF THE IPO (Cont'd)

(m) *the Underwriter having been satisfied that the Company has in relation to the issue and offer of the Shares complied with and is in compliance with all policies guidelines and requirements of the relevant authorities of Malaysia and any jurisdiction within which such Shares are offered and all revisions; amendments and/or supplements thereto and have complied with all conditions imposed by the relevant authorities of Malaysia in respect of their approvals for the Offer Shares.*

(ii) Termination

(1) *Subject to Clause 14(2) below but notwithstanding any other provision herein contained, the Underwriter may by notice in writing to the Company given at any time before the completion of the Listing Exercise, terminate and cancel and withdraw the commitment of the Underwriter to underwrite the Underwritten Shares if:-*

- (a) *any of the conditions precedent set out in Clause 4 hereof are not duly satisfied by the Closing Date; or*
- (b) *there is any material breach by the Company of any of the representations, warranties or undertakings contained in Clause 5(1) hereof, which is not capable of remedy or, if capable of remedy, is not remedied to the reasonable satisfaction of the Underwriter within ten (10) Market Days from the date the Company is notified by the Underwriter of such breach; or*
- (c) *there is failure on the part of the Company to perform in any material respect any of its obligations herein contained; or*
- (d) *there is withholding of information by the Company which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Group, the success of the Public Issue, or the distribution or sale of the Offer Shares; or*
- (e) *the approval-in-principle of the Stock Exchange for the listing and quotation of its entire issued and paid-up share capital on the Stock Exchange is withdrawn; or*
- (f) *there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or the Group; or*
- (g) *a petition is presented or an order is made or a resolution is passed for the winding up of the Company; or*
- (h) *an administrator or receiver or receiver and manager is appointed over, or distress, attachment or execution is levied or enforced upon, any part of the assets or undertaking of the Company; or*
- (i) *the Company becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or*
- (j) *the Company ceases or threatens to cease to carry on the whole or any substantial part of its business; or*

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2. PARTICULARS OF THE IPO (Cont'd)

(k) *there shall have occurred, or happened any of the following circumstances:-*

(i) *any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or*

(ii) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of God, national disorder, declaration of a state of national emergency, pandemics, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);*

which, would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of the Company or the Group as a whole, the success of the Public Issue, or the distribution or sale of the Offer Shares, or which has or is reasonably likely to have the effect of making any material part of this Agreement incapable of performance in accordance with its terms.

(2) *In the event that this Agreement is terminated pursuant to Clause 14(1)(f), the Underwriter and the Company may confer with a view to deferring the Public Issue by amending its terms or the terms of this Agreement and may enter into a new underwriting agreement accordingly, but neither the Underwriter nor the Company shall be under any obligation to enter into a fresh agreement.*

(iii) Force Majeure

(1) *Notwithstanding anything herein contained, the Underwriter may in its reasonable opinion at any time before the completion of the Listing Exercise, by notice in writing delivered to the Company terminate the obligations of the Underwriter under this Agreement and/or request for the Closing Date to be extended to such reasonable date as the Underwriter may decide, upon the occurrence of the following events:*

(i) *changes in national or international monetary, financial, political, economic or stock market conditions or exchange control or currency exchange rates or interest rates or otherwise as would in the reasonable opinion of the Underwriter prejudice materially and adversely the success of the Public Issue and the listing and quotation of the Offer Shares;*

(ii) *national disorder, outbreak of war, armed conflict or serious threat of the same, hostilities, embargo, detention, revolution, riot, looting, labour disputes, any unavailability of transportation or severe economic dislocation, outbreak of disease, declaration of pandemic, Act of God or the declaration of a state of national emergency;*

(iii) *material changes in law, regulation, directive, policy or ruling in any jurisdiction which may seriously affect the business of the Group;*

2. PARTICULARS OF THE IPO (Cont'd)

(iv) *the Kuala Lumpur Composite Index falling below 850 points and remaining below 850 points for three (3) consecutive days; or*

(v) *the imposition of any moratorium, suspension, or material restriction on trading in all securities generally on the Stock Exchange for three (3) Market Days;*

and thereupon the parties shall (except for the liability of the Company in the payment of costs and expenses referred to in Clause 19 above incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

(2) *In the event of a delivery of a request for the Closing Date to be extended by the Underwriter to the Company, the Company shall consent to such request for the extension of the Closing Date.*

(3) *The delivery of a request under Clause 36(2) shall not preclude the Underwriter from giving a further request for the extension of the Closing Date or from giving a notice to terminate pursuant to Clause 36(1)."*

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3. RISK FACTORS

In evaluating an investment in the IPO Shares, you should carefully consider all the information contained in this Prospectus including but not limited to the following general and specific risk factors.

3.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

(i) **Dependence on principal market / sports-footwear manufacturing industry**

As all our customers are from within China, we are dependent on China's domestic demand for sports shoes and sports-shoe soles. Our customers, in turn, may be dependent on China's and the world's sports-footwear market conditions. Any prolonged and/or widespread economic downturn such as conditions caused by the recent global financial turmoil may reduce disposable income and consumer confidence, which may in turn adversely affect the domestic and global demand for sports-shoe products.

In mitigation, shoes are regarded as necessities, and it is likely that consumer spending on shoes will still continue, albeit at a lower expenditure level during an economic slowdown. In addition, manufacturers with strong product quality, financial stability, and diverse range of products and designs, such as us, will be in a better position to withstand the impact of a slowdown in China's and global economies.

In 2008, China experienced real GDP growth of 9.0% and is forecasted to grow by 8.3% in 2009. In contrast, many advanced economies experienced very low or negative GDP growth in 2008, and 2009 is expected to be similar. As such, China's economy is expected to be better off compared to many of the more advanced economies. (Source: *Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China*, prepared by Vital Factor Consulting Sdn Bhd)

In addition, the long-term growth of China's domestic economy will increase the affluence of consumers in China, which in turn may likely contribute to increasing demand for consumer goods, such as sports footwear.

Nevertheless, there is no assurance that we will not be adversely affected by any adverse changes in the sports-footwear-market's conditions, due to changes in the spending patterns and purchasing power of our customers' end-customers, which may be caused by unfavourable economic conditions. In such an event, our revenue, future performance and profitability may be adversely affected.

(ii) **Absence of long-term contracts with customers**

We currently do not have any formal long-term contracts with our customers. Approximately 30 of our larger customers provide us with their memoranda of intent at the end of each year, stipulating their estimated orders for the coming year. Kindly refer to Section 4.7 of this Prospectus for further details. Such information is intended to assist our planning and allocation of resources to meet the potential orders, and does not constitute confirmed orders. Hence, our Group's revenue is mainly generated on an order-by-order basis.

In mitigation, despite the lack of formal long-term contracts, we have developed long-term business relationships with our customers. We have enjoyed the ongoing patronage of over 50 customers for nine (9) or more years, whilst over 90 customers have been dealing with us for at least five (5) years. These long-term relationships enable us to develop a good understanding of our customers' requirements and expectations, which serves as a foundation that encourages their ongoing patronage, and provide some assurance of business continuity from our existing customer base.

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3. RISK FACTORS (Cont'd)

In addition, we have been proactively widening our customer base in order to limit our exposure to any single customer. In 2008, our customer base comprised approximately 300 customers. Instead of agreeing to produce 100% of the total volume requested by each of our customers, we typically agree to produce an average of approximately 60% of their respective orders. Whilst reducing the risk of our operations being adversely affected should any of our customers discontinue or reduce their orders, this allows us to establish long-term relationships and leverage on the continued growth of a larger group of customers.

However, there is no assurance that our existing customer relationships will be maintained indefinitely. Should our customers decide to source for similar products from other suppliers or reduce their orders with us, we may be unable to secure sufficient additional orders to replace these lost and/or reduced orders. Consequently, our business and financial results may be adversely affected.

(iii) Dependence on Executive Directors, key management and skilled workforce

Being in a specialised industry, we believe that our continued success will depend, to a significant extent, upon the abilities and continued efforts of our Directors, key management personnel and skilled workforce.

Our success to date has been largely due to the collective contribution of the senior management team under the leadership of our Executive Chairman, Lin Huozhi. Their sound leadership has allowed us to consistently be at the forefront and amongst the pioneers in adopting the newest shoe-sole production technologies in Jinjiang City. Looking at our production capacity and integrated manufacturing expertise to produce our own compound pellets that are main raw materials for TPR and EVA shoe soles, and manufacture the complete range of components used in our sports-shoe sole offerings, we believe we are currently one of the top five sports-shoe-sole manufacturers in Jinjiang City.

Our management team's extensive knowledge and shoe-sole-manufacturing experience serves as the foundation for the strategic decision-making that has driven our development and growth, and will continue to propel the future expansion of our Group. The credentials and list of our Directors and key management are set out in Section 5 of this Prospectus.

Another key factor to our success is the continued services of our skilled workers. Our skilled workers are mainly responsible for quality control and R&D. Thus, they play an integral role in ensuring the high quality of our products and our design and development prowess, which are amongst our competitive advantages detailed in Section 4.4 of this Prospectus.

Therefore, our continued success is dependent, to a large extent, on our ability to retain the services of our Executive Directors, key management and skilled workforce. We do not maintain any insurance coverage for possible loss resulting from any loss of key management staff or any other type of key man insurance. As such, the loss of the services of our Executive Directors and key management, and/or the substantial loss of our skilled workforce may significantly affect our business operations.

Subsequent difficulties in procuring timely and adequate replacements or in attracting and retaining sufficient qualified personnel may adversely affect our business, operations, competitiveness, revenue and profits. In addition, we may be required to pay higher wages to attract and retain sufficient numbers of capable and skilled workers. In the event of any substantial increase in labour costs, our business, financial position and performance may be adversely affected.

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3. RISK FACTORS (Cont'd)

(iv) Failure to keep abreast with production technologies / market trends

Our continuous success depends on our ability to keep abreast with advancements in production technologies, as well as fashion and market trends. These are essential to our endeavours of introducing new and innovative products on a timely basis in tandem with current market demands, and producing competitively-priced, new and innovative products and designs with mass appeal to our target markets.

Whilst we constantly strive to develop and launch new product ranges and designs, such development processes involves considerable time and resource commitments. In the event that any new product range or design that we launch in the future is not commercially viable or successful, our financial performance and market reputation may be adversely affected. In the long term, this could lead to a loss or diminution in the commercial value of our brand, "Huoxing".

Further, despite our best efforts, there can be no assurance that we will be able to keep pace with advancements in production technologies, and continue to successfully develop products and designs with mass appeal or in tandem with fast-changing fashion trends.

(v) Availability of funds to sustain operations and growth

Although we have been financing our operations mainly from internally-generated funds, there is no assurance that we will be able to sustain our operations and continued growth via internal resources. In the event that there are insufficient internal resources and if we are unable to obtain loans or other credit facilities, we may not be able to implement our business and operational strategies.

Notwithstanding the above, our Listing will enable us to tap the capital markets in the future to meet long-term funding requirements when the need arises. The effective usage of the capital markets may result in relatively cheaper sources of funds as compared to loans and/or credit facilities. Nonetheless, there is no assurance that our performance and prospects will not be materially affected by any difficulties we may face in sourcing for funds, which may affect the timely implementation of our operational and strategic plans.

(vi) Risks inherent to our expansion plans

From FYE 2006 to FYE 2008, our revenue increased at a compounded annual growth rate of 33.94%. We intend to continue the expansion of our business via organic growth, as well as through mergers and acquisitions when suitable opportunities arise. Nevertheless, there is no assurance that we may be able to continue growing or that we may be able to successfully implement our expansion plans.

In addition, mergers and acquisitions may place excessive demands on our management, operating systems, internal control systems, finance, human resource and administrative resources. In the event that we experience any unexpected decline in our revenue growth or if we are unable to effectively manage our business expansion, our business, financial performance and operating results may be adversely affected.

Apart from the above, we intend to expand our production capacity, sales and marketing network in China, and strengthen our product development capabilities. However, there is no assurance that our profitability will increase significantly or that we will not incur losses after this expenditure, due to potential increases in our operating costs arising from the financing of our growth and expansion. Without a corresponding increase in revenue, this increase in operating costs will have an adverse impact on our financial performance.

3. RISK FACTORS (Cont'd)

(vii) Product defects

Currently, we do not have any product-liability insurance in respect of shoe soles manufactured by us. In the event that defects arise from our products or if our products do not meet the specifications of our customers, complaints, lawsuits and claims from our customers or their end-customers may be brought against us. Consequently, we may incur additional costs in any of such lawsuits and/or claims. In addition, any of such complaints and negative publicity, regardless of their validity, may affect our reputation and result in lower sales of our products. In such event, our business, operations and financial performance may be adversely affected.

As at LPD, we have yet to receive major complaints or any claims/lawsuits arising from product defects, due to our quality management system, as detailed in Section 4.9 of this Prospectus. However, there is no assurance that such situations will not occur in the future.

(viii) Usage of our “Huoxing” brand

Our products are manufactured and marketed under our “Huoxing” brand. We have applied for the registration of “Huoxing” trademark. Kindly refer to Section 4.12 of this Prospectus for further details. Nonetheless, there can be no assurance that our trademark pending registration will be registered by the respective authorities in China. In the event that our trademark application is not approved for registration, we will have no legal recourse to prevent the use of such trademark by third parties.

As at LPD, we are not aware of any violations or infringements of our intellectual property rights. However, there can be no assurance that our intellectual property rights will not be infringed upon, and that measures taken by us to protect our trademark will be adequate to prevent brand infringement, product imitation and counterfeiting by others.

In the event that other parties infringe our intellectual property rights by unlawfully passing off their merchandise under our brand name, we may face great difficulties and costly litigation in order to fully protect our intellectual property rights which may in turn affect our profitability.

Nevertheless, although our products are marketed under our “Huoxing” brand, we interact with our customers directly. Hence, customers would approach us directly to purchase our products, which would reduce their likelihood of inadvertently purchasing counterfeit sports-shoe soles under the “Huoxing” brand in the market.

However, there is no assurance that our efforts to build our brand will not be undermined by the sale of counterfeit goods. In the event that we are unsuccessful in policing the violation of our intellectual property rights, the availability of counterfeit goods in the market may reduce the demand for our products, adversely affect our business and financial performance, and undermine our market reputation and efforts to build brand recognition.

(ix) Inadvertent infringement of third-party intellectual-property rights

As we develop new products, designs and production methods, we may inadvertently infringe the intellectual-property rights of others, or encounter infringement claims against us. Such claims against us, even if untrue or baseless, could result in significant legal and other costs, distract our management, cause product-delivery delays, and/or require us to develop non-infringing products or enter into licensing agreements. Such licensing agreements, if required, may not be available on mutually acceptable terms.

As at LPD, we are not aware of any violations or infringements of intellectual-property rights of third parties by our Group. Nevertheless, there can be no assurance that we would not inadvertently infringe the intellectual-property rights of others, or that others would not claim that we have infringed their intellectual property rights.

3. RISK FACTORS (Cont'd)

In the event of a successful claim of intellectual-property rights infringement against us and our inability to develop non-infringing products or to license the infringed intellectual-property rights in a timely or cost-effective basis, our business, market reputation, operations and financial performance may be adversely affected.

(x) Operational risks and insurance coverage

We are susceptible to various operational risks such as accidents, outbreaks of fire or floods, energy crises or other natural calamities, which may cause significant losses or damage to our goods, production facilities, warehouse, office and hostel facilities, thus disrupting and affecting our business operations.

As we are aware of the adverse consequences arising from inadequate insurance coverage for the accidents and outbreaks that could disrupt our business operations, we have taken up property insurance covering our factory premises, fixed assets and inventory. However, there is no assurance that this coverage is sufficient to cover all potential losses, and indemnify us against all possible liabilities arising from our operations.

We seek to limit the above risks through the implementation of the following plans and risk-management practices: -

- (i) our facilities are equipped with the basic regulatory fire-fighting equipment such as fire extinguishers. Employees are trained on the use of these equipment, the proper fire-fighting techniques and procedures, and evacuation drills; and
- (ii) we ensure that our facilities, manufacturing plant and warehouses meet all safety requirements stipulated in various licenses issued by relevant authorities. We also conduct various in-house training and briefing on safety requirements, and the proper use of our machineries. By complying with the safety requirements issued by the relevant authorities, and making sure our employees are adequately trained, we minimise the risks of industrial accidents in our facilities.

Despite the above, there is no assurance that our insurance coverage is sufficient to offset the potential financial losses arising from public liability, fire, theft and personal accidents. In the event that the amounts of such claims exceed the insurance coverage of our insurance policies, we may be liable to cover the amounts claimed. If such events were to occur, our business and financial performance may be materially and adversely affected.

There are also other risks such as natural disasters, riots, general strikes, acts of terrorism and any other risks that cannot reasonably be insured against, which may adversely affect our operations. However, we wish to highlight that our operations have not been affected by any of such events thus far.

(xi) Electricity / fuel supply disruptions

Our operations are dependent on a stable supply of electricity and fuel. Any disruptions, for example, restrictions in supply by the relevant authorities, may result in operational disruptions. In addition, disruptions may also arise due to major equipment breakdowns, outbreaks of fire, earthquakes or other calamities.

To cope with any potential power failure, we have in-house generators to provide sufficient electricity for day-to-day manufacturing operations. Although any prolonged disruption of electricity would nevertheless affect our overall operation efficiencies, nevertheless the risk of disruption is mitigated by the use of in-house power generators. There is no assurance that major electricity and fuel disruptions will not adversely affect our ability to operate our business and/or adversely affect our financial performance.

3. RISK FACTORS (Cont'd)

3.2 RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

(i) Dependence on continual supply of raw materials

Our ability to produce high-quality sports-shoe soles at competitive prices is dependent on our ability to acquire sufficient high quality raw materials at competitive prices from our suppliers. The primary raw materials used in our production process are EVA resin, TPE, PS, SBR, BR, SVR and TPU pellets. In the event that disruptions occur in the supply of our raw materials, we may have to temporarily halt production.

In mitigation, as our production facilities are located in Jinjiang City, we have easy access to a large pool of suppliers of raw materials required in our production. Our suppliers of raw materials are in close proximity to our production facilities and are mainly located in Quanzhou (where Jinjiang City is located) and Xiamen of Fujian Province, where there is a high concentration of suppliers of raw materials for the sports-footwear-manufacturing industry.

As at LPD, we procure raw materials from over seventy (70) suppliers, all of whom are located in China. Our suppliers are usually able to deliver within 1 to 2 days from the date of order. As such, we only need to maintain a regular stock of raw materials to support approximately between 12 to 15 days of production. We maintain daily records of the inventory level of our raw materials to ensure that there are sufficient raw materials to support our production, thus assuring that the production line will not stall. As at LPD, we have yet to experience shortages in supply of raw materials that require us to halt our production lines.

Our Directors are confident that our long-term relationships with many of our suppliers will enable us to obtain supplies in times of shortages.

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

(ii) Fluctuations in cost / availability of raw materials

Our primary raw materials in the production of our shoe soles are EVA resin, TPE, PS, SBR, BR, SVR and TPU pellets.

The prices of EVA resin, TPE, PS, SBR, BR and TPU pellets are subject to fluctuations in oil prices. As these raw materials are generally produced from by-products of oil, their prices are hence dependent on prices of oil, which is a global commodity. As a result, any fluctuations in global oil prices will have a direct impact on the price of EVA resin, TPE, PS, SBR, BR and TPU pellets.

The price of SVR is subject to fluctuations due to changes in supply and demand conditions of natural rubber. As natural rubber is an agricultural product, the occurrence of natural disasters such as droughts, floods and earthquakes will affect its supply and price. Any shortage in supply or upsurge in demand for natural rubber may lead to an increase in the price of natural rubber.

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3. RISK FACTORS (Cont'd)

In mitigation, China has a significant oil and gas production industry, which serves as the feedstock for the manufacture of plastic resins and synthetic rubber. In addition, plastic resins and synthetic rubber are commodities and easily available in the world market. China also produces its own natural rubber and ranks fifth in the world for natural rubber production. (Source: *Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China*, prepared by Vital Factor Consulting Sdn Bhd) Thus, as our main raw materials are commodities and readily available in China and elsewhere in the world, the threat from shortage of supply of our key raw materials is minimised. Kindly refer to Section 4.8 of this Prospectus for further details on the sources and availability of raw materials needed for our operations.

In addition, we expect to be able to pass on price increases of raw materials to customers, as shoe soles ordered from us would form a critical component in our customers' intended production of specific sports-shoe designs. Customers may likely have commenced the procurement of materials and/or production of the upper sections of sports shoes designed specifically for a particular sports-shoe sole, and thus would require the shoe soles to complete their shoe production.

In any event, all manufacturers will be similarly affected by price increase of raw materials. To ensure continuing business sustainability, manufacturers will likely pass price increases to their respective customers.

However, there is no assurance that we will be able to pass on the increases in the prices of our raw materials, whether partially or entirely, to our customers. Thus, any material increase in the prices of our raw materials may adversely affect the cost of production of our Group, which may in turn affect our financial performance.

(iii) Competition

We face competition from other producers of sports-shoe soles from both our existing competitors and other smaller-scale manufacturers. Some of our competitors may have stronger financial resources, greater resources to invest in product development and customer support, and larger customer bases. We may also face increased competition from new competitors who seek to penetrate markets where we have established a presence.

Increased competition may result in lower prices, reduced profit margins, loss of market share and/or increased difficulty in market penetration, any of which could materially and adversely affect our operations and/or financial results.

Nevertheless, larger operators such as our Group will have an advantage over smaller players due to the economies of scale required to achieve cost efficiencies. Sports-shoe-sole manufacturing requires significant investments in specialised production equipment, in addition to the moulds required to produce the range of sizes for each specific shoe-sole design. Thus, although competition exists in the industry, the barriers to entry for the manufacture of shoe soles are relatively high, primarily due to the high cost of capital investment and the technology required to produce high-quality shoe soles.

Due to our continued growth and investments in production equipment throughout the years, we believe we have established ourselves as one of the five largest sports-shoe sole manufacturers in Jinjiang City. This has allowed us to enjoy the economies of scale of producing approximately 22.1 million pairs of shoe soles in 2008. In addition, we are able to serve as a one-stop centre for the shoe-sole requirements of our customers, due to our range of approximately 300 designs across 4 main product lines.

Nevertheless, there is no assurance that our performance will not be affected by competition, that we will be able to remain competitive, and/or that we will be able to compete effectively with existing or new competitors in the future.

3. RISK FACTORS (Cont'd)

(iv) Import restrictions in foreign countries

To the best of our Directors' knowledge, our shoe soles are sold to our customers who are mainly sports-footwear manufacturers and trading companies in China. Such customers may in turn export their products to foreign countries. As such, import restrictions on our sports-footwear and sports-shoe-sole products in foreign countries may adversely affect the sales and profitability of our customers, which in turn could adversely affect the demand for our sports-shoe soles. This may materially affect our revenue and profits.

(v) Business risks

We are subject to certain business risks inherent to the industry that include, amongst others, shortages in skilled workforce, increases in the cost of workforce and cost of operations, entry of new competitors, fluctuations in demand for our products, market acceptance of new products, changes in general economic, business, competitive and credit conditions, and changes in government policies and other business risks common to going concerns.

In mitigation, our Executive Chairman has approximately 20 years experience in shoe-sole manufacturing, whilst our senior management has an average of 7 to 8 years of experience in our industry. In addition, we believe that our strong working relationships with our customers and suppliers, the breadth of our product range and the ability of our R&D team to develop products in tandem with evolving market trends will allow us to prevail over any adversities and sustain our business operations.

However, there is no assurance that any changes in the abovementioned factors will not adversely impact our Group's business and profitability.

3.3 RISKS RELATING TO OUR BUSINESS IN CHINA

(i) Foreign exchange controls

Baixing is an FIE subject to China's rules and regulations on currency conversion. In China, SAFE regulates the conversion of RMB into foreign currencies. Currently, FIEs (including WFOEs) are required to apply to SAFE for "Foreign Exchange Registration Certificates for FIEs". With such registration certification (of which renewal is on an annual basis), FIEs are allowed to open foreign currency accounts including the "current account" and "capital account". Currently, transactions within the scope of the "current account" (for example, remittance of foreign currencies for payment of dividends) can be effected without requiring the approval of SAFE. However, conversion of currency in the "capital account" (for example, for capital items such as direct investments, loans and securities) still requires the approval of SAFE.

There is no assurance that China's regulatory authorities will not impose restrictions on the convertibility of the RMB for FIEs. As at LDP, all our sales are denominated in RMB, and any future restrictions on currency exchanges may limit our ability to utilise funds generated in China to fund any potential business activities outside China, and/or to distribute dividends to our Shareholders. Kindly refer to Section 18 of this Prospectus for further details on China's foreign exchange controls that are applicable to us.

(ii) Restrictions on dividends / payments from our subsidiaries

Our Company is an investment holding company, and our main source of income is dividends derived from our subsidiaries, namely Baixing and Paksing, which are established in China and Hong Kong, respectively. Therefore, the availability of funds to us to pay dividends or make other distributions to our Shareholders is dependent upon dividends or other distributions received from our subsidiaries.

3. RISK FACTORS (Cont'd)

If our subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including International Financial Reporting Standards. PRC laws also require FIEs to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions and any other legal or regulatory restrictions by our subsidiaries' respective countries of incorporation on the availability and usage of our major source of funding may materially impact our ability to pay dividends to our Shareholders.

(iii) Exchange rate fluctuations

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 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. Also, any appreciation of RMB may result in funds raised by our Company in RM, when converted into RMB, being less than that required by our Group for our future plans and strategies, as disclosed in Section 4.20 of this Prospectus.

(iv) Dependence on China's political, economic, regulatory and social conditions

Changes in political and economic conditions in China could materially and/or adversely affect our financial performance and business prospects. These political and economic uncertainties include, but are not limited to, changes in political leadership, expropriation, nationalisation, changes in interest rates or tax, risks of war and economic declines. Terrorist attacks, other acts of violence, and outbreak of avian influenza and/or other communicable diseases, if uncontrolled, may have adverse effects on business sentiments and the markets in which we operate and/or where our customers have a presence. In addition, we may face difficulties in procuring a stable supply of raw materials and delivering products to our customers in a timely and cost-effective manner.

While we practice prudent financial management and efficient operating procedures, there is no assurance that the foregoing and other developments, which are unpredictable, unforeseeable and beyond our control, will not materially affect our operations and financial results.

3. RISK FACTORS (Cont'd)

As all our production facilities are located within China and all our revenue is derived from China (as at LPD), our business and future growth are dependent on China's political, economic, regulatory and social conditions. Any changes in policies implemented by China's government, which results in currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes or other changes detrimental to our business, could materially and adversely affect our operations, financial performance and/or future growth.

Since 1978, China's government has been reforming and is expected to continue to reform the rules and regulations governing its economic and political systems. Any changes in China's political and economic policies may lead to a change in China's laws and regulations or the interpretation of the same, as well as changes in foreign exchange regulations, taxation and import and export restrictions. In turn, this may adversely affect our co-operation and dealings with our business associates. While the current policy of China's government seems to be one of pursuing economic liberalisation policies to encourage investments and greater economic decentralisation, there is no assurance that such a policy will continue to prevail in the future.

In addition, China's legal system is a codified legal system made up of written laws, regulations, circulars, administrative directives and internal guidelines as well as judicial interpretations. Unlike common law jurisdictions such as Malaysia, decided cases do not form part of the legal structure of China and thus have no binding effect. As such, the administration of China's laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. As our business and operations in China, and that of our customers and suppliers, are subject to the laws and regulations promulgated by the Chinese government, we may be adversely affected by subjective applications of laws and regulations that may be unfavourable to our business and operations in China, and that of our customers and suppliers.

Furthermore, in line with China's transformation from a centrally-planned economy to a free-market-oriented economy, China's government is still in the process of developing a comprehensive set of laws and regulations. As the legal system of China is still evolving, laws and regulations or the interpretation of the same may be subject to change.

(v) Changes to China's environmental laws and regulations

We are subject to, and are to comply with specified standards in respect to our disposal of wastes in accordance with China's environmental laws and regulations. Failure to comply with such laws and regulations will result in us being subject to penalties and fines, and/or may result in an order being made to cease production activities. Kindly refer to Section 14.2.6 of this Prospectus for more details on China's environmental laws and regulations.

We have been granted the necessary certificate by China's relevant environmental authorities, which certify our compliance with the relevant standards concerning the disposal of wastes. However, there is no assurance that China's government will not raise and/or amend such standards in the future. Any changes to China's environmental laws and regulations may require us to incur additional capital expenditure or costs in order to comply with such regulations. Consequently, profits may be adversely affected if we are unable to pass on such additional costs to customers. Any failure to adequately restrict the discharge of wastes and/or hazardous substances could also subject us to liabilities in the future.

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3. RISK FACTORS (Cont'd)

(vi) Changes to China's tax laws and regulations

Previously, pursuant to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises and its implementing rules ("**Old EIT Law**"), Baixing, being an FIE, is exempted from the state enterprise income tax, namely, the EIT, for a period of two (2) years from its first profit making year, and is entitled to a 50% reduction in the EIT for the three (3) subsequent years ("**Two-year Exemption and Three-year 50% Reduction**"). FYE 2006 was elected to be the first profit-making year for Baixing, for purposes of such tax exemption. Therefore, Baixing was exempted from the EIT in FYE 2006 and FYE 2007, and was anticipated to be subject to the EIT at a preferential rate of 12.5% from FYE 2008 to FYE 2010.

On 16 March 2007, the National People's Congress of the PRC passed the new EIT Law of the PRC, which took effect on 1 January 2008 (the "**New EIT Law**") and invalidated the Old EIT Law. In accordance with the New EIT Law, a unified EIT rate of 25.0% and unified tax deduction standards will be applied equally to both domestic-invested enterprises and FIEs. In accordance with the Circular concerning Implementation of Preference Policy of EIT in Transition Period promulgated by the State Council of the PRC (the "**Circular**"), enterprises enjoying the preferential policy of Two-year Exemption and Three-year 50% Reduction will continue such enjoyment until its preferential period is completed according to the original PRC laws, administrative regulations and provisions. Hence, from FYE 2011, the applicable EIT rate for Baixing will be 25.0%.

Notwithstanding the foregoing, any changes to prevailing PRC tax laws and regulations, including the cessation of the preferential tax policies, which Baixing is enjoying, may have an adverse impact on our Group's financial performance and profitability and going forward, there can be no assurance that there will be no such changes.

Kindly refer to Section 18 of this Prospectus for further details of China's income tax laws and regulations applicable to us, and the recent development on China's EIT Law.

(vii) PRC income taxes on gains on sales of and/or dividends on shares

Capital gains realised by shareholders from sale of shares and dividends payable on shares in PRC are subject to PRC income tax. As such, if we are required under the New EIT Law to withhold PRC income tax on capital gains on sales of shares in PRC and/or dividends on shares in PRC payable to shareholders, the value of our Shareholders' investment in Multi Sports Shares may be materially and adversely affected as our main operating wholly-owned subsidiary, Baixing, is a PRC company and is subject to the PRC tax laws

(viii) Changes to China's certain other laws and regulations

Other than laws and regulations relating to tax and environmental protection, we are also subjected to other laws and regulations.

As a pre-requisite for carrying on business in China, we are required to obtain certain permits and business licences from various governmental authorities. Details of our permits and business licences are set out in Section 4.13 of this Prospectus. As at the date of this Prospectus, we have obtained all material permits and business licences for business operations. However, some of these permits and business licences are subject to periodic renewal and reassessment as well as fulfilment of conditions imposed by relevant government authorities, and the standards of compliance required in relation thereto may vary from time to time.

3. RISK FACTORS (Cont'd)

Non-renewal or revocation of permits, licences and certificates will have a material adverse effect on our operations, as we will not be able to carry on business without such documents being granted or renewed. In addition, it may be costly for us to comply with any subsequent additions or new restrictions to these compliance standards. Hence, the occurrence of any such event may adversely affect our business and financial performance.

In addition, Baixing is a WFOE and is subject to laws and regulations governing WFOEs by the local government authorities. Changes in these laws and/or regulations may occur and result in the suspension, withdrawal or termination of our business licence or permits. Any such suspension, withdrawal, termination or refusal to extend our Group's licence or permits may result in the cessation of the production of certain or all of our products, which may materially or adversely affect our business and financial position. Kindly refer to Section 18 of this Prospectus for a general overview of other laws and regulations applicable to our business in China.

(ix) **New labour laws in China**

On 29 June 2007, the PRC government promulgated a new labour law, namely the Labour Contract Law of the PRC (the "**New Labour Law**"), which became effective on 1 January 2008. The New Labour Law imposes greater liabilities on employers and significantly impacts the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit.

If we decide to significantly change or decrease our workforce in China, the New Labour Law could materially and adversely affect our ability to enact such changes in a manner that is most advantageous to our circumstances or in a timely and cost effective manner, thus our results of operations could be materially and adversely affected. We also could incur additional material compliance costs in connection with the New Labour Law.

(x) **Increases in labour costs and other costs of production in China**

Labour costs in PRC have been increasing recently. If labour costs in China continue to increase this will translate to proportional increases in production and administrative costs. If we are unable to identify and employ other appropriate means to reduce costs of production, our results of operations could be materially and adversely affected.

(xi) **Enforceability of shareholder rights**

Baixing's operations and assets are located in China. Therefore, Baixing is subject to the relevant laws and regulations of China. The Malaysian Companies Act may provide shareholders with certain rights and protection that may not have corresponding or similar provisions under the laws and regulations of China. As such, our investment in Baixing's shares may or may not be accorded the same level of shareholder rights and protection that would be accorded under the Malaysian Companies Act.

In addition, as at LPD, save for our Chief Financial Officer, all our Executive Directors and key management are non-residents of Malaysia, and the assets of these persons are mainly located outside Malaysia. As such, Shareholders may encounter difficulties in effecting service of process in Malaysia, or to enforce a judgement obtained in Malaysia against any of these persons.

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3. RISK FACTORS (Cont'd)

(xii) Outbreak of severe contagious diseases in the PRC

The outbreak, or threatened outbreak of avian influenza (or known as "Influenza A (H1N1)") or any other contagious diseases in the PRC could have a material adverse effect on our operations. The spread of Influenza A (H1N1) or any other contagious or virulent diseases may potentially affect our operations as well as the operations of our customers and/or suppliers.

In event that any of the employees in our facilities or the facilities of our suppliers and/or customers is infected with Influenza A (H1N1) or other contagious or virulent diseases, our suppliers or customers may be required to temporarily shut down their affected facility to prevent the spread of the disease. The temporary shutdown of our suppliers' and/ or customers' facilities will have an adverse impact on our business and financial performance.

3.4 RISKS RELATING TO OUR COMPANY BEING INCORPORATED IN BERMUDA

(i) Rights and protection accorded to our Shareholders

The Malaysian Companies Act provides shareholders of Malaysia-incorporated companies rights and protection of which there may be no corresponding or similar provisions under the Bermuda Companies Act. As our Company is incorporated in Bermuda as an exempted company under the Bermuda Companies Act, our Shareholders may not be accorded the same level of shareholder rights and protection that a shareholder of a Malaysia-incorporated company may be accorded under the Malaysian Companies Act.

The rights of our Shareholders and the fiduciary responsibilities of our Directors under Bermuda law may not be as clearly established as under statutes or judicial precedent in Malaysia. Under Bermuda law, the duties of directors and officers of a company are generally owed to the company only and not to individual shareholders. Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of the company, and may only do so in limited circumstances.

In addition, as at LPD, all our Executive Directors are non-residents of Malaysia, and their assets are mainly located outside Malaysia. Thus, Shareholders may face difficulties in commencing any action in Malaysia against us, our subsidiaries and Directors residing outside Malaysia. Shareholders may also face difficulties in enforcing a judgment obtained in Malaysian courts against us or any of our Directors. Therefore, our Shareholders may have difficulty protecting their interests in the case of actions against our Directors or management, as compared to shareholders of a corporation incorporated in Malaysia.

Any person wishing to have advice on the differences between the Bermuda Companies Act and the Companies Act and/or the laws of any jurisdiction is recommended to seek independent legal advice.

Explanatory statements on specific issues, such as "Purchase of our own Shares", "Rights to attend general meetings" and "Take-over protections" have been set out in Sections 3.4(iv), 2.1.2 and 3.4(iii) of this Prospectus. A summary of certain provisions under the Bermuda company law and a summary of the Memorandum of Association and selected Bye-laws of our Company are set out in Section 14 and Section 13.2, respectively, of this Prospectus. Each of the summaries and explanatory statements is not intended to be and does not constitute legal advice. Copies of the Memorandum of Association and the Bye-laws of our Company are available for inspection at such place and time as set out in Section 13.8 of this Prospectus.

3. RISK FACTORS (Cont'd)

(ii) Depositors registered as our Shareholders

Under the Bermuda Companies Act, only those persons who agree to become members of a company incorporated in Bermuda and whose names are entered on the register of members of such a company are considered members, with rights to attend and vote at general meetings. Depositors (holding shares jointly with Bursa Depository or its nominee) are recognised as members of our Company by virtue of their names being contained in the Record of Depositors entered in the register of members of our Company at our registered office in Bermuda and in the branch register of members of our Company at our branch office in Malaysia, and hence are accorded the full rights of membership such as voting rights, the right to appoint proxies, the right to receive shareholders' circular, proxy forms, annual reports, prospectuses and takeover documents.

Depositors will be recognised as members of our Company for so long as the Record of Depositors is entered in the register of members and branch register of our Company. For so long as the shares of our Company are listed on Bursa Securities, our Company is required to procure that a copy of the Record of Depositors is obtained from the Bursa Depository as at the close of each market day and entered in the register of members and branch register of our Company upon receipt of the same.

In the event a Depositor is not named in the Record of Depositors entered in our register of members or branch register, *prima facie*, such Depositor will not be recognised as a member of our Company.

(iii) Take-over protections

There are presently no requirements under any Bermuda laws or regulations of general application that will require persons who acquire substantial shareholdings in our Company to make take-over offers for our Shares, or to notify us. In addition, the Malaysian Code does not apply to companies incorporated outside Malaysia, and as such, do not apply to take-over offers for our Company.

To enable the Shareholders to have protection comparable to the Malaysian Code, Bye-law 168 provides that that for so long as our Shares are listed on the Designated Stock Exchange (as defined in the Bye-laws), which includes Bursa Securities, the provisions of Division 2 of Part IV of the Malaysian Securities Commission Act 1993 and the Malaysian Code, or their respective statutory modifications or re-enactment or successor for the time being in force, shall apply, *mutatis mutandis*, to all take-over offers for our Company.

Bye-law 168 will, due to its binding effect on our members, require our members who make take-over offers in respect of our Shares to comply with the Malaysian Code. Nevertheless, a person (including a corporation) who is not our member will not be bound to comply with the Malaysian Code by virtue of our Bye-laws.

In addition, although Bye-law 167 of our Bye-laws will, due to its binding effect on our Members, require each Member to notify and, where applicable, to procure its relevant beneficial owners having an interest in our Company within the meaning of Section 6A of the Malaysian Companies Act, to notify us and the SC upon acquiring a substantial shareholding in our Company or of any change in the percentage level of his substantial shareholding or upon ceasing to be a substantial shareholder of our Company, this cannot be enforced by our Company in respect of persons who are not our Members because Bye-law 167 only binds our Members.

All our Promoters have undertaken to the SC that, as long as they continue to be substantial Shareholders, they will endeavour to persuade potential offerors in connection with a take-over offer for our Company to comply with the requirements of the Malaysian Code.

3. RISK FACTORS (Cont'd)

Nevertheless, there will be no assurance that the endeavours of our Promoters to persuade potential offerors in connection with a take-over offer for our Company to comply with the requirements of the Malaysian Code, will be successful.

The aforementioned shall not preclude the rights of the SC or any other relevant authorities, if any, from time to time, to impose on or enforce against a Member and/or any person (including a corporation) who is not our Member, the requirements and obligations of Division 2 of Part IV of the Malaysian Securities Commission Act 1993 and the Malaysian Code, or their respective statutory modifications or re-enactment or successor for the time being in force.

(iv) Purchase of our own Shares

Under the laws of Bermuda, a company may, if authorized by its memorandum of association or bye-laws, purchase its own shares for cancellation or to be held as treasury shares. Our Company has such power to purchase our own Shares, pursuant to paragraph 7 of our Memorandum of Association.

Such power to purchase our own Shares shall, subject to the Bermuda Companies Act, our Memorandum and Bye-laws, and if applicable, the Listing Requirements and the rules and regulations of other regulatory authorities, be exercisable by our Directors upon such terms and subject to such conditions as they think fit, in accordance with Bye-law 3(2) (which provides that the prior approval of our members in general meeting be obtained for such purchase if so required by the Listing Requirements).

Under the laws of Bermuda, such purchases may be effected out of the capital paid-up on the purchased Shares, or out of the funds of our Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for that purpose. Any premium payable on such a purchase over the par value of the Shares to be purchased must be provided for out of the funds of our Company otherwise available for dividend or distribution or out of our Company's share premium account before the Shares are purchased.

Any amount due to a Shareholder on a purchase by our Company of our own Shares may be: -

- (i) paid in cash;
- (ii) satisfied by the transfer of any part of the undertaking or property of our Company having the same value; or
- (iii) be satisfied partly under (i) and partly under (ii).

Further, such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that our Company is, or after the purchase would be, unable to pay our liabilities as they become due. Shares purchased by our Company may either be cancelled (in which event, our Company's issued, but not our authorised, capital will be diminished accordingly) or, may be held as treasury shares.

Under the laws of Bermuda, if a company holds shares as treasury shares the company shall be entered in the register of members as the member holding the shares but the company is not permitted to exercise any rights in respect of those shares and no dividend or other distribution (whether in cash or otherwise) shall be paid or made to the company in respect of such shares.

For further details, kindly refer to "Purchase of shares and warrants by a company and its subsidiaries" in Section 14.1.4 of this Prospectus.

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3. RISK FACTORS (Cont'd)

Nevertheless, our Company presently has no intention of purchasing our own Shares after our Listing. However, if we decide to do so later, we will seek our Shareholders' approval in accordance with the Bye-laws of our Company and the Listing Requirements. Our Company will make prompt public announcement of any such share purchase and has given an undertaking to Bursa Securities to comply with all requirements that the Listing Requirements may impose in the event of any such share purchase.

3.5 RISKS RELATING TO INVESTMENT IN OUR SHARES

(i) No prior market for our Shares

There has been no prior public market for our securities. There can be no assurance that an active public market will develop or be sustained after our Listing or that the market price of our Shares will not decline below the IPO Price. We believe that a variety of factors could cause our Share price to fluctuate and such fluctuations may adversely affect the market price of our Shares.

The IPO Price for our Shares has been determined after taking into consideration a number of factors, including but not limited to, our financial and operating history and condition, the prospects of the industries we operate in, our management and the market prices for shares of companies engaged in businesses similar to ours, and may not be indicative of the market price of our Shares after our Listing.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon or subsequent to our Listing.

(ii) Capital market risks / Share price volatility

The performance of the local bourse is very much dependent on external factors such as the performance of the regional and world bourses and the flows of foreign funds. Sentiments are also largely driven by internal factors such as the economic and political conditions in Malaysia as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of the listed securities.

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control: -

- (a) variations in our results of operations;
- (b) success or failure of our management team in implementing business and growth strategies;
- (c) gain or loss of an important business relationship;
- (d) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- (f) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia;
- (g) additions or departures of key personnel;
- (h) fluctuations in stock market prices and volume; or

3. RISK FACTORS (Cont'd)

- (i) involvement in litigation.

Although we are committed to the sound management of our business, there is no assurance that our Share price will not be subject to volatility, due to market sentiments.

Nevertheless, our profitability is not dependent on the performance of Bursa Securities, as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

(iii) **Uncertain economic outlook**

Since the second half of 2008, disruptions in the global credit markets and the general slowdown in the global economy have resulted in an increasingly difficult business environment with greater volatilities and tightening of the credit market. It is difficult to predict how long these conditions will continue and how our business will be affected. Accordingly, these conditions could adversely affect our future financial condition or results of operations. In addition, conditions in the capital markets could also adversely affect the IPO and limit or reduce the number of investors in our Shares, thereby adversely affecting the liquidity and potentially the price of our Shares.

(iv) **Control by Promoters**

Upon our Listing, our Promoters, as set out in Section 5.1 of this Prospectus, will collectively hold at least 50.5% of our enlarged issued and paid-up share capital. As a result, they will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the vote of our Shareholders unless our Promoters are required to abstain from voting by law and/or by the relevant guidelines or regulations.

Nevertheless, as a step towards good corporate governance, we have appointed three (3) Independent Directors and set up an Audit Committee to ensure that, *inter-alia*, all future transactions involving related parties, if any, are entered into on an arm's-length basis, or normal commercial terms that are not more favourable to the related parties than those generally available to third parties and are not to the detriment of our minority shareholders.

(v) **Failure / delay in our Listing**

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing on the Main Market of Bursa Securities: -

- (a) the identified investors fail to subscribe to the portion of IPO Shares intended to be placed to them although they have furnished their irrevocable undertaking letters to subscribe for such Shares;
- (b) the Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;
- (c) we are unable to meet the public spread requirement as determined by Bursa Securities i.e. at least 25% of our enlarged issued and paid-up share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or
- (d) we are unable to obtain permission from Bursa Securities for our Admission to the Official List and for the quotation of our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

3. RISK FACTORS (Cont'd)

In such an event, subject to restrictions set out in Section 3.5(vi) below, we will return in full without interest, all monies paid in respect of any Applications accepted. Nevertheless, our Directors will endeavour to ensure compliance with the various requirements for our successful Listing.

(vi) Delay between Admission and trading of the IPO Shares

After the IPO Shares have been allotted and/or allocated to the respective investors' CDS accounts in Bursa Depository, which would occur at least two (2) clear Market Days prior to the anticipated date for Admission, it may not be possible to recover monies paid in respect of IPO Shares from us in the event the Admission and the commencement of trading on the Main Market of Bursa Securities do not occur.

Delays in the Admission and the commencement of trading in shares on Bursa Securities have occurred in the past. In respect of the Public Issue Shares comprised in the IPO Shares, following their allotment and issue to investors, a return of monies to such investors may be effected by way of either a repurchase by the Company of those shares at the IPO Price, or by way of a reduction of our share capital. A capital reduction would require the approval by special resolution of our Shareholders and a notice of the proposed reduction is required to be published in an appointed newspaper in Bermuda not less than 15 days and not more than 30 days before the date on which the reduction of the share capital is to have effect. The statutory requirement for the publication of the notice cannot be waived nor the period shortened.

Further, such capital reduction shall not be effected if on the date the reduction is to be effected, there are reasonable grounds for believing that we are, or after the reduction would be, unable to pay our liabilities as they become due.

There can be no assurance that monies can be recovered within a short period of time. If Bursa Securities does not admit our Shares for Listing, the market for our Shares will be illiquid and it may not be possible to trade our Shares. This may also have a materially adverse effect on the value of our Shares.

(vii) Future fundraisings may dilute shareholders equity / restrict our operations

We may require additional funding for our future growth. This may result in dilution of our shareholders' equity, or restrictions imposed by additional debt fundings.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our production facilities. Thus, we may need additional capital expenditure for mergers and acquisitions or investments. An issue of Shares or other securities to raise funds will dilute shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders.

Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. In addition, any additional debt funding would increase our gearing ratio and may restrict our freedom to operate our business as it may have conditions that: -

- (a) limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- (b) increase our vulnerability to general adverse economic and industry conditions;

3. RISK FACTORS (Cont'd)

- (c) require us to dedicate a portion of our cash flow from operations to repayments of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general corporate purposes; and
- (d) limit our flexibility in planning for, or reacting to, changes in our businesses and our industry.

If we fail in obtaining more funds to meet requirements for our business, merger and acquisition plans or investments, we may be unable to implement future plans that are essential to our continued growth.

(viii) Payment of dividends

Our ability to pay dividends or make other distributions to our Shareholders are subject to the future financial performance and cashflow position of our Group, in addition to the factors highlighted in Section 3.3(ii) of this Prospectus. There is no assurance that our Company will be able to distribute dividends to our Shareholders as a result of the abovementioned factors.

Accordingly, our historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by us in the future. There is also no assurance that we will be able to record profits and have sufficient funds above our funding requirements, other obligations and business plans to declare dividends to our Shareholders. Kindly refer to Section 9.6 of this Prospectus for details on our dividend policy.

(ix) Capital restrictions on funds raised in Malaysia

Funds raised from any future fundraisings may be subject to capital-control regulations that restrict the outflow of funds raised in Malaysia. Consequently, our ability to use proceeds from future fundraisings may be impeded. Any delays or restrictions on repatriation of our IPO proceeds and/or any funds from future fundraisings in Malaysia may materially affect the implementation of our future expansion plans and our ability to effectively raise funds in Malaysia in the future. In turn, our future business growth and financial performance may be materially affected as a result.

(x) Material litigation, claim or arbitration / legal uncertainties

As at LPD, our Group is not engaged in any material litigation, claim and arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect our position or business or the position or business of our subsidiaries.

However, there can be no assurance that there would be no proceedings in the future that could adversely affect the positions or business of our Group.

(xi) Disclosure regarding forward-looking statements

This Prospectus includes forward-looking statements, which are statements other than statements of historical facts, including, without limitations, those regarding our financial position, business strategy, plans and objectives of our management for future operations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

3. RISK FACTORS (Cont'd)

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies, the environment in which our present and future business strategies have been developed, and the environment in which we will operate in the future. Such factors include, *inter-alia*, general economic and business conditions, competition, the impact of new laws and regulations affecting us and the industry, changes in interest rates and changes in foreign exchange rates.

In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us, the Offerors or our Adviser, that our plans and objectives will be achieved.

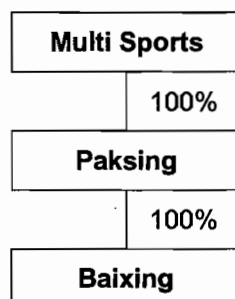
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4. INFORMATION ON OUR GROUP

4.1 BACKGROUND INFORMATION

4.1.1 Group structure

As at the date of this Prospectus, our Group structure is as follows: -



Our subsidiaries and their respective principal activities are as follows: -

Corporation	Date / place of incorporation	Issued and paid-up share capital	Effective equity interest %	Principal activities
Paksing	11 June 2003 / Hong Kong	HK\$12,175	100	Investment holding
Baixing	28 May 2004 / China	HK\$20,000,000	100	Design, development and manufacture of sports-shoe soles

4.1.2 History and commencement of business operations

The business of Multi Sports is that of an investment holding company. Through Multi Sports' subsidiaries, our Group is principally involved in designing, developing and manufacturing sports-shoe soles.

We are a one-stop specialist in serving the shoe-sole requirements of China's sports-footwear industry. We are vertically integrated and possess the ability to process raw materials to produce all the components required for our shoe-sole offering, and also the ability to develop and design shoe-soles in-house. We work closely with customers to fine-tune designs to their specifications and we are known in the industry as providers of "Huoxing" brand shoe soles.

We currently operate in Jinjiang City, Fujian Province, China, which is China's sports-shoe manufacturing capital and one of the world's largest sports-shoe manufacturing centres. In 2007, Jinjiang City accounted for approximately 20% of the total sports-shoe production in the world*. Jinjiang City was bestowed the title of "China's Shoe Capital" in 2001* and "National Sports Industry Base" by China's State General Administration of Sport in 2007*.

Note: -

* Based on various public sources available.

Lin Huozhi, Executive Chairman and founder, is reputedly amongst the earliest entrepreneurs involved in shoe-sole production in Jinjiang City, and one of the pioneers that have contributed to the growth and development of Jinjiang City's status as sports-shoe capital of China.

4. INFORMATION ON OUR GROUP (Cont'd)

The history of our Group can be traced back to 1993, when Lin Huozhi commenced the production of rubber (RB) shoe soles with two (2) assistants. RB shoe soles are durable, provide good traction, waterproof, oil-resistant and anti-static.

After four (4) years experience in the shoe-sole manufacturing industry, Lin Huozhi commenced operations on a larger scale in Yanshang Industry Zone, Chendai Town, Jinjiang City, Fujian Province, China, where we currently operate.

In 1995, thermoplastic rubber (TPR) shoe soles was added to his range of product offerings. In addition to being highly durable, TPR shoe soles are lighter than RB shoe soles, and have better cushioning abilities. From 1996 to 2001, he progressively expanded production capacity and improved operational efficiencies by investing in new production equipment, whilst continuously honing industry expertise and know-how.

In 1999, JHX was established to house Lin Huozhi's entire business operations (*which has now been taken over by Baixing since 2005*). In 2000, JHX began in-house production of TPR compound pellets, which is vital to improve raw-material quality control, lower production costs and eliminate reliance on third-party suppliers.

In 2003, EVA MD I shoe soles was added to JHX's product offerings and manufacturing capacity was increased. EVA MD I shoes soles are lighter, softer and provides even better cushioning and shock-absorbance qualities as compared to TPR shoe soles, thus commanding higher sale prices and profit margins.

In 2006, EVA MD II was launched with further improved features, such as enhanced elasticity and shock-absorbing characteristics, which was infused in new shoe-sole designs used in high-impact sports, such as basketball and tennis. Our offering of more advanced EVA products directly contributed to increasing orders from customers and enhanced our position in the industry.

In 2008, in-house production of EVA compound pellets began, which is a crucial component for EVA shoe-sole production. This has reduced production costs, increased profit margins and eliminated reliance on third-party suppliers. In the same year, Baixing received the "Quality Reliable Products" award, a testament to the quality of its products by China Light Industry Products Guarantee Centre.

Since inception, we have grown from a small-scale shoe-sole producer to a well-established sports-shoe-sole designer and manufacturer in Jinjiang City, with approximately 300 customers including Guohui, 361° and Xdlong, which are manufacturers of well-known local sports-shoes brands.

Our product range has grown from a single RB shoe-sole design to four main types of shoe soles (EVA MD I, EVA MD II, TPR and RB) comprising approximately 300 designs in 2008. From 2005 to 2008, annual production has grown from approximately 4.9 million to 22.0 million pairs of shoe soles and as at end 2008, our Group has a 1,900-strong workforce.

To the best knowledge and belief of our Directors, we have consistently been at the forefront and amongst the pioneers in adopting the latest production process technologies comprising the conceptualisation and transformation of basic raw materials into key components with differing attributes and final designs with enhanced functional characteristics. Looking at our production capacity and integrated manufacturing expertise to produce our own compound pellets that are main raw materials for TPR and EVA shoe soles, and manufacture the complete range of components used in our sports-shoe sole offerings, we believe we are currently one of the top five sports-shoe-sole manufacturers in Jinjiang City.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.1.3 Incorporation and restructuring

Multi Sports was incorporated in Bermuda under the Bermuda Companies Act on 18 September 2008 as an exempted company limited by shares under the name of Multi Sports Holdings Ltd. On 3 June 2009, we registered Multi Sports as a foreign company in Malaysia which subsequently became the holding company of our Group on 15 July 2009.

In June 2003, Paksing was incorporated by Lin Huozhi (80.0%) and Leung Sing Kit (20.0%), who is a nominee of Lin Huozhi. Subsequently, in May 2004, Baixing was incorporated as a wholly foreign-owned enterprise, with a registered capital of HK\$20.0 million, and with Paksing as its sole shareholder.

On 20 June 2005, Baixing entered into an asset transfer agreement with JHX, whereby Baixing acquired from JHX its production machinery and moulds for an aggregate consideration of RMB23,925,600 based on a willing-buyer willing-seller basis. Following this acquisition, Baixing took over the entire business operations of JHX, which has since ceased all its operations in shoe-sole design, manufacturing, and sales.

Baixing is currently the main entity carrying out the main business of designing, developing, and manufacturing sports-shoe soles within our Group.

4.1.4 Listing Scheme

In conjunction with, and as an integral part of our Listing, we undertook the Listing Scheme, which involves the following: -

(a) Consolidation and Increase In Authorised Share Capital

On 28 May 2009, we effected a consolidation of every five (5) existing ordinary shares of US\$0.01 each in our authorised and issued share capital into one (1) ordinary share of US\$0.05, resulting in an authorised share capital of US\$10,000 divided into 200,000 shares of US\$0.05 each and an issued share capital of US\$1.00 divided into 20 shares of US\$0.05 each.

Following the Consolidation, we increased our authorised share capital from US\$10,000 divided into 200,000 ordinary shares of US\$0.05 each to US\$50,000,000 divided into 1,000,000,000 ordinary shares of US\$0.05 each.

(b) Acquisitions

(i) Acquisition Of Paksing

Pursuant to the Share Sale Agreement dated 6 April 2009 entered into by our Company and the vendors of Paksing ("SSA") and Supplemental Agreement dated 29 May 2009 entered into by the parties to the SSA (collectively, the "SSA Agreements") and RCLS Agreements, we acquired the entire issued and fully paid-up share capital of Paksing, comprising 12,175 ordinary shares of HK\$1.00 each in Paksing, for an aggregate purchase consideration of US\$15,119,999, which was wholly satisfied by the issuance of an aggregate of 302,399,980 new Multi Sports Shares each credited as fully paid-up, at par value of US\$0.05 per Share.

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4. INFORMATION ON OUR GROUP (Cont'd)

Pursuant to the SSA Agreements, the specified vendors of Paksing, namely Lin Huozhi, (65.71% shareholding) and Leung Sing Kit (16.43% shareholding of which is being held by Leung Sing Kit in trust for Lin Huozhi under a trust agreement dated 5 June 2003) agreed and directed that all 248,401,273 new Multi Sports Shares to which they were entitled be issued and allotted by Multi Sports to the persons / entities and in the proportion set out below: -

Name	Place of incorporation / nationality	Number of Multi Sports Shares allotted
Power Wide*	BVI	201,601,273
Lim Geok Tin	Singaporean	17,100,000
Fortune United Investment Limited	BVI	13,500,000
Supreme Business Investments Limited	BVI	10,800,000
Houton Limited	BVI	5,400,000
	Total	248,401,273

Note: -

* Power Wide is wholly-owned by Lin Huozhi.

Pursuant to the RCLS Agreements and subsequent to the Acquisition Of Paksing, GGMC, as one of the vendors of Paksing, was issued 53,998,707 new Multi Sports Shares.

The purchase consideration of US\$15,119,999 for the Acquisition Of Paksing was agreed upon based on a willing-buyer willing-seller basis, after taking into consideration the combined financial position of Paksing and Baixing as at 31 December 2008.

The 302,399,980 new Shares issued pursuant to the Acquisition Of Paksing rank *pari passu* in all respects with all then existing ordinary shares of Multi Sports and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

The completion of the Acquisition Of Paksing on 15 July 2009 resulted in the issued share capital of Multi Sports increasing from US\$1 comprising 20 Shares to US\$15,120,000 comprising 302,400,000 Shares.

(ii) Acquisition Of Multi Sports Shares By Power Wide

Subsequent to the completion of the Acquisition Of Paksing, on 15 July 2009, Power Wide acquired the 20 Shares that was held directly by Lin Huozhi, for a nominal amount of US\$1.00, which was wholly satisfied by cash, on a willing-buyer willing-seller basis.

(c) IPO

(i) Public Issue

We are undertaking a Public Issue, details of which are set out in Section 2.3(a) of this Prospectus.

(ii) Offer For Sale

Our Offerors are undertaking an Offer For Sale, details of which are set out in Section 2.3(b) of this Prospectus.

4. INFORMATION ON OUR GROUP (Cont'd)

(d) Listing

Upon completion of the abovementioned Acquisitions, Public Issue and Offer For Sale, we will seek Admission and Listing.

4.1.5 Share capital and changes in share capital

As at the date of this Prospectus, our authorised share capital is US\$50,000,000 comprising 1,000,000,000 shares of US\$0.05 each, and our issued and paid-up share capital is US\$15,120,000 comprising 302,400,000 shares of US\$0.05 each.

The changes in our issued and paid-up share capital since incorporation are as follows: -

Date	No. of Shares	Par value	Consideration	Cumulative issued and paid up share capital US\$
14 October 2008	100	US\$0.01	Issued nil paid	-
28 May 2009	100	US\$0.01	US\$1.00 (Cash)	1
28 May 2009	20	US\$0.05	Consolidation	1
15 July 2009	302,399,980	US\$0.05	Acquisition Of Paksing	15,120,000

Our issued share capital will be increased to 360,000,000 Shares subsequent to the Public Issue of 57,600,000 Shares at the IPO Price.

As at the date of this Prospectus, our Company does not have any outstanding warrants, options, convertible securities or uncalled capital.

4.1.6 Location of business

Our principal place of business is at Yanshang Industry Zone, Chendai Town, Jinjiang City, Fujian Province, China.

Our Group operates from the following premises: -

Company	Location	Main functions
Multi Sports	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	Registered office; investment holding
Paksing	Flat D, 28/F, Block 2, Grand Waterfront, 38 San Ma Tau Street, Kowloon, Hong Kong	Investment holding
Baixing	Yanshang Industry Zone, Chendai Town, Jinjiang City, Fujian Province, China	Head office; principal place of business, assets, production, administration, marketing and distribution; employees' hostel facilities

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4. INFORMATION ON OUR GROUP (Cont'd)

4.1.7 Key achievements / milestones / awards

Some of our key milestones are as follows: -

Year	Milestones
1993	Lin Huozhi commences production of RB shoe soles
1995	Increased product range by commencing production of TPR shoe soles
1999	JHX took over entire business of developing, manufacturing and selling shoe soles built by Lin Huozhi
2000	Commenced in-house production of TPR compound pellets to improve raw-material quality control, lower production costs, and eliminate reliance on third-party suppliers
2000	Established internal R&D department to strengthen shoe-sole R&D and design efforts
2003	Increased product range by commencing production of EVA MD I shoe soles
2003	Commenced in-house production of TPU and RB components, which are used for incorporation into shoe soles to increase aesthetic appeal
2003	JHX received "Enterprise of Credit Rating AA+" in recognition of its creditworthiness
2005	Baixing acquired from JHX its production machinery and moulds, and took over JHX's entire business operations
2006	Increased product range by commencing production of EVA MD II shoe soles
2006	Successfully developed EVA MD I and MD II shoe soles with enhanced elasticity and shock-absorbing characteristics
2008	Commenced in-house production of EVA compound pellets to reduce production costs, increase profit margins and eliminate reliance on third-party suppliers
2008	Baixing received "Quality Reliable Products" award, a testament to the quality of our shoe soles by China Light Industry Products Guarantee Centre
2008	Baixing's production process accredited ISO 9001:2000 Quality Management System
1995-2006	Increased production built-up area from 1,800 sq m in 1995 to approximately 15,200 sq m in 2006
1995-2008	Increased production to approximately 22.0 million pairs of shoe soles in 2008 by progressively acquiring new production equipment

4.2 OUR SUBSIDIARIES

4.2.1 Paksing

(a) History and business

Paksing (Hong Kong Company No. 849373) was incorporated in Hong Kong under the Hong Kong Companies Ordinance, cap 32 laws of Hong Kong on 11 June 2003 as a private company with limited liability under the name of Pak Sing Shoe Material (H.K.) Limited. Paksing is principally an investment holding company.

(b) Substantial shareholders

Paksing is a wholly-owned subsidiary of our Company.

4. INFORMATION ON OUR GROUP (Cont'd)

(c) Share capital

As at the date of this Prospectus, the authorised share capital of Paksing is HK\$15,000 divided into 15,000 shares with a par value of HK\$1 each, and the issued and paid-up share capital of Paksing is HK\$12,175 divided into 12,175 shares with a par value of HK\$1 each.

The changes in the issued and paid-up share capital of Paksing since its date of incorporation are as follows: -

Date of issue / allotment	No. of shares issued / allotted	Par value	Consideration	Cumulative issued and paid-up share capital HK\$
11 June 2003	10,000	HK\$1.00	Cash	10,000
15 July 2009	2,175	HK\$1.00	Conversion of redeemable convertible loan stocks	12,175

As at the date of this Prospectus, Paksing does not have any outstanding warrants, options, convertible securities or uncalled capital.

(d) Subsidiary / associated company

As at the date of this Prospectus, Paksing has one (1) subsidiary, namely Baixing, and does not have any associated corporation.

4.2.2 Baixing

(a) History and business

Baixing (PRC Registration No. 350500400027080) was established in Jinjiang City, Fujian Province, China on 28 May 2004 as a limited liability company and a WFOE, under the PRC Law governing establishment of a limited liability company and a foreign investment company under the name of Jinjiang Baixing Shoe Material Co., Limited.

On 20 June 2005, Baixing entered into an asset transfer agreement with JHX, whereby Baixing acquired from JHX its production machinery and moulds for an aggregate consideration of RMB23,925,600 based on a willing-buyer willing-seller basis. Following this acquisition, Baixing took over the entire business operations of JHX, which has since ceased all its operations in shoe-sole design, manufacturing and sales.

Baixing's principal activity is the design, development, and manufacture of sports-shoe soles.

(b) Substantial shareholders

Baixing is a wholly-owned subsidiary of Paksing, which in turn is wholly-owned by our Company.

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4. INFORMATION ON OUR GROUP (Cont'd)

(c) Capital

As at the date of this Prospectus, the approved total investment of Baixing is HK\$25,000,000; the registered capital of Baixing is HK\$20,000,000; and the paid-up capital of Baixing is HK\$20,000,000.

The changes in the issued and paid-up capital of Baixing since its date of incorporation are as follows: -

Date of allotment	Value HK\$	Consideration	Cumulative paid up capital HK\$
16 May 2005	3,303,000	Cash	3,303,000
11 July 2005	3,698,800	Cash	7,001,800
16 May 2007	12,998,200	Cash	20,000,000

As at the date of this Prospectus, Baixing does not have any outstanding warrants, options, convertible securities or uncalled capital.

(d) Subsidiary / associated company

As at the date of this Prospectus, Baixing does not have any subsidiary or associated corporation.

4.3 TYPES OF PRODUCTS

Sports shoes are primarily protective footwear designed for sporting and physical activities. A sports shoe typically comprises the upper, which is commonly made of soft and flexible material, and the sole, which is made of relatively sturdier materials.

The sports-shoe soles we design, develop and manufacture comprises two parts: -

- the midsole, which is the middle layer of a shoe sole. The objective of the midsole is to provide cushioning and stability to the foot; and
- the outsole, which is in direct contact with the ground. It is often made of materials that provide good traction and are wear-resistant.

Our ability to harness the potential of an assortment of basic raw materials to manufacture midsoles and outsoles, for the production of sports-shoe soles designed specifically for various sports activities is built on the profound knowledge of our Executive Chairman, who has accumulated approximately 20 years experience in shoe-sole production, and the expertise of our team of six (6) production specialists, who are intimately acquainted with the multitude of ingredients and formulas required to create shoe-sole materials of variable characteristics, as follows: -

(i) EVA

EVA is a lightweight and comfortable padding, which serves as an excellent shock-absorber in sports-shoe soles. It is soft, flexible and elastic. It is commonly known as "foam rubber" or "expanded rubber", and is a copolymer of ethylene and vinyl acetate. EVA-based sports-shoe soles are lightweight, resistant to wear and tear, and dimensionally stable with adequate cushioning.

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4. INFORMATION ON OUR GROUP (Cont'd)

(ii) TPR

TPR is lighter than RB, has good tear strength, retains its shape even if stretched, and forms durable shoe soles with good cushioning abilities. It is a physical mix of polymers, usually a rubber and a plastic. TPR combines the functional properties of rubber and the easy processability, mouldability and recyclability of thermoplastics. TPR-based sports-shoe soles are very lightweight, durable and flexible. They also provide good traction even under cold conditions.

(iii) RB

Although RB is heavier compared to EVA and TPR, it is highly durable, provides good traction, is highly resistant to wear and tear, is waterproof and weatherproof. Both natural and synthetic rubbers are used in our production of RB shoe soles. RB-based sports-shoe soles are one of the cheapest materials. They are highly resistant to wear and tear, and possess the highest tensile strength. However, they provide less dimensional stability, cushioning and shock-absorption capabilities compared to other materials.




(iv) TPU

TPU is used to produce components that are assembled onto shoe soles, to enhance the aesthetic value of our shoe soles. It can be dyed into various colours, and is resistant to oil and abrasion.

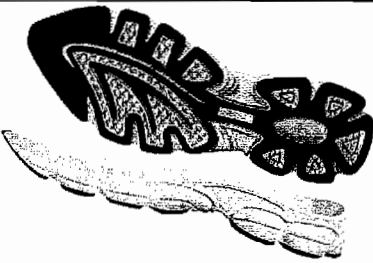
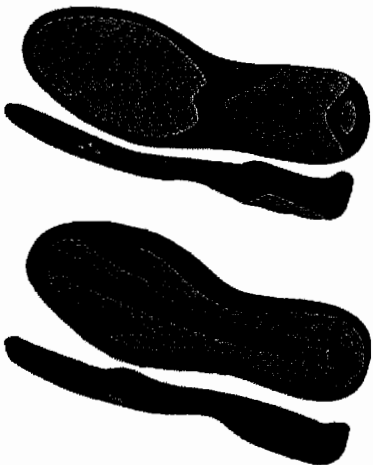
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4. INFORMATION ON OUR GROUP (Cont'd)

These materials are used in the manufacture of our sports-shoe soles, which are a key component that determines the end-usage of sports shoes produced by our customers. Our design, development and manufacturing capabilities allow us to develop and produce a varied range of shoe soles, which can be categorized into four main product lines, as follows: -

Product	Characteristics / usage	Sample shoe soles	Started production in year
EVA MD II shoe soles	<p>The EVA foam used in our production: -</p> <ul style="list-style-type: none"> ▪ is light in weight, soft, flexible and elastic; ▪ has excellent cushioning and shock-absorbance abilities; ▪ has good breathability; ▪ are resistant to wear and tear; ▪ are dimensionally stable; ▪ can be dyed to create shoe soles of various colours; ▪ is easily mouldable into various shapes; ▪ has good tensile strength; ▪ is waterproof; ▪ is resistant to ultraviolet radiation; and ▪ is non-toxic. <p>Ideal for: -</p>	<p>EVA MD II</p> 	2006
EVA MD I shoe soles	<ul style="list-style-type: none"> ▪ running shoes; ▪ tennis shoes; ▪ basketball shoes; ▪ ping pong shoes; ▪ climbing shoes; ▪ skateboarding shoes; ▪ cross-training shoes; ▪ general-purpose sports shoes; and ▪ casual-wear sports shoes. <p>Although EVA is used in the production of both EVA MD II and EVA MD I shoe soles, our EVA MD II shoe soles are produced using a distinct production process with equipment that are technologically more advanced. As such, EVA MD II shoe soles have greater variability in designs and improved quality control.</p>	<p>EVA MD I</p> 	2003
TPR shoe soles	<p>Our TPR shoe soles: -</p> <ul style="list-style-type: none"> ▪ are lighter than RB shoe soles; ▪ have good cushioning abilities; ▪ are durable; ▪ have good abrasion resistance; ▪ are flexible; ▪ provide good traction even under cold conditions; ▪ can be dyed into various colours; ▪ are easily mouldable into various shapes; ▪ have good tensile strength; ▪ have good tear strength; and ▪ are waterproof. 	<p>TPR</p> 	1995

4. INFORMATION ON OUR GROUP (Cont'd)

Product	Characteristics / usage	Sample shoe soles	Started production in year
	Ideal for: - <ul style="list-style-type: none"> ▪ running shoes; ▪ climbing shoes; ▪ skateboarding shoes; ▪ general-purpose sports shoes; and ▪ casual-wear sports shoes. 		
RB shoe soles	Our RB shoe soles: - <ul style="list-style-type: none"> ▪ are highly durable; ▪ are highly resistant to wear and tear; ▪ have good abrasion resistance; ▪ provide good traction; ▪ have excellent tensile strength; ▪ are weatherproof and waterproof; ▪ are oil-resistant; and ▪ are anti-static. Ideal for: - <ul style="list-style-type: none"> ▪ skateboarding shoes; and ▪ casual-wear sports shoes. RB shoe-sole components are also incorporated into our EVA MD II and MD I shoe soles.	RB 	1993

Although our EVA MD I production equipment can be utilised to manufacture slippers and sandals, our production is dedicated to the manufacture of sports-shoe soles, as it yields higher sale prices and profit margins. In addition, the demand for our EVA MD I shoe soles have been sufficient to occupy the capacities of our EVA MD I production machinery.

4.4 COMPETITIVE STRENGTHS

We believe that our competitive strengths and advantages are as follows: -

(i) Strong design and development capabilities

Our strong in-house design and development team endeavours to continuously create new shoe-sole designs that keep abreast with the latest sports-shoe design trends. As the shoe sole is an integral part of sports-shoe designs, our success in creating and constantly updating a wide range of designs bolsters our ability to meet the evolving needs of our various customers.

Together with our sales and marketing team, our design and development personnel work closely with customers to fine-tune product designs, functions, materials and styles for their target markets. Our strong product design and development capabilities allows us to keep abreast of the latest development and trends in the domestic and international sports-footwear markets.

In 2008 alone, we developed approximately 100 shoe-sole designs, of which approximately 60 designs were eventually added to our product line. This is a reflection of our strong design and development capabilities, which we believe will serve to maintain our competitiveness.

4. INFORMATION ON OUR GROUP (Cont'd)

(ii) Wide range of offerings

Our strong design / development capabilities and production capacities have enabled us to successfully produce approximately 300 types of competitively-priced product offerings for our customers, which may be commercially mass-produced.

Our large production capacity creates economies of scale, essential to producing shoe soles due to the upfront costs of producing a complete set of customized moulds for each specific design. As such, the capital requirements for achieving economies of scale are high, which forms a barrier for companies seeking to expand their product range and/or new entrants to the sports-shoe-sole manufacturing industry.

Nevertheless, due to progressive investments in production equipment over the years, our current production capacities allow us to produce a wide range of competitively-priced shoe-sole designs.

(iii) One-stop supply centre for sports-shoe soles

Our ability to produce a wide range of over 300 shoe-sole designs enables us to serve as a one-stop supply centre for all sports-shoe-sole needs. We are able to provide the convenience of a one-stop supply centre for an extensive range of EVA, TPR and RB shoe soles to meet our customers' diverse requirements for producing various sports-shoe designs. This will continue to serve as our platform for promoting customer loyalty and expanding our customer base.

(iv) Strategic location in Jinjiang City, China

Our production facilities and main operating hub are located in Jinjiang City, which is one of the largest sports-footwear manufacturing capitals of the world. This gives us four key advantages: -

Firstly, the presence of a myriad of sports-shoe manufacturers within Jinjiang City and its surrounding areas provides us with a large and established market to sustain and grow our business. In 2008, over 90% of our revenue was derived from customers within Fujian Province. As many of our customers' products are targeted mainly at China's domestic sports-shoes market, we believe that the growing affluence of China's consumers and the growing demand for sports shoes in China will allow us to sustain the growth of our business.

Secondly, our proximity to numerous raw-material suppliers for shoe-sole manufacturing provides us with a timely and steady supply of raw materials at competitive prices. Kindly refer to Section 4.8 of this Prospectus for further details.

Thirdly, Jinjiang City's shoe-manufacturing industry creates abundant employment opportunities, which in turn attracts a significant influx of labour from various parts of China. When combined with the large number of skilled employees with shoe-manufacturing experience in Jinjiang City, this influx of labour serves as a ready reservoir to fulfil our human-resource needs.

In addition to the above, our proximity to customers and suppliers allows us to save on various transportation costs, thus allowing us to lower production costs, which allows us to maintain our competitive prices whilst reaping higher profit margins.

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4. INFORMATION ON OUR GROUP (Cont'd)

(v) Vertically-integrated operations

Our integrated upstream operations include the processing of raw RB materials, the manufacture of TPR and EVA compound pellets, and the production of TPU and RB components used in the manufacture of our sports-shoe soles. This sets us apart from the majority of competitors in Jinjiang City, who do not possess such integrated manufacturing capabilities.

The in-house production of the key intermediate materials for the production of EVA and TPR shoe soles, as well as the semi-finished products used in our manufacture of shoe soles enables us to lower our production costs, grants us better quality control of our products, and eliminates dependence on third-party suppliers for intermediate materials and semi-finished products.

(vi) Emphasis on quality control

Our quality management system encompasses our entire production process. We are thorough in our processing of raw materials, and carry out stringent evaluation of our semi-finished and completed products to ensure the quality of our products.

In addition, all our production staff are required to undergo internal training which covers, amongst others, quality control policies, targets and procedures, as well as production and processing techniques.

Our emphasis on quality control resulted in Baixing receiving the "Quality Reliable Products" award in 2008, a testament to the quality of our shoe soles by China Light Industry Products Guarantee Centre.

(vii) Established market reputation and experienced management team

We have consistently been at the competitive forefront of the industry, and amongst the pioneers in adopting the most up-to-date shoe-sole-production technologies in Jinjiang City, since the commencement of business operations by our Executive Chairman in 1993.

Looking at our production capacity and integrated manufacturing expertise to produce our own compound pellets that are main raw materials for TPR and EVA shoe soles, and manufacture the complete range of components used in our sports-shoe sole offerings, we believe we are currently one of the top five sports-shoe-sole manufacturers in Jinjiang City.

Our Executive Chairman has approximately 20 years experience in shoe-sole manufacturing, whilst our senior management has an average of 7 to 8 years of experience in our industry. Over the years, we have established our reputation as a reliable manufacturer of quality shoe soles at competitive prices in Jinjiang City, which was bestowed the title of "China's Shoe Capital" in 2001.

We believe that the valuable knowledge, experience and expertise of our management team will allow us to sustain our continued growth.

(viii) Wide customer base and long-term relationships with customers

In 2008, our customer base comprised approximately 300 customers. We have been intentionally diversifying our customer base, in order to establish long-term relationships with a larger group of customers. Having a wide base of customers allows us to leverage on their continued growth, whilst reducing the risk of our revenue being adversely affected should any of our customers discontinue or reduce their orders.

4. INFORMATION ON OUR GROUP (Cont'd)

We have enjoyed the ongoing patronage of over 50 customers for nine (9) or more years, whilst over 90 customers have been dealing with us for at least five (5) years. These long-term relationships enable us to develop a good understanding of our customers' requirements and expectations, which serves as a foundation that encourages their ongoing patronage.

(ix) Financial strength

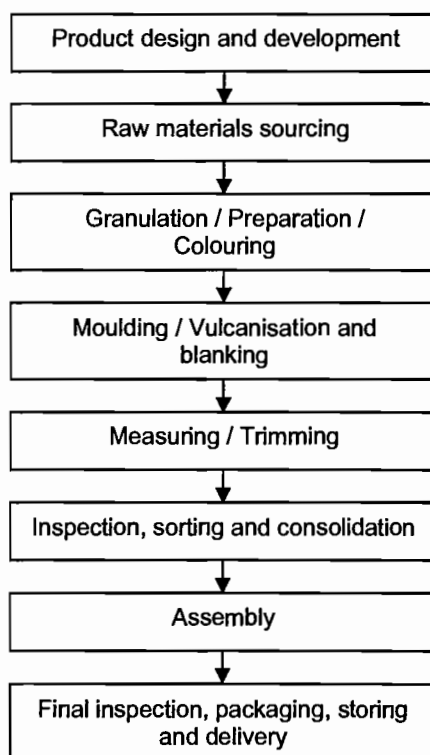
Our financial performance has enjoyed steady growth over the years, which we expect to continue beyond our Listing. From FYE 2006 to FYE 2008, we recorded a compounded average growth rate of 33.94% for our revenue and 37.84% for our PAT. Over the same period of time, we have not utilised any bank borrowings to expand our operations or boost our financial performance.

Whilst our vertically-integrated operations provides production efficiencies that helps keep our production costs low, our progressive introduction of TPR, EVA MD I and EVA MD II shoe soles over the years have allowed us to improve our profit margins. From FYE 2006 to FYE 2008, our gross profit margin improved from 26.7% to 30.0%, our PBT margin improved from 22.6% to 27.3%, and we recorded an average gross profit margin of 28.5% and an average PBT margin of 25.4%.

Our strong financial performance over the years has allowed us to continuously invest in the expansion of our production capacities, and the acquisition of new production technologies. As a result, we have been able to grow our business to an annual production capacity of approximately 24.6 million pairs of shoe soles as at LPD.

4.5 PRODUCTION PROCESS

Our production system is a value-add process that involves the conceptualisation and transformation of basic raw materials and chemicals into high-quality sports-shoe soles, as follows: -



4. INFORMATION ON OUR GROUP (Cont'd)

(a) Product design and development

We design and develop approximately 100 new sports-shoe soles annually. Typically, approximately 60% of such designs would eventually be added into our product range and manufactured for sale.

Our continuous drive to refresh our range of product offerings involves the constant re-evaluation of our existing collection of product offerings and analysis of market trends by working closely with our customers' R&D departments, and observing the evolving fashions of the latest products in the market.

New designs are conceptualised using graphic-design software. During our design process, we take into account the distinctive functionalities required for each sports activity, and the combination of materials required to effect such functionalities, in addition to aesthetic appeal.

Subsequently, sample prototypes are made for collective assessment by customers, our R&D team, and our sales and marketing team. Feedbacks are collated, and the commercial feasibility of each shoe-sole design is evaluated, before new designs are approved for mass production.

(b) Raw materials sourcing

Whilst we purchase raw materials such as EVA resin, TPE, PS, SBR, BR, SVR and TPU pellets from 3rd party suppliers, we manufacture in-house the EVA compound pellets and TPR compound pellets, which are key inputs for our production.

Inspections and testing on samples of raw materials are carried out by our quality control team to ensure that required specifications and quality standards are met. Suppliers are selected based on criteria such as the quality of raw materials supplied, pricing, reliability, track record and ability to meet our required delivery schedules. Only those that satisfactorily fulfil these criteria are maintained.

(c) Granulation / preparation

For the production of EVA and TPR shoe soles, this stage involves the transformation of basic raw materials and other chemical materials into granules. A concoction of raw materials, based on pre-determined formulas, will undergo the granulation process. This involves the use of specialised machinery to heat, liquefy, mix and knead various raw materials, which will ultimately transform into EVA and TPR compound pellets. The formulation used in the granulation process will determine the final characteristics of the shoe soles made from the resulting compound pellets, such as variations in shock-absorbance, elasticity and softness.

For the production of RB shoe soles, various raw materials are mixed in accordance with a certain formula and will undergo a preparation process where they are compressed and rolled into RB slabs.

(d) Colouring

This stage plays a major role in the aesthetic appeal of our shoe soles. We are able to create huge variations in the colours of our shoe soles, and are able to produce shoe soles of almost any colour requested by our customers.

For EVA and TPR shoe soles, dye is added during the granulation process to produce compound pellets of different colours.

For RB shoe soles, the processed RB slabs will be placed into a mixing machine for dyeing and colouring to obtain the desired colour.

4. INFORMATION ON OUR GROUP (Cont'd)

(e) Moulding / vulcanisation and blanking

EVA MD I and TPR shoe soles, and TPU shoe-sole components undergo a similar moulding process, whereby EVA compound pellets (or TPR compound pellets or TPU pellets) are first liquefied by heating in a revolving furnace. The liquid EVA (or TPR or TPU) will then be injected into pre-designed moulds to assume the specified shape. EVA MD I shoe soles undergo a further controlled cooling process to achieve the requisite shape and size specifications.

For EVA MD II shoe soles, EVA compound pellets are placed in the cavity of pre-heated moulds, where they will undergo a foaming process. Next, the expanded EVA foam will undergo preliminary surface trimming and a second stage of moulding, before assuming its final shape.

Unlike EVA and TPR shoe soles, RB shoe soles do not undergo moulding. Instead, RB slabs are vulcanised, and then placed under a stamping machine where shoe soles of the desired shape and size are cut out.

(f) Measuring / trimming

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

All product categories generally undergo a semi-automated trimming process, where any excess materials are mechanically removed. Any further trimming, if necessary, will be carried out manually.

(g) Inspection, sorting and consolidation

All semi-finished products are consolidated at a sorting base, where they are counted and subjected to quality inspections. Sorting is carried out in accordance with product categories and dispensed to the assembly lines.

(h) Assembly

During the assembly process, various components of the shoe soles are fused together via heating at a temperature optimal for bonding of the industrial glue. Thereafter, assembled shoe soles are placed in a pressing machine to ensure that components are firmly bonded.

(i) Final inspection, packaging, storing and delivery

Upon completion of assembly, the finished products undergo a final quality inspection for detection of any defects, and to ensure compliance with our quality standards. High-quality sports-shoe soles that pass the final inspection are then packed, labelled and stored in our warehouse before being delivered to our customers.

Our customers, who comprise of sports labels and trendy fashion-wear labels, will finally attach our completed sports-shoe sole products to their semi-finished upper sections to create specialised shoes for running, tennis, basketball, climbing, cross-training, skateboarding, general-purpose and casual use.

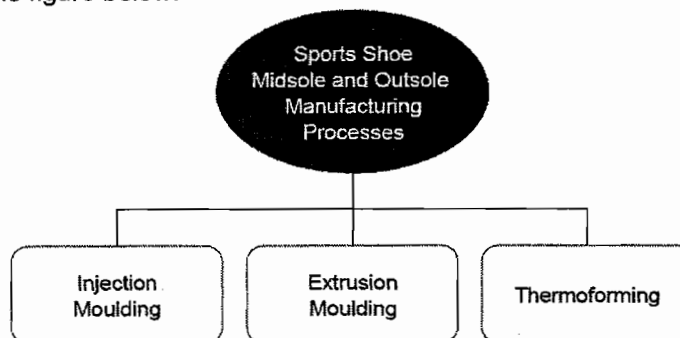
The variations, innovations and functionalities of our various sports-shoe sole designs are the key factors that determine the eventual usages of the sports shoes manufactured by our customers.

4. INFORMATION ON OUR GROUP (Cont'd)

4.5.1 Technology used

We utilise granulation, colouring, moulding, blanking, vulcanisation and controlled heating / cooling technologies in the production of our range of sports-shoe soles, as described in Section 4.5 above. In particular, the granulation process, where various raw materials and chemicals are combined to create shoe-sole materials of differing characteristics; the moulding process, which determines the basic shape of the sole; and the combination of various shoe-sole parts used in our final designs are the key factors that determine the functional characteristics of each shoe sole design.

The most common methods for the manufacture of midsoles and outsoles are depicted in the figure below: -



- Injection moulding is a process whereby the moulding material is heated to a liquid state and is injected into the cavity of a mould where it is cooled and hardened to the shape and pattern of the mould.
- Extrusion moulding is a process whereby the moulding material is heated into a liquid form and forced through a shaped die and then passed through a series of cooling trays and jigs to produce a continuous shape and constant cross-section profile.
- Thermoforming is a process of forming or moulding a heated plastic sheet placed over the mould. The application of vacuum or air pressure pushes the heated sheet against the wall of the mould, such that the heated sheet conforms to the contour of the mould.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

We use the injection moulding and thermoforming processes in our production of midsoles and outsoles.

4.6 PRODUCTION CAPACITY AND OUTPUT

The design capacity and output of our manufacturing facilities for FYE 2008 are as follows: -

Type of product	FYE 2008		
	⁽³⁾ Design capacity '000 pairs	⁽⁴⁾ Production output '000 pairs	Utilisation rate
EVA MD II ⁽¹⁾	8,942	7,523	84.1%
EVA MD I ⁽²⁾	9,088	8,580	94.4%
TPR	5,250	4,920	93.7%
RB	^{(5) (6)} 1,302	1,095	84.1%
Total	24,582	22,118	90.0%

4. INFORMATION ON OUR GROUP (Cont'd)

Notes: -

- (1) *Approximately 100% of EVA MD II shoe soles incorporate RB shoe-sole components.*
- (2) *Approximately 95% of EVA MD I shoe soles incorporate RB shoe-sole components.*
- (3) *Design capacity is calculated based on the respective production lines operating at full capacity for 24 hours a day, 7 days a week, and: -*
 - (a) *345 days a year for EVA MD II shoe soles;*
 - (b) *330 days a year for EVA MD I shoe soles;*
 - (c) *300 days a year for TPR shoe soles; and*
 - (d) *345 days a year for RB shoe soles,**taking into consideration the respective production machineries' maintenance requirements.*
- (4) *Depending on our production plan and order backlog, we may opt to halt production during national holidays and/or Sundays, as we incur higher wage costs on these days.*
- (5) *Based on the assumption that 100% of EVA MD II shoe soles and 95% of EVA MD I shoe soles incorporate RB shoe-sole components.*
- (6) *Our RB production lines have a total design capacity of 18,878,000 pairs of shoe soles and/or shoe-sole components. Nevertheless, based on assumption (5) above, the design capacity of RB production lines (disclosed above in the schedule) does not take into account the allocation of: -*
 - (a) *8,942,000 pairs of RB shoe-sole components reserved for production of EVA MD II shoe soles; and*
 - (b) *8,634,000 pairs of RB shoe-sole components reserved for production of EVA MD I shoe soles.*

As at LPD, we currently have twelve (12) production lines for RB shoe soles and shoe-sole components, six (6) production lines each for EVA MD II and EVA MD I shoe soles, and five (5) production lines for TPR shoe soles. In addition, we have twelve (12) production lines for TPU-component manufacturing, six (6) production lines for assembling and fusing together the various components of shoe soles, and one (1) production line each for manufacturing EVA compound pellets and TPR compound pellets.

Our production capacities are limited by the number of production lines we currently have.

4.7 SEASONAL / CYCLICAL FACTORS

In the last two (2) months of each year, we typically receive approximately thirty (30) of our larger customers' respective orders for the following year, and plan our production for the year ahead accordingly. We also receive orders throughout the year, and update our production plan accordingly. Nevertheless, instead of agreeing to produce 100% of the total volume requested by each of our customers, we typically agree to produce an average of approximately 60% of their respective orders, with the balance subject to availability of our production capacities. Whilst reducing the risk of our operations being adversely affected should any of our customers discontinue or reduce their orders, this allows us to establish long-term relationships and leverage on the continued growth of a larger group of customers.

As such, save for festive periods, national holidays and/or occasional Sundays during which we may opt to temporarily halt our production, the demand for our shoe soles is not susceptible to significant seasonal or cyclical demand conditions, as we have been proactively widening our customer base in order to limit our exposure to any single customer.

4.8 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS

The primary raw materials used in our production process are EVA resin, TPE, PS, SBR, BR, SVR and TPU pellets. The availability of these raw materials is ultimately dependent on the availability of major raw materials such as plastics, and natural and synthetic rubber.

China has a significant oil and gas production industry, which serves as the feedstock for manufacture of plastic resins and synthetic rubber. Between 2003 and 2007, China's production of primary plastics grew at an average annual rate of 17.8%. In 2007, China's production of primary plastics increased by 22.4% to reach 31.8 million tonnes.

4. INFORMATION ON OUR GROUP (Cont'd)

Manufacturers of shoe soles are able to source these primary plastics from various locations within China, including Jiangsu, Shanghai, Guangdong, Shandong, Zhejiang, Tianjin, Beijing, Liaoning, Heilongjiang, Gansu, Xinjiang, Henan and others.

Between 2003 and 2007, the production quantity of ethylene in China increased at an average annual rate of 13.8%. In 2007, the production quantity of ethylene in China grew by 9.3% to reach 10 million tonnes. Manufacturers of shoe soles can source ethylene from various locations within China, including Guangdong, Shanghai, Jiangsu, Beijing, Jilin, Shandong and others.

In addition, plastic resins and synthetic rubber are commodities, and are easily available in the world market. In 2007, China imported plastics and articles amounting to US\$45.3 billion. This includes imports of primary products such as polyethylene, PS, polypropylene and polyvinyl chloride in primary forms, and acrylonitrile-butadiene-styrene copolymer, and other plastic based products.

China also produces its own natural rubber and ranks fifth in the world for the production of natural rubber. Nevertheless, due to its large manufacturing base, it supplements its requirements for natural rubber through imports from Indonesia, Thailand and Malaysia, the world's top three largest producer of natural rubber.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

As our production facilities are located in Jinjiang City, we have easy access to a large pool of suppliers of raw materials required in our production. Our suppliers of raw materials are in close proximity to our production facilities and are mainly located in Quanzhou (where Jinjiang City is located) and Xiamen of Fujian Province, where there is a high concentration of suppliers of raw materials for the sports-footwear-manufacturing industry.

Thus, as the main raw materials are commodities and readily available in China and elsewhere in the world, the threat from shortage of supply of key raw materials is minimised.

As at LPD, we procure raw materials from over seventy (70) suppliers, all of whom are located in China. Our suppliers are usually able to deliver within 1 to 2 days from the date of order. As such, we only need to maintain a regular stock of raw materials to support approximately between 12 to 15 days of production.

We maintain daily records of the inventory level of our raw materials to ensure that there are sufficient raw materials to support our production, thus assuring that the production line will not stall due to lack of raw materials.

Fluctuation in Prices

Petroleum products are the major feedstock for plastic resins and synthetic rubber used in the manufacture of sports shoe soles. Thus, the prices of plastic resins and synthetic rubber, including EVA, PU and TPR are therefore dependent on the price of petroleum. Plastic resins and synthetic rubber are commodities and they are also subjected to fluctuations in world prices.

As these raw materials are commodities and therefore subjected to world prices, all manufacturers that use these materials are affected equally.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

A discussion on our dependence on suppliers for the continual supply of raw materials needed for our production, and fluctuations in the cost / availability of our raw materials have been set out in Section 3.2(i) and 3.2(ii) of this Prospectus.

4. INFORMATION ON OUR GROUP (Cont'd)

4.9 QUALITY CONTROL / MANAGEMENT

We believe that product quality is key for continued growth and success, and our track record of supplying quality products have allowed this and built good relationships with our customers. As such, we place great emphasis on quality control and management.

In order to maintain our quality management standards, we have established a quality-control programme that encompasses our entire operational process from R&D, production and sales to after-sales service. Our quality-assurance team, which is headed by our Executive Director, Huang Weimin, is responsible for formulating and implementing our quality-control policies.

We place particular emphasis on quality-control procedures in our production process. Stringent inspections, checks and tests are conducted by 25 dedicated quality-assurance supervisors and 83 quality-control personnel at various stages throughout our production process. Further details on the quality-management procedures in our production process are detailed in Section 4.5 of this Prospectus.

From 2006 to 2008, up to LPD, we have not received any major complaints or rejections on any of our products.

A general overview of our quality-assurance procedures are as follows: -

(a) Procurement of raw materials

Our quality management begins in procurement, where we select our suppliers in accordance with our internal quality-assessment system, which takes into consideration criteria such as the quality of raw materials supplied, pricing, reliability, track record and ability to meet our required delivery schedules.

We conduct trial productions using sample raw materials from each batch procured to ensure they conform to our specifications and quality standards. If any batch of raw materials does not conform to our requirements, it is then rejected and returned to the respective suppliers.

(b) In-process checks

We conduct in-process checks during production to ensure that all defects are identified and corrected at the earliest possible stage. In-process checks are carried out in accordance with our specifications and quality standards, in order to detect and eliminate defects in our products.

Apart from the above, regular maintenance, inspections and repairs on machinery and equipment are also carried out to ensure they are well maintained and in good working condition.

In addition, our production personnel are required to undergo in-house training to familiarise themselves with the quality-control procedures of the production process. Such training ensures that our in-process quality control procedures are strictly implemented.

(c) Inspection of finished products

All finished products undergo a final inspection process to ensure that they are in good condition, and conform to our stringent specifications and quality standards, before being approved for delivery to our customers.

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4. INFORMATION ON OUR GROUP (Cont'd)

4.10 PRINCIPAL MARKETS

For the FYE 2008, all of our sales were to customers within China, and over 90% of our total revenue were derived from customers within Fujian Province, due to the high concentration of sports-shoe manufacturers located within Quanzhou, where Jinjiang City is located, and its surrounding areas.

4.11 SALES AND MARKETING

We utilise direct channels of distribution through our own sales and marketing team, which is based in our head office in Jinjiang City, to source for new customers and strengthen our existing customer relationships. This approach allows us to work closely with our customers to attain a better understanding their requirements, which serves as a feedback mechanism for continuous improvements on our shoe soles.



To maintain close relationships, our sales and marketing team makes regular visits to customers' premises, and invites existing and potential customers to our factory premises and product show room. Such interactions also allow us to fine-tune our shoe-sole designs for customers' specific requirements, and obtain feedback on product quality.

The strategy of having our own sales and marketing team also enables us to keep abreast of domestic and international market trends, as our own sales and marketing team is also tasked with monitoring market developments and our competitors' products and pricing range. This serves as an invaluable source of market intelligence for our management and R&D team.

Our sales and marketing department is headed by Wu Chengdong, who has approximately nine (9) years experience in this field. As at the LPD, our sales and marketing department comprises 21 employees.

4.12 INTELLECTUAL PROPERTY

As at LPD, we currently use the brand name "Huoxing" in our day-to-day business. We are in the midst of applying for the registration of the following trademarks: -

Trademark	Owner	Class	Application number	Place of application / registration
	Baixing	Category 40 (Material processing) ⁽¹⁾	6642235	China
	Baixing	Category 40 (Material processing) ⁽¹⁾	6915585	China

Note: -

(1) *Comprises Printing (Lithographic -), Grinding, Textile treating, Timber felling and processing, Paper finishing, Leather working, Dressmaking, Decontamination of hazardous materials, Custom assembling of materials (for others) and Production of energy.*

The domain name of "baixingshoes.com" was registered by Baixing on July 14, 2008, and the domain name registration expires on July 14, 2011. The domain name of "multi-sports.com.cn" was registered by Multi Sports on May 6, 2009, and the domain name registration expires on May 6, 2010.

Save as disclosed above, as at LPD, we do not have any brand names, patents, trademarks, licenses, technical assistance agreements, franchises or other intellectual-property rights.

4. INFORMATION ON OUR GROUP (Cont'd)

4.13 APPROVALS / MAJOR LICENSES / PERMITS

Details of the approvals obtained by us for our Listing from the SC together with the conditions imposed by these authorities and the status of compliance are set out in Section 6 of this Prospectus. Other approvals, major licences and permits obtained by our Group for the operation of business are as follows: -

Company	Description of approval/licence/ permit	Date of issuance or commencement / expiry	Authority	Major conditions imposed	Status of compliance of major conditions
Paksing	Business Registration Certificate No. 33677256-000-06-09-5	11.06.2009 / 10.06.2010	Commissioner of Inland Revenue of Hong Kong	None	N/a
Baixing	Foreign Investment Certificate with Certificate No. (2004)0288	20.04.2004 / 19.04.2034	Fujian Province People's Government	None	N/a
	Business License with Certificate No. 350500400027080	28.05.2004 / 27.05.2034	Quanzhou Administration of Industry and Commerce in PRC	None	N/a
	Enterprise Technical Code Certificate with Certificate No. 350500-055952	13.05.2008 / 13.05.2012	Quanzhou Quality and Technology Supervision Bureau	None	N/a
	Foreign Exchange Registration Certificate with Certificate No. 350582040292	14.12.2004 / Not Applicable	SAFE, Jinjiang Branch	None	N/a
	Pollution Discharge License with Certificate No. 323	12.11.2008 / 11.11.2011	Jinjiang Municipal Environmental Protection Bureau	None	N/a

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4. INFORMATION ON OUR GROUP (Cont'd)

4.14 DEPENDENCY ON CONTRACTS / ARRANGEMENTS

As at LPD, save as disclosed in Section 4.13 of this Prospectus, and the leasing of our factory as set out in Section 7.1.1 of this Prospectus, there are no patents or licenses, industrial, commercial or financial contracts (including informal arrangements or understandings) or new manufacturing processes, which have been entered into by us that we are highly dependent on or that are material to our business and/or profitability.

4.15 INTERRUPTIONS IN BUSINESS

There has not been any interruption in the form of trade disputes or major operational breakdown occurring within and outside our Group that significantly impaired our business performance during the past twelve (12) months prior to LPD.

4.16 RESEARCH AND DEVELOPMENT

(i) Policies of R&D

Our Directors believe that constant innovation in developing new and improved products is vital to our continuing success and to meet the changing needs of the market.

In view of the nature of our business, our R&D activities are mainly focused on the following: -

- (a) researching on designs and raw materials to produce shoe soles with improved comfort, durability and function-specific performance;
- (b) conducting research on our moulding equipment to improve moulding techniques for the purposes of producing shoe soles with the functions and designs desired by our customers;
- (c) keeping abreast of the latest developments in the domestic and international shoe-sole and sports-footwear markets;
- (d) developing and expanding our product range to meet our customers' demands; and
- (e) improving our production techniques to increase production efficiency and reduce production costs.

(ii) R&D facilities and personnel

After working closely with customers to develop and fine-tune shoe sole designs, actual prototypes are produced. Our R&D team uses various in-house equipment to administer various tests on prototypes in order to examine its endurance and resistance against prolonged abrasion, wear and tear, ultraviolet-light exposure, and stretching. Only prototypes that pass our minimum requirements are approved for mass production; prototypes that fail are subject to further refining before undergoing these tests again.

Our R&D department is headed by our R&D Manager, Gong Deping. As at LPD, we have a total of six (6) R&D personnel, including Gong Deping.

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4. INFORMATION ON OUR GROUP (Cont'd)

(iii) Achievements in R&D

- **Design and development prowess**

Our establishment of a dedicated internal R&D department in 2000 significantly bolstered our research, design and development initiatives. In recognition of our R&D team's meticulous efforts, which culminated in higher-quality shoe-sole designs, Baixing was bestowed with the "Quality Reliable Products" award by China Light Industry Products Guarantee Centre in 2008.

In 2006, our R&D team's successful development of EVA shoe soles with enhanced elasticity and shock-absorbing characteristics enabled us to improve the functional performance of our shoe-soles designed for high-impact sports.

To date, we have achieved the ability to constantly update and renew our range of shoe-sole designs. In 2008 alone, we developed approximately 100 new sports-shoe sole designs, of which approximately 60% were eventually manufactured for sale.

- **Extension of product range**

The successful introduction of our TPR, EVA MD I, and EVA MD II shoe soles to the market in 1995, 2003 and 2006 respectively, was propelled by our R&D endeavours in keeping ahead and abreast of developments in the sports-footwear manufacturing industry. Throughout the years, our strategic decisions to advance our production know-how and invest in new production technologies have been based on findings and feedback acquired via our R&D personnel's research, design and development process.

The continuous advancement of our production knowledge and technological capabilities have allowed us to continually widen our range of product offerings, thus enabling us to respond quickly to the evolving shoe-sole requirements of our customers. To our best knowledge and belief, we have consistently been amongst Jinjiang City's pioneers in adopting the newest shoe-sole production technologies, and introducing new shoe-sole products to the market.

- **Expansion of technical capabilities**

The expansion of our in-house manufacturing capabilities to include synergistic processes, such as the production of TPR compound pellets, TPU and RB components, and EVA compound pellets in 2000, 2003 and 2008 respectively, has collectively contributed to the development of our vertically-integrated capabilities.

These initiatives were motivated by our R&D team's desire to continuously improve our ability to design and develop higher-quality sports-shoe soles. In addition, our R&D team sought the ability to customise TPU and RB component designs, and not be impeded by generic TPU and RB component designs, whilst procuring greater freedom in the design and development of shoe soles.

(iv) On-going and future R&D

Our product design team works closely with our sales and marketing team to understand product designs, functions, materials and styles that appeal to our customers' target market.

4. INFORMATION ON OUR GROUP (Cont'd)

Samples are made and assessed by our R&D department, production department and sales and marketing department to determine the commercial feasibility of the new designs. In evaluating new designs, we take into account aesthetic appeal, raw materials used, production costs and suitability for mass production. Customer comments are also sought on our new designs.

Our product designers stay current with changing fashion trends and consumer preferences by conducting market research, attending footwear trade fairs and reviewing fashion/sports magazines, footwear brochures and internet websites.

Upon the completion of our new production facility, we intend to upgrade our R&D capabilities by investing in machinery and equipment dedicated to prototype testing, as well as recruiting more personnel with extensive R&D experience. With such efforts in the pipeline, we hope to increase our shoe-sole designs up to 150 designs annually, and increase the percentage of designs that are eventually manufactured for sale to approximately 70% of our total shoe-sole designs developed annually.

(v) R&D expenditure

Details on our R&D expenditure are as follows: -

	FYE 2006		FYE 2007		FYE 2008		1Q 09	
	RMB	*RM	RMB	*RM	RMB	*RM	RMB	*RM
R&D capital expenses	-	-	-	-	-	-	-	-
R&D operating expenses	914,411	487,838	1,172,344	625,446	843,097	449,792	132,990	70,950
Total R&D expenses	914,411	487,838	1,172,344	625,446	843,097	449,792	132,990	70,950
Total R&D expenses as a proportion of our total revenue	0.43%	0.43%	0.38%	0.38%	0.22%	0.22%	0.16%	0.16%

Note: -

* Based on the exchange rate of RMB1: RM0.5335 as at 31 March 2009, as set out in Paragraph 4 of the Accountants' Report in Section 10 of this Prospectus.

(1) These amounts only represent the readily identifiable R&D expenses and do not include indirect expenses attributable to R&D, for example, depreciation of equipment as well as materials for the purpose of R&D and rental of office space.

4.17 MAJOR CUSTOMERS

From FYE 2006 to FYE 2008, we did not have any customers who accounted for 5% or more of our Group's total revenue. As such, our business and profitability are not dependent on any one of our customers.

Our stable relationships with customers are reflected by the fact that we have enjoyed the ongoing patronage of over 50 customers for nine (9) or more years, whilst over 90 customers have been dealing with us for at least five (5) years. These long-term relationships enable us to develop a good understanding of our customers' requirements and expectations, which serves as a foundation that encourages their ongoing patronage.

4. INFORMATION ON OUR GROUP (Cont'd)

4.18 MAJOR SUPPLIERS

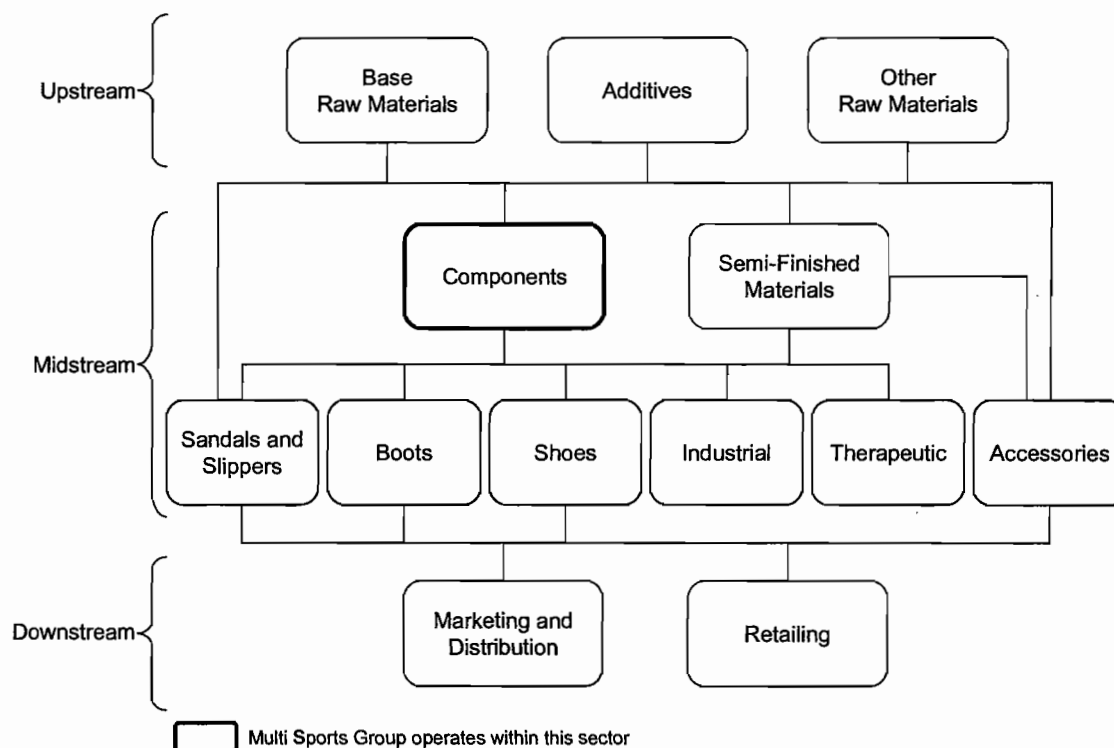
For FYE 2006 to FYE 2008, we did not have any major suppliers that contributed to 10% or more of our total purchases. As such, we are not dependent on any one of our suppliers.

We are able to source our raw materials from alternative suppliers should the need arises. We do not enter into long-term or exclusive contracts with suppliers so as to maintain flexibility in choice of suppliers. Our location in Jinjiang City of Fujian Province, a major sports-footwear-manufacturing centre in China gives us easy access to a large pool of suppliers of raw materials required in our production. Please refer to Section 4.8 of this Prospectus for further information on the sources and availability of our raw material supplies.

We have not encountered any significant production disruptions 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.

4.19 INDUSTRY OVERVIEW

The footwear industry can be extended vertically to include upstream, midstream and downstream activities, as follows: -



(i) Upstream activities

Upstream activities primarily involve the supply of raw materials, including the base raw materials, as follows: -

- natural rubber, such as ribbed smoke sheer and pale crepe;
- synthetic rubber, including SBR, butadiene acrylonitrile, polychloroprene, polyisoprene and BR;
- leather (not commonly used for sports shoes);
- textiles (not commonly used for sports shoes);
- EVA copolymer;
- Polyvinyl chloride (PVC) (not commonly used for sports shoes);

4. INFORMATION ON OUR GROUP (Cont'd)

- Polyurethane (PU); and
- TPR.

In addition to the above, additives are also supplied to improve mechanical, physical and aesthetic properties. Some examples of additives are as follows: -

- fillers;
- pigments;
- accelerators;
- activators;
- antioxidants;
- plasticizer;
- blowing agent;
- stabilizer;
- vulcanising agent;
- dusting agent;
- catalyst;
- cross-linking and chain-extending agents;
- colorants;
- flame retardants; and
- smoke suppressants.

Other raw materials include threads, adhesives, metal and other processing aids, such as lubricants used during the compounding of base raw materials.

(ii) Midstream activities

Midstream activities involve the following, amongst others: -

- manufacture of footwear components such as soles, heels and grommets (eyelets);
- manufacture of semi-finished footwear materials such as semi-finished leather and semi-finished textile cloth; and
- manufacture of finished products such as sandals, slippers, boots, shoes, industrial footwear, therapeutic footwear and footwear accessories.

Our Group is involved in midstream activities. We manufacture footwear components, namely sports-shoe soles.

(iii) Downstream activities

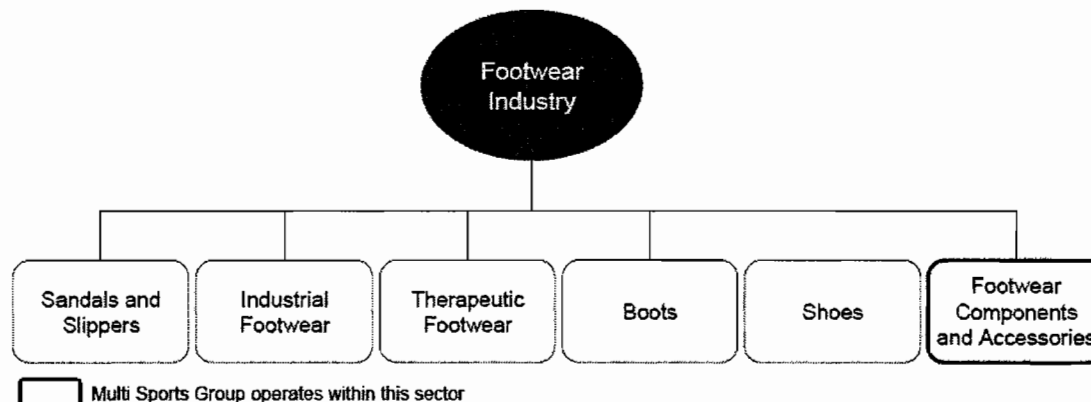
Downstream activities involve the marketing, distribution and retailing of footwear. Marketing and distribution activities are usually undertaken by agents, importers, exporters, stockists and wholesalers.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

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4. INFORMATION ON OUR GROUP (Cont'd)

In general, the footwear industry comprises six segments, as follows: -



As we manufacture sports-shoe soles, we operate within the footwear-component sector of the overall footwear industry.

Manufacturers of sports-shoe soles have a relatively large market of shoe manufacturers in China. This is particularly true in Jinjiang City, where there are an estimated 3,000 manufacturers of footwear.

Critical success factors for manufacturers of sports-shoe soles include the following: -

Commitment to high quality standards: To ensure optimal performance and reliability of products, manufacturers must be committed to consistently deliver high-quality products to customers. Those who adopt stringent controls in their manufacturing processes and have obtained recognised quality accreditations and awards to reflect their commitment to excellence are better positioned to meet customers' requirements.

Established track record: The manufacture of sports-shoe soles in China is competitive, with many operators. As such, other than possessing design, research and development, and manufacturing capabilities, a reputable track record is key in securing sales orders, particularly from new customers.

Financial stability: Manufacturers in a healthy financial position are more likely to retain and attract new customers. Potential customers would emphasise financial stability as a key criterion in the evaluation of a prospective supplier, as they would not want any disruptions in the supply of sports-shoe soles. In addition, a financially strong manufacturer would be in a better position to upgrade its manufacturing capabilities, if necessary, to keep abreast with technology, changes in production or to meet demand for increased capacity.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.1 Past performance

Production

Between 2003 and 2007, the gross output value of the manufacture of textile wearing apparel, footwear and caps in China increased at an average annual rate of 22.0%. In 2007, the gross output value of this sector grew by 23.4% to reach RMB760.0 billion.

Between 2002 and 2006, the production quantity of rubber shoes (including sports shoes) in China grew at an average annual rate of 13.5%. In 2006, the production quantity of rubber shoes in China increased by 28.7% to reach 1.6 billion pairs. The production statistics on rubber shoes includes among others, sports shoes but exclude professional sports shoes, which require special certification from the Government of China.

4. INFORMATION ON OUR GROUP (Cont'd)

Demand

Between 2004 and 2007, the retail value of clothing, shoes, hats and textiles grew at an average annual rate of 20.4%. In 2007, the retail value of clothing, shoes, hats and textiles increased by 25.5% to reach RMB302.4 billion.

Between 2003 and 2007, per capita annual purchase of shoes by urban households in China grew at an average annual rate of 1.5%. In 2007, per capita annual purchase of shoes by urban households in China increased by 4.2% to reach 2.74 pairs.

Between 2003 and 2007, per capita annual consumption expenditure on shoes by urban households in China increased at an average annual rate of 15.0%. In 2007, per capita annual consumption expenditure on shoes by urban households in China grew by 17.9% to reach RMB242.6.

Exports

Between 2004 and 2007, the export value of footwear, gaiters and the like, and parts of such articles increased at an average annual rate of 15.6%. In 2007, the export value of these articles grew by 11.2% to reach RMB194.3 billion

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.2 Future growth opportunities

(i) Product diversification

Product diversification presents opportunities for manufacturers to enlarge their customer base. More importantly, it enables manufacturers to minimise risk of over-dependency on certain products.

Manufacturers who produce a diverse product range and applications are in a stronger position to sustain its business during an economic slowdown.

(ii) Use of new materials for sports-shoe soles

Developments in materials for sports-shoe soles have been very significant over the years, thus providing consumers with a wide range of materials to meet the functional, ergonomics and fashion requirements of sports shoes.

Development of materials has moved from the use of natural rubber to incorporate engineered plastics and thermoplastic rubber. The introduction of microcellular structures in sports-shoe soles is another example of innovations in enhancing the properties of raw materials to increase comfort, protection and stability for shoe wearers.

As such, there are significant opportunities in development of new or modified materials for sports-shoe soles to continuously create excitement and demand for sports shoes.

(iii) Export markets

There are significant opportunities for manufacturers of sports-shoe soles to expand into export markets. In 2008, export value of rubber and plastic outer soles and heels grew by 54.4% to reach US\$583.9 million.

In 2008, China's export markets for rubber and plastic outer soles and heels include, among others, Russia, United States, Hong Kong, Japan, Vietnam, Malaysia, India, Germany, United Arab Emirates, Indonesia, Singapore, the United Kingdom and Spain.

4. INFORMATION ON OUR GROUP (Cont'd)

The US is regarded as one of the highest consumer of shoes on a per capita basis. Between 2004 and 2006, per capita expenditure on shoes in the US increased at an average annual rate of 5.9% amounting to US\$58.20 in 2006.

Exports into overseas countries will open up a significantly larger market for sports shoes as well as sports-shoe sole manufacturers in China.

(iv) China market

There continues to be opportunities in the China market for shoes as indicated by the comparison of per capita expenditure of shoes in China compared to the US: -

- in 2006, per capita annual expenditure of shoes in the US amounted to US\$58.20, which is approximately two times higher than China's per capita annual expenditure by urban households at RMB205.8; and

As a country's per capita GDP increases, expenditure on shoes are likely to increase as shoes become fashion accessories to more affluent people, in contrast to shoes being a functional item to protect the feet.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.3 Industry players

Some of the players involved in the manufacturing of shoe soles in China includes the following (in alphabetical order): -

- Chengdu Yaxi Shoes Material Co Ltd
- DongguanHuangjiang Baotai Shoe Material Factory
- Fujian Longsheng Light Industry Co Ltd
- Fujian Jinjiang Henghui Shoes & Plastics Co Ltd
- Fujian Suoli Shoes Co. Ltd
- Fujian Qingmei Shoe Material Development Co. Ltd
- Fujian Hongwei Shoe Plastics Co Ltd
- Fute (QZ) Shoe Material Co Ltd
- Huizhou Hongfu Shoe Material Manufacturing Factory
- Jinjiang Taiya Shoes Development Co Ltd
- Jinjiang Tengda Soles Factory
- Jinjiang Yili Shoes Material Co Ltd
- Julong (Quanzhou) Light Industry Co Ltd
- Multi Sports Group (through our subsidiary, Baixing)
- Putian Hanjiang Dayun Shoes Materials Co. Ltd
- Qingdao Hong'an Shoes Co. Ltd
- Wenzhou Jiashun Shoes Material Co. Ltd
- Wenzhou Longwan Haibing Xiulong Shoe Soles Factory
- Zhangjiagang Yingsheng Rubber & Plastic Co. Ltd
- Zhejiang Huadong Rubber Co. Ltd
- Quanzhou Xinxiezi Shoes & Plastic Co Ltd
- Quanzhou Youcheng Plastics Co Ltd
- Quansheng Industry Co. Ltd

Note: This is a not an exhaustive list.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4. INFORMATION ON OUR GROUP (Cont'd)

4.19.4 Competition

(i) **Nature of competition in the industry**

Manufacturers of sports shoe soles in China operate under normal competitive conditions similar to a free enterprise environment where there are no undue government regulations or licensing requirements and operators may freely enter or leave the industry.

(ii) **Factors of competition**

As with most free enterprise environments, the factors used to compete and to differentiate one operator from another include the following: -

- (a) product quality;
- (b) cost competitiveness;
- (c) design capabilities;
- (d) R&D; and
- (e) track record.

(iii) **Impact of factors of competition on our Group**

(a) **Product quality**

Product quality is important as sports-shoe soles are regarded as critical components of sports shoes. Sports-shoe soles have specific functions, which contribute to the overall performance of the shoe. For example, the midsole provides cushioning and stability to the foot, while the outsole is designed to provide traction and abrasion resistance. As such, quality of materials used and design of the soles are critical to the finished products.

Manufacturers with stringent quality assurance programs and certifications in place, and with in-house quality tests and inspections will be in a better position to compete effectively and win new customers.

Baixing, our subsidiary, was accredited with the 'Quality Reliable Products' award by China Light Industry Products Guarantee Centre in 2008. This is an endorsement of the quality-assurance system that is in place for our manufacturing of sports-shoe soles, and provides customers with the assurance of our product quality.

In addition, we have also implemented rigorous quality-assurance processes, checks and inspections starting from in-coming raw materials to the various production processes and finished products. Kindly refer to Section 4.9 of this Prospectus for further details on our quality management.

(b) **Cost competitiveness**

Manufacturers that are able to provide cost-competitive solutions would have a significant competitive advantage. The need for cost-competitive manufacturers is partly driven by the rising cost of raw materials used in producing shoes coupled with competition from other manufacturers.

4. INFORMATION ON OUR GROUP (Cont'd)

We are able to provide cost-competitive sports-shoe soles based on economies of scale derived from our large-volume production. For the FYE 2008, we produced approximately 22.1 million pairs of sports-shoe soles. Large-volume production enables us to buy raw materials at competitive costs, and also spreads our fixed costs over a larger number of units of output.

In addition, manufacturing large volumes of the same design would spread up-front costs, for example, understanding customer specifications and trends, use of moulds, planning the manufacturing process, and setting-up of manufacturing lines.

(c) Design capabilities

The design of shoe soles requires certain levels of technical skills and expertise, as well as specialised systems. For example, the designing phase would require experience, skills and expertise in conceptualising desirable designs based on existing or emerging trends. These are then translated into shoe-sole designs using computer-aided-design systems. This would allow the manufacturer to create two-dimension and three-dimension computer-generated solid-state prototypes to facilitate dimensioning, multizoning and accurate scaling, and colour and material combinations.

The design phase for shoe soles is particularly essential for sports shoes, as the shoe-sole design plays an integral role in the final shoe-design style, ergonomics, function, and durability, which are important considerations for customer and market acceptance.

As such, a sports-shoe-sole manufacturer with in-house design facilities and capabilities would serve an essential value-adding role to its customers, who are mainly sports-shoe manufacturers.

Over the years, we have made significant investments in our design facilities as well as design personnel, as detailed in Section 4.16 of this Prospectus. As at LPD, we have six (6) personnel involved in the design of sports-shoe soles.

(d) R&D

There are three main drivers of sports shoes that make R&D an important competitive factor, namely: -

- (i) sports shoes are fashion items;
- (ii) sports shoes provide support and protection for the shoe wearer's feet and legs; and
- (ii) competition continuously place pressure on costs.

These three drivers, among others, have necessitated R&D of sports shoes, including soles. R&D is essential in creating new designs and using new materials that meet customer needs for fashion, function, ergonomics and cost considerations.

As such, sports-shoe-sole manufacturers with in-house R&D facilities and capabilities would be in a better positing to continuously come out with better and more desirable products that meet the changing needs of customers.

In this respect, we have in-house research and development facilities and capabilities to design and manufacture sports-shoe soles to meet the requirements of our customers, as detailed in Section 4.16 of this Prospectus.

4. INFORMATION ON OUR GROUP (Cont'd)

(e) Track record

Customers would normally select manufacturers with a strong track record. This is particular critical, as customers would normally place large orders to be delivered in a relatively short period of time. As such, a manufacturer that is able to deliver on time, on budget, and provide quality products would have a significant advantage.

We have a track record of approximately 16 years in providing sports-shoe soles to sports-shoe manufacturers. Over the years, we have undertaken the manufacturing of sports-shoe soles for various sports-shoe manufacturers, including Guohui, 361° and Xdlong. Our track record, combined with our customer referrals would provide us with a competitive advantage to win new customers.

(iv) Competitive intensity

Competition among manufacturers of sports-shoe soles within the footwear industry in China is based on the following observations: -

- Competition primarily comes from other manufacturers of shoe soles in China, particularly in Jinjiang City within Fujian Province. This is because Jinjiang City is regarded as the centre of footwear manufacturing in China, and our manufacturing operations are located in Jinjiang City. In Jinjiang City, there are an estimated 3,000 shoe manufacturing companies producing an estimated 700 million pairs of shoes annually.
- A large and growing market size of footwear manufacturers would be able to accommodate a relatively large number of sports-shoe-sole manufacturers within the industry. This may somewhat mitigate the intensity of competition: -
 - In 2007, the gross industrial output value of the manufacture of textile wearing apparel, footwear and caps in China amounted to RMB760.0 billion.
 - Between 2002 and 2006, the production quantity of rubber shoes (including sports shoes) in China grew at an average annual rate of 13.5%. In 2006, the production quantity of rubber shoes in China increased by 28.7% to reach 1.6 billion pairs. The production statistics on rubber shoes includes among others, sports shoes but excludes professional sports shoes, which require special certification from the Government of China.
 - Our production facilities are located in Jinjiang City, where there are an estimated 3,000 shoe manufacturers producing an estimated 700 million pairs of shoes per year. This provides significant opportunities for shoe-sole manufacturers in Jinjiang to service a large user industry.
- Technical skills and knowledge required in sports-shoe-sole production also forms a barrier to entry, therefore reducing competitive intensity.
- Competition also comes from imports of shoe soles. In 2008, import value of rubber and plastics outer soles and heels amounted to US\$71.8 million. In 2008, China imported its rubber and plastics outer soles and heels from Taiwan, Korea, Vietnam, Italy, Japan, United States and other overseas countries. Nevertheless, the total import value is relatively small and as such, competition from imports is minimal.

4. INFORMATION ON OUR GROUP (Cont'd)

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

(v) Barriers to entry

(a) Capital and set-up costs

The barrier to entry into the manufacture of sports-shoe soles within the footwear industry is moderate from the capital and set-up cost perspective.

The capital cost of setting-up a small-scale manufacturing plant in China to produce sports shoe soles would be approximately RMB30 million (excluding land and building). This would include: -

- one line of injection-moulding machinery and equipment, and one line of thermoforming machinery and equipment, for a collective total of approximately RMB20 million; and
- working capital of approximately RMB10 million.

With this capital set-up cost, the small-scale manufacturing plant would be capable of producing approximately 300,000 pairs of sports-shoe soles per year, whilst the revenue generated from this plant would be estimated at RMB3 million per year.

At this level of entry, which is small, the manufacturing plant is restricted in terms of capacity. Capital cost would start to escalate for those who want to generate a higher volume of output to achieve economies of scale. Smaller manufacturers would also find it difficult to compete with larger manufacturers as they are unable to fulfil larger volume orders within a short period of time.

(b) Technical expertise

Technical skills and knowledge are required in the design, R&D, and manufacturing of sports-shoe soles, as it is essential in determining the functionality, ergonomics, style, aesthetics and ultimately customer acceptance of each sports-shoe-sole design.

The design phase for shoe soles is particularly essential for sports shoes, as the shoe-sole design plays an integral role in the final shoe-design style, ergonomics, function, and durability, which are important considerations for customer and market acceptance. Having in-house design capabilities would provide a significant complementary value-adding function to sports-shoe manufacturers. Larger and more established manufacturers are more likely to have in-house design development capabilities compared to smaller manufacturers. Technical skills to undertake R&D are also essential to keep ahead of competition. This is particularly important in keeping up with fashion trends, improvements in ergonomic designs and using new materials to continuously produce better and more desirable products.

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4. INFORMATION ON OUR GROUP (Cont'd)

In addition, manufacturing expertise such as those required in injection moulding and thermoforming also play major roles in ensuring products meet specified properties and features including density, elongation, microcellular structures, anti-abrasion, dimensional stability, and toughness. Technical expertise in selecting the choice of raw materials, and using improved materials for sports-shoe soles is also very important for the saleability of a product. This is due to the significant amount of developments in materials used to provide better and sometimes cheaper materials for the manufacture of sports-shoe soles.

Sports-shoe soles are a critical component of a sports shoe, particularly due to the importance of sports-shoe soles in providing comfort, safety, ergonomics, cushioning against the jarring impact of walking or running, and the requirement for withstanding wear and tear due to the abrasive action of continuously coming into direct contact with the ground. In addition, sports-shoe soles play a key part in the overall aesthetics and fashion trend of sports shoe.

As such, technical expertise, skills and knowledge from design, manufacturing and use of raw materials are key in creating a quality and desirable product, and thus could pose as a barrier to entry for new entrants.

(c) Track record

Track record forms one of the barriers to entry for new entrants. It would be difficult for a new entrant to compete effectively in the market. A manufacturer with a track record as a reliable supplier providing consistently high-quality products would be in a significant better position in winning sales compared to new entrants.

(d) Product quality

As sports shoe soles are key components of the total sports shoes, the quality of the soles is critical, as they are continuously subjected to continuous and vigorous action, and significant wear and tear, whilst expected to provide comfort, safety and protection to the feet, ankles and knees of wearers.

As such, manufacturers that have stringent quality assurance programmes in place and compliance to standards are important factors for manufacturers in securing sales orders. Manufacturers that are able to continuously meet quality expectations of customers would be in a stronger position to compete effectively.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.5 Market size and share

(i) Market size

In 2008, the market size of the footwear* industry in China was estimated at 10 billion pairs based on production.

In 2008, the market size of the rubber/plastic shoes (including, among others, sports shoes) industry in China was estimated at 2.1 billion pairs based on production. Rubber/plastic shoes are a sub-sector of the total footwear industry in China.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4. INFORMATION ON OUR GROUP (Cont'd)

(i) Market share

In 2008, Multi Sports Group had a market share of approximately 0.2% of the footwear* soles sector in China based on its production output of 22 million pairs of sports shoe soles.

In 2008, Multi Sports Group had a market share of approximately 1% of the rubber/plastic shoe soles sector in China based on its production output of 22 million pairs of sports shoe soles.

Note: -

* The term "footwear" covers all types of footwear including sandals, slippers, industrial footwear, therapeutic footwear, boots, and shoes. Multi Sports Group only manufactures sports-shoe soles.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.6 Relevant laws and regulations governing the footwear industry

(i) Business licence

Application of a business licence with the Administration of Industry and Commerce is required for establishing an enterprise in China. Baixing has obtained a business licence from the Quanzhou Administration of Industry and Commerce in China, which is valid from 28 May 2004 until 27 May 2034.

(ii) Environmental regulations

As part of the process of manufacturing sports-shoe soles, we create waste in the form of off-cuts. These off-cuts are then collected and sold to external parties for recycling purposes.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.7 Demand conditions

(i) Consumption

Between 2004 and 2007, the retail value of clothing, shoes, hats and textiles grew at an average annual rate of 20.4%. In 2007, the retail value of clothing, shoes, hats and textiles increased by 25.5% to reach RMB302.4 billion.

Between 2003 and 2007, per capita annual purchase of shoes by urban households in China grew at an average annual rate of 1.5%. In 2007, per capita annual purchase of shoes by urban households in China increased by 4.2% to reach 2.74 pairs.

Between 2003 and 2007, per capita annual consumption expenditure on shoes by urban households in China increased at an average annual rate of 15.0%. In 2007, per capita annual consumption expenditure on shoes by urban households in China grew by 17.9% to reach RMB242.6.

(ii) Exports

Between 2004 and 2007, the export value of footwear, gaiters and the like, and parts of such articles increased at an average annual rate of 15.6%. In 2007, the export value of footwear, gaiters and the like, and parts of such articles grew by 11.2% to reach RMB194.3 billion.

4. INFORMATION ON OUR GROUP (Cont'd)

Between 2003 and 2007, the export value of leather shoes increased at an average annual rate of 15.6%. In 2007, the export value of leather shoes grew by 9.0% to reach US\$8.8 billion.

Between 2003 and 2007, the export value of cloth shoes with outer of rubber or artificial plastic materials (including gym shoes) grew at an average annual rate of 21.1%. In 2007, the export value of cloth shoes with outer of rubber or artificial plastic materials (including gym shoes) increased by 20.6% to reach US\$3.4 billion.

(iii) Demand dependencies

As our market is mainly focused on China, demand dependencies will be based on factors impacting on the consumption of sports shoes in China including population growth in China, growth in disposable household income, and increase in consumption expenditure.

Between 2003 and 2007, the population of China increased at an average annual rate of 0.6%. In 2007, the population of China grew by 0.5% to reach 1.3 billion persons.

Between 2003 and 2007, the annual per capita disposable income of urban households in China increased at an average annual rate of 12.9%. In 2007, the annual per capita disposable income of urban households in China grew by 17.2% to reach RMB13,785.8.

Between 2003 and 2007, the annual per capita consumption expenditure of urban households in China increased at an average annual rate of 11.3%. In 2007, the annual per capita consumption expenditure of urban households in China grew by 15.0% to reach RMB9,997.5.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.8 Supply conditions

(i) Production

Between 2003 and 2007, the gross output value of the manufacture of textile wearing apparel, footwear and caps in China increased at an average annual rate of 22.0%. In 2007, the gross output value of the manufacture of textile wearing apparel, footwear and caps grew by 23.4% to reach RMB760.0 billion.

Between 2003 and 2007, the total sales value for the wholesale of textiles, garments and daily consumer articles in China increased at an average annual rate of 21.2%. In 2007, the total wholesale value of textiles, garments and daily consumer articles in China grew by 15.3% to reach RMB744.8 billion.

Between 2002 and 2006, the production quantity of rubber shoes (including sports shoes) in China grew at an average annual rate of 13.5%. In 2006, the production quantity of rubber shoes in China increased by 28.7% to reach 1.6 billion pairs. The production statistics on rubber shoes includes among others, sports shoes but exclude professional sports shoes, which require special certification from the Government of China.

Between 2002 and 2006, the production quantity of leather shoes in China increased at an average annual rate of 18.5%. In 2006, the production quantity of leather shoes in China grew by 18.9% to reach 3.0 billion pairs.

4. INFORMATION ON OUR GROUP (Cont'd)

(ii) Imports

Between 2004 and 2007, the import value of footwear, gaiters and the like increased at an average annual rate of 12.4%. In 2007, the import value of footwear, gaiters and the like grew by 14.5% to reach RMB5.6 billion.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.9 Substitute products

There are no substitutes for sports-shoe soles, as they are an integral part of sports shoes. Nevertheless, there are many alternative materials, methods of manufacturing, construction and design, thus providing choices in types, properties, characteristics and aesthetics of sports shoe soles.

Besides EVA, TPR, and RB, polyurethane is also a common material used for manufacturing sports-shoe soles. PU based sports-shoe soles provide good dimension stability, durability, flexibility, shock absorption and cushioning. They are also highly resistant to abrasion, weather and temperature. However, it is also one of the most expensive materials used in the production of sports-shoe soles.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.19.10 Industry outlook and prospects

(i) General overview

In light of the current global financial crisis that has affected the China economy, the outlook of the footwear industry in China may be challenging for the short to medium term. Worsening global economic conditions resulted in slower growth for the China economy during the fourth quarter of 2008. Real GDP growth slowed to 6.8% during the fourth quarter of 2008 bringing the overall 2008 GDP growth to 9.0%, the lowest in seven years. This is low in comparison to the previous year where GDP grew by 17.9%.

A slowdown in the global and China economies may lead to a slowdown in the footwear including the sports-shoe industry. Nevertheless, the outlook for the footwear industry in China is expected to improve when the China and global economies rebound. This is primarily predicated by the position of China as the world's manufacturing source of footwear, and is further substantiated by the following observations during normal economic conditions: -

Production

- Between 2003 and 2007, the gross output value of the manufacture of textile wearing apparel, footwear and caps in China increased at an average annual rate of 22.0%. In 2007, the gross output value of this sector grew by 23.4% to reach RMB760.0 billion.
- Between 2002 and 2006, the production quantity of rubber shoes (including sports shoes) in China grew at an average annual rate of 13.5%. In 2006, the production quantity of rubber shoes in China increased by 28.7% to reach 1.6 billion pairs. The production statistics on rubber shoes includes among others, sports shoes but excludes professional sports shoes, which require special certification from the Government of China.

4. INFORMATION ON OUR GROUP (Cont'd)

Demand

- Between 2004 and 2007, the retail value of clothing, shoes, hats and textiles grew at an average annual rate of 20.4%. In 2007, the retail value of clothing, shoes, hats and textiles increased by 25.5% to reach RMB302.4 billion.
- Between 2003 and 2007, per capita annual purchase of shoes by urban households in China grew at an average annual rate of 1.5%. In 2007, per capita annual purchase of shoes by urban households in China increased by 4.2% to reach 2.74 pairs.
- Between 2003 and 2007, per capita annual consumption expenditure on shoes by urban households in China increased at an average annual rate of 15.0%. In 2007, per capita annual consumption expenditure on shoes by urban households in China grew by 17.9% to reach RMB242.6.

Exports

- Between 2004 and 2007, the export value of footwear, gaiters and the like, and parts of such articles increased at an average annual rate of 15.6%. In 2007, the export value of these articles grew by 11.2% to reach RMB194.3 billion.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

(ii) Economic conditions in China relative to global conditions

Despite experiencing a slowdown in GDP in 2008, China's GDP continues to be relatively more robust at 9.0% growth compared to the GDP growth of some of the more advanced economies, for example: -

- US = 1.6%
- United Kingdom = 1.0%
- Japan = 0.5%.

For the first quarter of 2009, China's GDP registered a growth of 6.1% compared to the first quarter of 2008. China is forecasted to achieve a continuing growth of 8.3% in 2009 while many more advanced countries expect very low or negative GDP growth for 2009, for example: -

- US = 0.1%
- United Kingdom = -0.1%
- Japan = 0.5%

In addition, with an economic slowdown, there is a possibility that domestic mass-market consumers in China would trade down from buying overseas-branded sports shoes to buying relatively-lower-priced local-branded sports shoes for sporting and daily wear. Additionally, the overall quality of local-branded China-made sports shoes have improved over time.

As such, manufacturers whose main markets are in China would be in a better position to ride through the current global economic slowdown. The relatively better outlook is further boosted by the large population of China, which registered 1.3 billion persons in 2007.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4. INFORMATION ON OUR GROUP (Cont'd)

4.19.11 Reliance on and vulnerability to imports

Generally, manufacturers of sports-shoe soles in China source a significant proportion of their raw materials in China. Some of the major raw materials used for the manufacture of sports-shoe soles include: -

- Plastic resins and additives such as PU, EVA and phylon;
- Natural rubber in the form of ribbed smoke sheet and pale crepe; and
- Synthetic rubber such as SBR, acrylonitrile butadiene, TPR, chloroprene, polyisoprene and polybutadiene.

We mainly use natural rubber in the form of solid rubber and durable rubber compound, synthetic rubber in the form of TPR, and plastic resins and additives in the form of EVA and phylon in our manufacturing operations.

Raw materials particularly in the form of plastic resins and synthetic rubber can be sourced locally in China. This is supported by the following observation: -

- In 2007, China's production of primary plastics increased by 22.4% to reach 31.8 million tonnes. Manufacturers of sports shoe soles can source these primary plastics from various locations within China, including Jiangsu, Shanghai, Guangdong, Shandong, Zhejiang, Tianjin, Beijing, Liaoning, Heilongjiang, Gangsu, Xinjiang, Henan and others.
- Nevertheless, China imports a significant amount of raw materials to meet its overall manufacturing needs. In 2007, import statistics of some of the selected primary plastics in China are as follows: -
 - imports of polyethylene in primary forms in China amounted to US\$3.9 billion;
 - import value of PS in primary forms in China amounted to US\$5.9 billion; and
 - import value of acrylonitrile butadiene styrene copolymers amounted to US\$3.6 billion.

(Source: Independent Assessment of the Footwear Industry Focusing on Manufacture of Sports Shoe Soles in China, prepared by Vital Factor Consulting Sdn Bhd)

4.20 FUTURE PLANS AND STRATEGIES

We are optimistic about our business prospects and aim to be a leading provider of quality shoe soles in China by capitalising on market opportunities and trends through the roll-out of the following plans: -

(i) Expand production

We aim to expand our production capacity, in order to meet the anticipated increase in demand for our products. We have acquired a piece of vacant land located at Longgang Salt Yard, Shanxia Town, Hui'an County, Quanzhou City, Fujian Province, China, to construct a new factory with an estimated built-up area of approximately 60,000 sq m. We will acquire additional production machinery and equipment for this new plant to increase our annual production capacity by an estimated 50 million pairs per annum – to an estimated 74.6 million pairs per annum, within 24 months after our Listing.

Depending on prevailing market demand conditions, we intend to purchase even more new equipment and machinery in stages after completion of the abovementioned expansion, to eventually increase our production capacity to approximately 90 million pairs of sports-shoe soles per annum.

4. INFORMATION ON OUR GROUP (Cont'd)

(ii) Enhance product design and development capabilities

We aim to enhance our capability to design and develop new and improved products, in order to further extend our range of sports-shoe soles, and further improve the quality of our products. We also seek to continuously improve our ability to anticipate and meet the evolving needs of our target markets.

To achieve this, we will invest in additional software for shoe-sole designing, and purchase equipment dedicated to prototype development and testing, such as advanced testing equipment for abrasion, colour-endurance, elasticity, and shape-retention within 24 months after our Listing.

In addition, we plan to strengthen our in-house R&D capabilities, by recruiting more experienced and skilled R&D personnel. We also aim to explore opportunities to collaborate with universities and research institutes for conducting research on developing and using new materials to advance the development of improved sports-shoe-sole materials.

(iii) Strengthen sales, marketing and branding initiatives

In addition to increasing production and bolstering product-development capabilities, we intend to strengthen our sales and marketing initiatives, so as to extend our sales and marketing outreach to a larger pool of potential customers. To this end, we have identified 3 locations (i.e. Guangdong Province, Zhejiang Province and Putian (Fujian Province)) for the establishment of new sales and marketing offices within 18 months after our Listing.

These offices will serve as a knowledge base to keep abreast with the latest developments in the shoe-manufacturing industry. Through increased interactions with customers and exposure to developments in diverse geographical areas, we will be able to enhance our product-development capabilities.

In addition, these offices will showcase our products, enhance our presence, foster better relationships with customers, and allow us to be even more receptive and responsive to customer needs. Ultimately, this will assist our sales and marketing initiatives, and promote confidence in the quality of products and service that we pledge to deliver in these areas, which are well-established footwear-manufacturing hubs.

Apart from the above, we intend to support our sales and marketing initiatives and strengthen our "Huoxing" brand, by increasing advertising activities, trade fair participation, and media-outreach efforts.

(iv) Explore synergistic acquisitions, investments and/or joint ventures

In the future, we may consider expanding our business through synergistic acquisitions, investments and/or joint ventures, such as upstream and/or downstream business opportunities. Through such acquisitions, investments and/or joint ventures, we will seek to capture a larger market share locally, and extend our reach to wider geographical markets, leading to more rapid and efficient growth. By doing so, we will further strengthen our market position, expand our network of customers, benefit from economies of scale, expand our scope of business and/or widen our range of product offerings.

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