



鴻國國際控股有限公司*

Hongguo International Holdings Limited

(incorporated in Bermuda with limited liability)

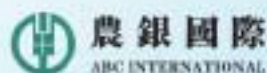
Stock Code:1028

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators
and Joint Bookrunners



Joint Lead Managers



* For identification purpose only

IMPORTANT

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.



Hongguo International Holdings Limited

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GLOBAL OFFERING

Number of Offer Shares : 500,000,000 Shares (subject to the Over-allotment Option)

Number of Hong Kong Offer Shares : 50,000,000 New Shares (subject to adjustment)

Number of International Offer Shares : 450,000,000 Shares comprising 250,000,000 New Shares and 200,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)

Maximum Offer Price : HK\$3.24 per Offer Share (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, payable in full on application subject to refund on final pricing)

Nominal Value : US\$0.015 per Share

Stock Code : 1028

Joint Sponsors, Joint Global Coordinators and Joint Bookrunners

(in alphabetical order)



Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in Appendix VIII "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

A copy of this prospectus has been filed or will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda. In accepting the prospectus for filing and in granting such consent, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority 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 herein or any of the other documents referred to in this prospectus.

The Offer Price is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date. The Price Determination Date is expected to be on or about Saturday, September 17, 2011 and, in any event, not later than Wednesday, September 21, 2011. The Offer Price will be not more than HK\$3.24 and is currently expected to be not less than HK\$2.30. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$3.24 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$3.24.

The Joint Global Coordinators (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Company (www.hongguo.com) and the website of the Stock Exchange (www.hkexnews.hk) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section entitled "Underwriting—Underwriting Arrangements—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered to (i) QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act, or (ii) outside the United States in accordance with Regulation S.

September 12, 2011

* For identification purpose only

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, September 16, 2011
Application lists open ⁽³⁾	11:45 a.m. on Friday, September 16, 2011
Latest time to lodge white and yellow Application Forms	12:00 noon on Friday, September 16, 2011
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, September 16, 2011
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) of PPS payment transfer(s)	12:00 noon on Friday, September 16, 2011
Application lists close ⁽³⁾	12:00 noon on Friday, September 16, 2011
Expected Price Determination Date	Saturday, September 17, 2011
Announcement of	
<ul style="list-style-type: none"> • the Offer Price; • the level of applications in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allotment of the Hong Kong Offer Shares, 	
to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and available at the website of the Company at www.hongguo.com and the Stock Exchange’s website at www.hkexnews.hk on or before	Thursday, September 22, 2011
Results of allocations of the Hong Kong Public Offering (including successful applicants’ identification document numbers and Hong Kong business registration numbers, where appropriate) to be available through a variety of channels (see paragraph headed “Publication of results” in the section entitled “How to Apply for Hong Kong Offer Shares” in this prospectus) from	Thursday, September 22, 2011
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk , with a “search by ID” function from	Thursday, September 22, 2011
Dispatch of share certificates or deposit of certificates to CCASS and/or if applicable, refund cheques or White Form eIPO e-Refund Payment instructions on or before ⁽⁵⁾⁽⁶⁾	Thursday, September 22, 2011
Dealings in Shares on the Stock Exchange expected to commence on	Friday, September 23, 2011

- (1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section entitled “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, September 16, 2011, the application lists will not open and close on that day. Further information is set out in the sections entitled “How to Apply for Hong Kong Offer Shares—When May Applications Be Made—Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, September 16, 2011, the dates mentioned in this section may be affected. A press announcement will be made by us in such an event.

EXPECTED TIMETABLE

- (4) If you apply by giving electronic application instructions to HKSCC, you should refer to the section entitled “How to Apply for Hong Kong Offer Shares—How to Apply By Giving Electronic Application Instructions to HKSCC” in this prospectus.
- (5) share certificates are expected to be issued on Thursday, September 22, 2011 but will only become valid certificates of title provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled “Underwriting—Underwriting Arrangements—Grounds for Termination” has not been exercised, which is scheduled to be at 8:00 a.m. on Friday, September 23, 2011.
- (6) We will issue refund to you if your application is wholly or partially unsuccessful or if the Offer Price is less than the price per Offer Share payable on application. We will dispatch share certificates and refund cheques by ordinary post to you at your own risk to the address you specified in your Application Form unless you have elected for personal collection. If you have applied for 1,000,000 Hong Kong Offer Shares or more and you have indicated in your Application Form that you wish to collect refund cheques and/or share certificates personally, you may collect refund cheques and/or share certificates from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, September 22, 2011 or any other place and date we announce in the newspapers as the place and date of dispatch/collect of share certificates/e-Refund payment instructions/refund cheques. If you are an individual applicant and you have elected for personal collection, you may not authorize any other person to collect on your behalf. If you are a corporate applicant and you have elected for personal collection, you must attend by your authorized representative with your letter of authorization stamped with your corporate chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you fail to collect within the time specified for collection, we will dispatch uncollected share certificates and refund cheques by ordinary post at your own risk to the address specified in the relevant Application Forms. If you apply for 1,000,000 Hong Kong Offer Shares or more through the White Form eIPO service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on September 22, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. If you do not collect share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter, by ordinary post and at your own risk. If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk on September 22, 2011, by ordinary post and at your own risk. Further information is set out in the section entitled “How to Apply for Hong Kong Offer Shares” in this prospectus.

For details of the structure of the Global Offering, including its conditions, you should refer to the section entitled “Structure of the Global Offering” in this prospectus.

CONTENTS

This prospectus is issued by us in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of any offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

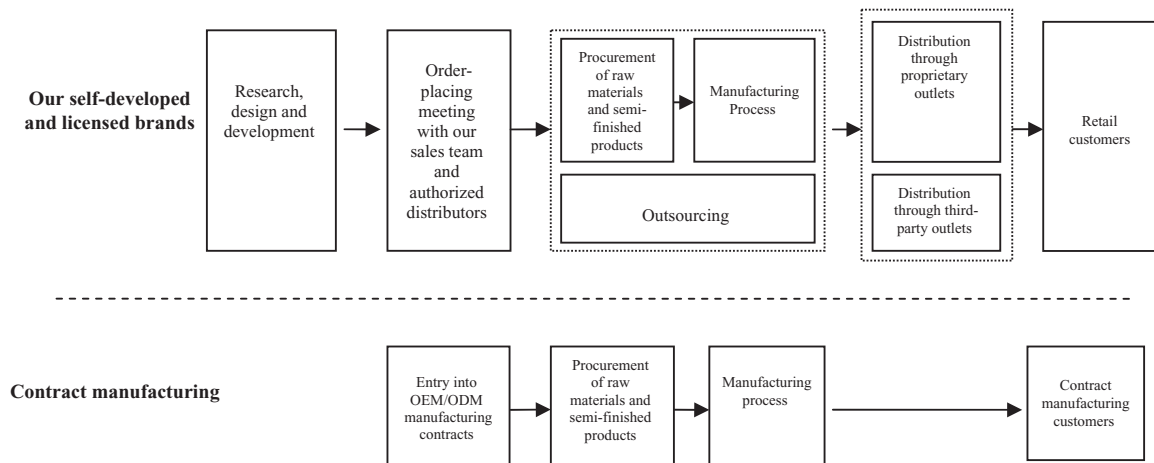
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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Hong Kong Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Hong Kong Offer Shares are set out in the section entitled “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Hong Kong Offer Shares. Various expressions used in this section are defined or explained in the section entitled “Definitions” in this prospectus.

OVERVIEW

We are primarily engaged in the design, manufacture and sale of mid-to-premium women’s footwear in China. We are the second largest retailer of mid-to-premium women’s formal and casual footwear in China in terms of estimated retail revenue for the year ended December 31, 2010 according to the Euromonitor Report. We retail products of our self-developed and licensed brands through department store outlets and independent store outlets primarily in first-to-third-tier cities in China. We also wholesale products of our self-developed brands to authorized distributors, who in turn retail these products primarily in the other cities in China. In addition to manufacturing women’s footwear of our self-developed and licensed brands, we also manufacture footwear, as OEM or ODM, for international footwear companies for export to overseas. We have established a vertically integrated business model to manage our key operational chains, including design and development, sourcing, manufacturing, marketing, distribution and sale of our products. We believe our control over such key functions provides us significant operational flexibility to quickly respond to changing market trends and customer tastes with suitable products, and enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women’s footwear market. The following diagram illustrates our main business model:



We currently manufacture and sell a wide range of women’s footwear with various designs for all seasons through two of our self-developed brands, “C.banner 千百度” and “EBLAN 伊伴,” introducing approximately 400 to 500 SKUs into the market for each brand during each season. We also sell footwear through our licensed brand “Naturalizer.” According to the Euromonitor Report, our brand “C.banner” is the fourth largest mid-to-premium women’s formal and casual footwear brand in China as measured by its estimated 2010 retail revenue. We have launched one additional self-developed footwear brand, “FABIOLA 範歐納,” in the first half of 2011 and launched another self-development footwear brand, “SUNDANCE 太陽舞,” into the market in August 2011.

SUMMARY

According to the Euromonitor Report, women's footwear accounted for approximately 51.8% of the entire PRC footwear market, women's mid-to-premium footwear accounted for approximately 27.8% of the entire women's footwear market in China, and formal and casual footwear accounted for approximately 30.5% and 55.8% of the entire women's mid-to-premium footwear market in China, respectively, all in terms of estimated retail sales value for the year ended December 31, 2010. For further information on market share and ranking, you may refer to the section entitled "Industry Overview—Mid-to-premium Women's Footwear Competitive Landscape" in this prospectus.

Extensive Distribution and Retail Network

Our extensive distribution and retail network consisted of 1,015 proprietary outlets and 344 third-party outlets located in 31 provinces, autonomous regions and municipalities in China as of March 31, 2011. Among the 1,015 proprietary outlets, there were 1,006 outlets located in department stores across China and nine independent store outlets operated at premises other than department stores. Our proprietary outlets are primarily located in first-to-third-tier cities of China, where we believe consumers generally have stronger spending power and, therefore, are more inclined to purchase mid-to-premium women's footwear. In order to expand into the other regions in China in a cost-effective manner, we distribute footwear in such regions primarily through third-party outlets established by our authorized distributors. As of March 31, 2011, we had 196 authorized distributors, who operated 344 third-party retail outlets across China.

Strong Design Capacity and Reliable Manufacturing Capacity

For each of our self-developed brands, including "C.banner," "EBLAN," "FABIOLA" and "SUNDANCE," we have a research, design and development team to create designs of a wide variety of products based on domestic and international fashion trend, distinctive features of the brand and market demand. We currently have a design capacity of approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands.

We manufacture approximately 50% to 60% of the footwear for our self-developed brands each year and outsource the rest from third-party manufacturers. We typically enter into yearly agreements with our main suppliers of raw materials, such as leather, which govern the terms of the periodic purchase orders we place during the year. As of the Latest Practicable Date, we had 112 major raw materials suppliers, among which we had maintained working relationships with 31 suppliers for no less than 10 years, 41 for more than three years but less than 10 years, and 40 for no more than three years, respectively. Our outsourcing of finished products typically occurs on a season-by-season basis in connection with our product offerings for each season. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we placed orders with 17, 20, 19 and 18 sub-contractor footwear manufacturers, respectively, all located in Guangdong province, China. For the risks relating to our outsourcing of finished products, see the section entitled "Risk Factors—Risks Relating to Our Business—Unfavorable changes in the price or quality, or interruptions to the supply, of raw materials or finished products we source from third parties will adversely affect our business" in this prospectus.

We also manufacture a wide range of footwear with various designs for all seasons as OEM or ODM of international brands primarily for export into other countries. Our direct contract manufacturing customers are primarily footwear trading companies for international footwear brands and we generally do not have direct contact with the headquarters of the companies which operate

SUMMARY

these brands. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we had six, 10, six and four contract manufacturing customers, respectively, acting for seven brands from the United States, two from Australia and one from Canada.

Rapid Growth during Track Record Period

With the expansion of our distribution and sales network in the fast-growing women's footwear market in China, we have experienced rapid growth in financial and operational terms during the Track Record Period. Our revenue grew from RMB1,044.0 million in 2008 to RMB1,575.0 million in 2010, representing a CAGR of approximately 22.8%, and the number of our proprietary outlets and third-party outlets, in aggregate, grew from 928 as of December 31, 2008 to 1,289 as of December 31, 2010, representing a CAGR of approximately 17.9%. Comparing the three months ended March 31, 2010 with the three months ended March 31, 2011, our revenue grew by 24.5% from RMB373.5 million to RMB465.1 million, and the number of our proprietary outlets and third-party outlets, in aggregate, grew by 22.4% from 1,110 as of March 31, 2010 to 1,359 as of March 31, 2011. Our proprietary outlets achieved the same-store sales growth rate of approximately 12.3% from 2009 to 2010 and approximately 17.7% from 2008 to 2009.

Segment Information

Our revenue and growth heavily depend on our sales through department store outlets. Our revenue generated from department store outlets for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011 was approximately RMB753.2 million, RMB965.4 million, RMB1,206.8 million and RMB364.6 million, respectively, representing approximately 72.1%, 75.1%, 76.6% and 78.4%, of our total revenue for the respective periods. We enter into concessionaire agreements with department stores typically on a six-month to annual basis with respect to our retail spaces in department stores. We may be unable to secure such retail spaces for our department store outlets or on terms that we consider commercially reasonable, as we have disclosed in the section entitled "Risk Factors—Risks Relating to Our Business—We heavily rely on our department store outlets for our sales and we may be unable to secure retail space for our department store outlets or secure such spaces on commercially reasonable terms" in this prospectus.

The following table sets forth our revenue from (i) our retail and wholesale segments and (ii) our contract manufacturing segment, and provides their respective percentages of our total revenue from continuing operations for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2008		2009		2010		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Retail and wholesale										
Retail	758,457	72.7	972,100	75.7	1,214,566	77.1	299,475	80.2	367,214	79.0
Wholesale	69,393	6.6	123,744	9.6	152,350	9.7	25,059	6.7	52,293	11.2
Contract										
Manufacturing . . .	216,109	20.7	189,079	14.7	208,047	13.2	49,011	13.1	45,589	9.8
Total revenue	<u>1,043,959</u>	<u>100.0</u>	<u>1,284,924</u>	<u>100.0</u>	<u>1,574,963</u>	<u>100.0</u>	<u>373,545</u>	<u>100.0</u>	<u>465,096</u>	<u>100.0</u>

With multiple brands targeting a broad customer base in the mid-to-premium women's footwear market, we believe that we are well positioned to continue to benefit from the fast-growing women's footwear industry in China and further strengthen our market position.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe our historical success and potential for future growth are attributable to the following competitive strengths:

- A leading player with multiple brands in the fast-growing women's footwear industry;
- Extensive distribution and retail network in strategic locations in China;
- Responsive supply chain based on vertically integrated business model;
- Systematic research, design and development capabilities; and
- Experienced and dedicated management team.

OUR BUSINESS STRATEGIES

In order to maintain and extend our leading position in the mid-to-premium women's footwear market in China, we have established the following business strategies:

- Improve same-store sales growth of our retail outlets;
- Expand distribution and retail network;
- Expand our brand portfolio;
- Enhance our operating capabilities and efficiencies; and
- Expand our business through selective acquisitions.

SUMMARY

SUMMARY FINANCIAL INFORMATION

The following tables set forth a summary of our selected consolidated financial information for the periods and as of the dates indicated. This summary has been derived from and should be read in conjunction with our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

Summary Consolidated Statements of Comprehensive Income

	Year ended December 31,			Three months ended March 31,	
	2008 (RMB'000)	2009 (RMB'000)	2010 (RMB'000)	2010 (RMB'000) (unaudited)	2011 (RMB'000)
Continuing operations					
Revenue	1,043,959	1,284,924	1,574,963	373,545	465,096
Cost of sales	(479,357)	(633,733)	(602,671)	(164,040)	(176,103)
Gross profit	564,602	651,191	972,292	209,505	288,993
Other income and other gains and losses	7,811	10,787	9,076	2,798	4,174
Distribution and selling expenses	(378,787)	(468,034)	(652,993)	(143,314)	(178,695)
Administrative and general expenses	(55,605)	(64,883)	(84,771)	(25,527)	(20,837)
Finance costs	(613)	(1,015)	(903)	(780)	(185)
Share of losses of joint ventures	(10,560)	(4,410)	(2,996)	(1,402)	(436)
Profit before tax	126,848	123,636	239,705	41,280	93,014
Income tax expense	(20,004)	(32,603)	(67,643)	(10,756)	(24,660)
Net profit for the year/period from continuing operations	106,844	91,033	172,062	30,524	68,354
Discontinued operations					
Loss for the year/period from discontinued operations	(419)	(11,402)	(2,207)	(471)	—
Net profit and total comprehensive income for the year/period attributable to owners of the Company	<u>106,425</u>	<u>79,631</u>	<u>169,855</u>	<u>30,053</u>	<u>68,354</u>
	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
Earnings per share					
From continuing and discontinued operations					
Basic	<u>6.26</u>	<u>4.68</u>	<u>9.99</u>	<u>1.77</u>	<u>4.02</u>
From continuing operations					
Basic	<u>6.28</u>	<u>5.35</u>	<u>10.12</u>	<u>1.80</u>	<u>4.02</u>

Summary Consolidated Statements of Financial Position

	December 31,			March 31,
	2008 (RMB'000)	2009 (RMB'000)	2010 (RMB'000)	2011 (RMB'000)
Assets				
Non-current assets	136,091	160,566	173,047	181,525
Current assets	643,961	783,212	823,746	784,410
Total assets	<u>780,052</u>	<u>943,778</u>	<u>996,793</u>	<u>965,935</u>
Liabilities				
Current liabilities	203,825	281,751	347,648	312,207
Non-current liabilities	1,652	5,723	7,059	7,729
Total liabilities	<u>205,477</u>	<u>287,474</u>	<u>354,707</u>	<u>319,936</u>
Total equity	<u>574,575</u>	<u>656,304</u>	<u>642,086</u>	<u>645,999</u>

SUMMARY

Summary Consolidated Statements of Cash Flows

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash generated from operating activities	33,592	200,490	109,341	54,673	35,195
Net cash generated from/(used in) investing activities	(1,990)	(37,487)	6,157	7,943	(4,373)
Net cash generated from/(used in) financing activities	14,172	—	(232,468)	—	—
Net increase/(decrease) in cash and cash equivalents	45,774	163,003	(116,970)	62,616	30,822
Cash and cash equivalents at the beginning of year/period	69,602	115,376	278,379	278,379	161,409
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash . . .	<u>115,376</u>	<u>278,379</u>	<u>161,409</u>	<u>340,995</u>	<u>192,231</u>

Inventory Level

For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our average inventory turnover days for continuing operations were 199 days, 163 days, 200 days and 199 days, respectively, partially due to (i) our policy of maintaining a certain level of raw materials in our inventory to support our manufacturing of approximately 50% to 60% of the footwear of our self-developed brands; (ii) our policy of maintaining a certain level of finished footwear in our inventory to support our retail business operated through our proprietary outlets, which need to keep adequate level of stock depending on their respective sizes and sales; (iii) the relatively high level of inventory we maintained to support the expansion of our sales network; (iv) the seasonality of our business, which results in a relatively high balance of inventory at year end as we generally have a relatively high level of inventory at the end of each year comprising fall and winter footwear in anticipation of the sales peak during the Chinese New Year holiday season and our fall and winter footwear generally have higher unit cost than those of our spring and summer footwear; and (v) our diverse offering of footwear products, which requires us to maintain a relatively high inventory level to accommodate a broad range of product offerings. For more information about our inventory, including the risks relating to our inventory level, see the sections entitled “Business—Inventory Management,” “Financial Information—Inventory Analysis,” “Risk Factors—Risks Relating to Our Business—We are subject to inventory risk” and “—We may be unable to obtain adequate funding to implement our growth strategies” in this prospectus.

The table below sets forth the aging of our inventory at the end of the periods as indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 1 year	291,211	207,636	366,709	320,192
1 to 2 years	47,035	51,373	31,389	27,577
2 to 3 years	5,559	11,281	12,165	12,617
Total	<u>343,805</u>	<u>270,290</u>	<u>410,263</u>	<u>360,386</u>

We continuously monitor our inventory of raw materials and try to use older stock of raw materials first. For raw materials which are unused for a period exceeding 12 months, we sell them at

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cost to other manufacturers, failing which we would make the appropriate provisions for them. As of December 31, 2008, 2009 and 2010 and March 31, 2011, the outstanding amounts of provisions we made for such inventory were RMB1.4 million, RMB1.3 million, RMB1.3 million and RMB1.3 million, respectively. After reassessment, we believe that the provision is sufficiently provided and no further provision is required for those raw materials unused for a period of exceeding 12 months.

We closely monitor the sales of the finished footwear we manufacture every season. At the headquarters level, our logistics center is responsible for the overall physical inventory management across China. At the regional division level, designated personnel, who periodically report to our headquarters, are responsible for the physical inventory management and stock replenishment in their respective sales regions.

If the sales of certain designs do not meet our expectations, we give discounts to stimulate the sales. For finished footwear, our current policy for proprietary outlets is to endeavor to sell 80% or more of the “C.banner,” “EBLAN” and “Naturalizer” shoes and to sell 70% or more of the “FABIOLA” and “SUNDANCE” shoes within one year of their production. To implement the policy, our branch offices closely monitor the sales of the footwear we produce for each season and conduct various promotion activities, especially around season ends, in order to reach our sales target. Our footwear produced for winter and summer are primarily sold during the season for which they are produced, while our footwear produced for spring or fall may also be sold in the succeeding fall or spring season, respectively. We offer discounts from the retail price on selected merchandise near its season end. For shoes left unsold after the season ends, we offer progressively deeper discounts, if we consider necessary, in order to sell all the remaining shoes as soon as possible. We will further reallocate most of our out-of-season products to our discount stores, which are more focused on selling out-of-season products. After the third year of producing the shoes, all unsold shoes are required to be returned to our headquarters to be disposed of. During the time when we hold unsold shoes aging more than three years, which are to be disposed of, we make full provision for such shoes. During the Track Record Period, approximately 72% to 82% of our “C.banner,” “EBLAN” and “Naturalizer” shoes are sold within one year of their production. In order to prevent accumulation of unnecessary inventory at any authorized distributor, we also assist our authorized distributors in conducting analysis of their respective local markets and in their placement of purchase orders with us in reasonable amounts, as disclosed in the section entitled “Business—Sales and Distribution—Distribution of Products of Self-developed Brands Through Third-party Outlets—Management of authorized distributors and third-party outlets” in this prospectus.

Accounting Policy for Inventory

Our accounting policy for inventory booking is to state inventory at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

For finished goods, our Directors estimate that the net realizable value of finished goods with an aging within one year exceeds the cost, as those inventories are in the season and the gross margin from sale of those inventories is sufficient to cover the cost to make the sale. As such, no provision is made. The net realizable value of finished goods with an aging over one year but within three years is estimated by reference to the estimated selling price of those inventories. For out-of-season inventories, we will offer more discount to customers to promote the sale of those inventories, which

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with reduced the selling prices, we will in turn reduce the estimated net realizable value to be lower than the cost. Therefore, such inventories are written down to their estimated net realizable values. For inventories with an aging of over three years, full provision will be made as the Directors estimate that there are no economic benefits expected to generate from these inventories. Work in progress are in relation to the in-the-season products. By reference to the net realizable value of those in-the-season finished goods, the Directors estimate that the provision is not necessary. Raw materials, which mainly consist of leather, are purchased based on the actual production orders, and could be used for production of many kinds of our products. Our raw materials with an aging of over one year are mainly those purchased for some specific designs of our products, and could not be used for other products. We will try to sell them to other manufacturers, as those inventories are still in good condition for other manufacturers. The net realizable value of those inventories is estimated based on the estimated selling price to other manufactures, and provision is made accordingly.

We regularly inspect and review our inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and realizable value. The identification of impairment of inventories requires the use of judgment and estimate of expected net realizable value. Where the estimated net realizable value is lower than the cost, a material impairment loss may arise.

When subsequent evaluations show the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, write-downs of inventories previously recognized are reversed.

Seasonality Effects

Our business is affected by seasonal fluctuations in demand for women's footwear, with sales for our women's footwear products generally higher during major holidays and festivals, as compared with the sales in other periods of a financial year. In addition, we typically generate more revenue from the fall and winter seasons of a year than from the spring and summer seasons primarily because the shoes we sell in fall and winter seasons generally have higher prices than the shoes we sell in spring and summer seasons and there are more holidays and festivals in fall and winter seasons. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance.

Weather pattern may also change the consumers' preferences. Usually, consumers tend to purchase lighter and thinner footwear products when the weather is relatively warm, and heavier and thicker footwear products when the weather is relatively cold. As such, if the weather pattern is different from what we have expected, we may not have suitable footwear products to meet consumers' demand. Accordingly, our revenue and inventory are affected by any changes in consumer behavior due to seasonality effects. For more information, see the section entitled "Risk Factors—Risks Related to Our Business—Our sales volume is sensitive to changes in consumer spending patterns, seasonality and change of weather patterns" in this prospectus.

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PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

We have prepared the following profit forecast for the year ending December 31, 2011 on the bases described in Appendix III to this prospectus. You should read the bases in Appendix III to this prospectus when you analyze our profit forecast for the year ending December 31, 2011.

Unaudited forecast of consolidated profit attributable to Shareholders for the year ending December 31, 2011 ⁽¹⁾	not less than RMB287.2 million (equivalent to approximately HK\$341.0 million)
Unaudited pro forma forecast basic earnings per Share ⁽²⁾	not less than RMB0.143 (equivalent to approximately HK\$0.170)

- (1) The bases on which the above profit forecast for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this prospectus. The unaudited forecast of consolidated profit attributable to Shareholders for the year ending December 31, 2011 has been prepared by the Directors on a basis consistent in all material respects with the accounting policies presently adopted by our Group as set out in Note 3 of Section A of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the unaudited forecast of consolidated profit attributable to equity shareholders of our Company for the year ending December 31, 2011 assuming the Global Offering had been completed on January 1, 2011, and a total of 2,000,000,000 Shares were in issue and outstanding during the entire year.

OFFER STATISTICS

We have prepared the following offer statistics on the basis of hypothetical Offer Prices without taking into account the 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

	Based on Offer Price per Share of HK\$2.30	Based on Offer Price per Share of HK\$3.24
Market capitalization of our Shares	HK\$4,600 million	HK\$6,480 million
Prospective price/earnings multiple:		
on a pro forma fully diluted basis	13.5 times	19.0 times
Adjusted net tangible asset value per Share	RMB0.59 (HK\$0.70)	RMB0.70 (HK\$0.83)

The calculation of our market capitalization upon completion of the Global Offering is based on the assumption that 2,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering. Our prospective price/earnings multiple on a pro forma fully diluted basis is based on the high- and low-end of the indicative Offer Price range and the forecasted earnings per Share on a pro forma fully diluted basis as disclosed in “—Profit Forecast for the Year Ending December 31, 2011” above, assuming completion of the Global Offering on January 1, 2011. The adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section entitled “Financial Information—Unaudited Pro Forma Adjusted Net Tangible Assets” in this prospectus and on the basis of a total of 2,000,000,000 Shares in issue immediately following the Global Offering.

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USE OF PROCEEDS

The net proceeds of the Global Offering we expect to receive (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and the maximum amount of discretionary incentive fee which we may pay to the Joint Bookrunners) are estimated to be approximately HK\$757.7 million, assuming an Offer Price of HK\$2.77 per Offer Share, being the mid-point of the stated Offer Price range of HK\$2.30 to HK\$3.24 per Offer Share. At our sole discretion, we may pay a discretionary incentive fee to the Joint Global Coordinators in an amount of up to 1.5% of the gross proceeds we receive from the Global Offering. We presently plan to use these net proceeds as follows:

- approximately 40% or HK\$303.1 million, for expansion of our retail network. We plan to use these proceeds to open new proprietary outlets of our self-developed brands in the next three years. Specifically, we intend to add a net number of approximately 200 to 280 proprietary outlets of our self-developed brands (excluding “Naturalizer” outlets), which are primarily department store outlets, in each of the years ending December 31, 2011, 2012 and 2013. In line with our previous practice and experience, the establishment of a medium-size proprietary outlet typically costs in aggregate approximately RMB400,000. For more information on our plan to open proprietary outlets by region in 2011, see the section entitled “Business—Our Business Strategies—Expand distribution and retail network” in this prospectus. For the six months ended June 30, 2011, we had opened 138 new proprietary outlets (with 39 existing proprietary outlets terminated during the same period);
- approximately 25% or HK\$189.4 million, for expansion and maintenance of our production facilities as well as construction of offices and warehousing facilities. This includes capital expenditures up to the end of 2013 in the amount of approximately RMB118.2 million for purchase of land use rights and plant and production equipment for our Suining production facility, approximately RMB10.1 million for the maintenance of our Nanjing production facility, and approximately RMB34.0 million for the construction of offices and warehousing facilities;
- approximately 20% or HK\$151.5 million, for selective acquisition of footwear businesses;
- approximately 10% or HK\$75.8 million, for repayment of a portion of the balance under the Hongguo Loan Facility; and
- approximately 5% or HK\$37.9 million, for the expansion of our online sales through the internet, including investment in computer software and hardware, establishment of warehousing facilities, recruitment of experienced technical and sales personnel for online business, and working capital related to the inventories for online business.

If the Offer Price is fixed at HK\$3.24, being the high end of the stated Offer Price range, our net proceeds will be increased by approximately HK\$135.3 million. Our Directors currently intend to use such additional proceeds to increase our use of proceeds proportionately as earmarked except that, for the proceeds initially earmarked for repayment of the balance under the Hongguo Loan Facility, the remaining proceeds after full repayment of the Hongguo Loan Facility will be used for working capital and other general corporate purposes.

If the Offer Price is fixed at HK\$2.30, being the low end of the stated Offer Price range, our net proceeds will instead be decreased by approximately HK\$135.3 million. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

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We estimate the net proceeds of the Global Offering to the Selling Shareholder to be approximately HK\$531.8 million (assuming the same mid-point of the proposed Offer Price range and no exercise of the Over-allotment Option), after deducting the underwriting fees payable by the Selling Shareholder in relation to the Global Offering and the maximum amount of discretionary incentive fee which the Selling Shareholder may pay to the Joint Global Coordinators. At the Selling Shareholder's sole discretion, it may pay a discretionary incentive fee to the Joint Global Coordinators in an amount of up to 1.5% of the gross proceeds it receives from the Global Offering. The Selling Shareholder will be responsible for the underwriting fees for the Sale Shares, and the expenses incurred in relation to the Global Offering will be borne by us. We will not receive any proceeds from the sale of the Sale Shares in the Global Offering, including the Over-allotment Option.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

DIVIDEND POLICY

Subject to the Companies Act, we, through a general meeting, may declare final dividends in any currency, but no dividend may be declared in excess of the amount recommended by the Board. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we declared dividends in the amount of RMB26.8 million, nil, RMB191.6 million and RMB64.4 million, respectively.

Future dividend payments will depend upon the availability of dividends we receive from our operating subsidiaries in China. 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 IFRS. PRC laws also require foreign-invested enterprises, such as our operating subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries have entered into or may enter into in the future.

Subject to the above factors, our expected dividend policy is that not less than approximately 20% of our profits available for distribution will be recommended for distribution in each financial year. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders.

RISK FACTORS

Risks Relating to Our Business

- We heavily rely on our women's footwear brands "C.banner" and "EBLAN" and our failure to maintain the goodwill associated with either of them may materially adversely damage our business;
- We may fail to produce commercially viable merchandise, or may fail to do so in a timely manner, which could adversely affect our profitability;
- We are subject to inventory risk;
- We may not be able to maintain our growth or manage our expansion effectively;

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- We heavily rely on our department store outlets for our sales and we may be unable to secure retail space for our department store outlets or secure such spaces on commercially reasonable terms;
- We do not have a controlling equity interest in our joint venture and may lose our non-exclusive license to use the “Naturalizer” brand;
- Unfavorable changes in the price or quality, or interruptions to the supply, of raw materials or finished products we source from third parties will adversely affect our business;
- We have no insurance coverage for our production facilities and warehouses and limited insurance coverage for our inventories, and may be subject to product liability claims for which we do not maintain any insurance;
- We may be adversely affected by labor shortages, increases in labor costs and labor disputes;
- Failure to compete effectively in the women’s footwear industry may adversely affect our profitability and prospects;
- Our sales volume is sensitive to changes in consumer spending patterns, seasonality and change of weather patterns;
- We may not be able to deliver raw materials to our manufacturing sites or deliver merchandise to our proprietary outlets or our authorized distributors in a timely manner;
- The image and goodwill of our brands could be harmed if our authorized distributors fail to manage the third-party outlets in accordance with our standards;
- Counterfeit products using our brand name or our licensed brands may damage consumer confidence in our products and erode our goodwill;
- Certain defects in title of our lease agreements related to certain properties occupied by us in China may materially and adversely affect our ability to use such properties;
- We rely on our key personnel for our future growth;
- We may not be able to detect or prevent fraud or other misconduct which may be committed by our employees or third parties;
- Dividends declared in the past may not be indicative of our dividend policy in the future;
- Our Controlling Shareholders have substantial control over us, and their interests may not be aligned with the interests of our other Shareholders;
- We may be unable to obtain adequate funding to implement our growth strategies;
- Business interruptions at our production facilities due to force majeure and other causes could reduce our sales and results of operations; and
- We may not be able to achieve the marketing results we expect if we cannot renew our agreements with our existing brand ambassadors or engage brand ambassadors of equivalent or higher standing.

Risks Relating to Our Industry

- We are susceptible to the changing conditions in the PRC footwear retail industry; and
- We are subject to the slowdown of the global economy.

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Risks Relating to China

- PRC economic, political and social conditions as well as governmental policies can affect our business;
- PRC government restrictions on the convertibility of Renminbi may limit our ability to effectively utilize our revenues and funds and the ability of our PRC subsidiaries to obtain financing;
- Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries;
- Interpretation of PRC laws and regulations involves uncertainty;
- Any change in our tax treatment may have a material adverse impact on our business, financial condition and results of operations;
- We are a holding company relying on dividend payments from our subsidiaries for funding, which is subject to restrictions under the PRC laws;
- Our labor costs may increase with the enforcement of the Labor Contract Law and other labor-related regulations in China;
- The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics;
- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from this Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business; and
- It may be difficult to effect service of process upon us or our Directors or executive officers who reside in mainland China or to enforce against them any judgments obtained from non-PRC courts.

Risks Relating to Our Global Offering

- There has been no prior public market in Hong Kong for our Shares, and their liquidity and market price may be volatile;
- You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future;
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering;
- Sales, or perceived sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares; and
- We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC women's footwear industry contained in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Allied Great”	Allied Great International Holdings Limited (滙英國際集團有限公司), a company incorporated in Hong Kong on November 21, 2007 with limited liability and our wholly owned subsidiary
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s), or where the context so requires, any of them that is used in connection with the Hong Kong Public Offering
“Associate”	has the meaning ascribed thereto under the Listing Rules, which includes (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power; (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power; and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer
“Best Invent”	Best Invent Holdings Limited, a company incorporated in the BVI on May 3, 2002 with limited liability and our wholly owned subsidiary
“Best Value”	Best Value Profits Limited, a company incorporated in the BVI on September 26, 2001 with limited liability and our wholly owned subsidiary
“Board”	our board of Directors
“Brown Shoe”	Brown Shoe Company, Inc., a company incorporated in the State of New York with limited liability and an Independent Third Party, with its shares listed on the New York Stock Exchange and the Chicago Stock Exchange, and its operations in the footwear industry conducted on an international scale
“Brown Shoe Asia”	Brown Shoe Asia Investment Limited, a company incorporated in Hong Kong with limited liability, a wholly

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	owned subsidiary of Brown Shoe and an Independent Third Party
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands
“Bye-laws”	the Bye-laws of our Company, conditionally adopted on August 26, 2011 and as amended from time to time
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of Shares to be made upon capitalization of the share premium account of our Company as referred to in Appendix VII entitled “Statutory and General Information—A. Further Information about Our Company and Its Subsidiaries—3. Resolutions in writing of all the Shareholders passed on August 26, 2011” to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for statistical purposes of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, Macau and Taiwan
“China Ease”	China Ease Enterprise Limited (華誼企業有限公司), a company incorporated in Hong Kong on October 31, 2007 with limited liability and our wholly owned subsidiary
“Citi”	Citigroup Global Markets Asia Limited
“Companies Act”	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time

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“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Hongguo International Holdings Limited, an exempted company incorporated in Bermuda on April 26, 2002 with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	High Score and Mr. Chen Yixi, our controlling shareholders (as defined in the Listing Rules), who will, directly or indirectly, be entitled to control the exercise of approximately 36.59% of the voting shares of our Company after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
“Covenantors” or “Indemnifiers”	High Score, Media Value, Sure Manage, Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“DBS”	DBS Asia Capital Limited
“Deed of Non-competition”	a deed of non-competition dated September 9, 2011 given by each of the Covenantors in favor of our Company
“Delisting”	the voluntary delisting of the Company from the SGX-ST effective from May 6, 2010, details of which are set out in the section entitled “History and Development—Delisting of the Company from the SGX-ST” of this prospectus
“department store outlet”	a retail outlet which we maintain in a department store by paying the department store concessionaire fees, utilities fees, management fees and other related fees
“Director(s)”	the director(s) of our Company as of the date of this prospectus
“Dongguan B&H”	Dongguan B&H Footwear Company Limited (東莞美康鞋業有限公司), a company established in China on August 23, 2007 with limited liability and wholly owned by Hong Kong B&H
“Dongguan Industries”	Dongguan Mayflower Industries Limited (東莞美麗華實業有限公司), a company established in China on October 8, 2005 with limited liability and deregistered on March 17, 2011

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“Dongguan Mayflower”	Dongguan Mayflower Footwear Corporation Limited (東莞美麗華鞋業有限公司), a company established in China on July 30, 2002 with limited liability and wholly owned by Best Invent
“EIT Law”	the PRC Enterprise Income Tax Law 《中華人民共和國企業所得稅法》 and the Regulation on the Implementation of the PRC Income Tax Law 《中華人民共和國企業所得稅法實施條例》, each effective from January 1, 2008
“Euromonitor”	Euromonitor International Limited, an independent market research firm
“Euromonitor Report”	a report prepared by Euromonitor on the women’s footwear market in China and commissioned by us
“first-tier cities”	Beijing, Shanghai, Guangzhou and Shenzhen
“first-to-third-tier cities”	first-tier cities, second-tier cities and third-tier cities
“Former Investors”	Li Hung, Lee Thiam Seng, Norman Lai Wai Chi, Tam Yuk Ching, Chow Kok Kee, Lim Chye Huat, Ng Kam Ming, Chew Leong Chee, Gerald Yeo and Dolly Chen Wen Shiang
“GDP”	gross domestic product (all references to GDP growth rates are to real as opposed to nominal rates of GDP growth)
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of our Company at the time
“High Score”	High Score Holdings Limited, a business company incorporated in the BVI on November 17, 2009 with limited liability and wholly owned by Mr. Chen Yixi
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollar, the lawful currency of Hong Kong

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“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Hong Kong B&H”	B&H Footwear Company Limited (美康鞋業有限公司), a company incorporated in Hong Kong on May 29, 2007 with limited liability and owned as to 49% by us and 51% by Brown Shoe Asia
“Hong Kong Offer Shares”	50,000,000 New Shares pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section entitled “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer for subscription or for sale of the Hong Kong Offer Shares to the public in Hong Kong (subject to adjustment as described in the section entitled “Structure of the Global Offering”) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section entitled “Underwriting—Underwriters—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 9, 2011 relating to the Hong Kong Public Offering entered into among our Company, the Selling Shareholder, the Covenantors and the Hong Kong Underwriters
“Hongguo Industry”	Hongguo Industry Group Corporation (鴻國實業集團有限公司), a company established in China on November 12, 1998 with limited liability and owned as to 37%, 33% and 30% by Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen, respectively
“Hongguo Loan Facility”	the loan facility in an aggregate principal amount of up to US\$10 million granted by DBS Bank Ltd., Hong Kong Branch to our Company pursuant to the term facility agreement dated March 9, 2011 entered into by our Company and DBS Bank Ltd., Hong Kong Branch

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“IASs”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“independent store outlet”	a retail outlet which we maintain in a leased property by paying rent
“Independent Third Parties”	persons or companies which are independent of and not connected with any of our Directors, chief executives, substantial Shareholders or any of their respective subsidiaries and associates, and an “Independent Third Party” means any of them
“Info Giant”	Info Giant Investments Limited, a company incorporated in the BVI on November 3, 2009 with limited liability and owned as to 54.81%, 23.54% and 21.65% by High Score, Media Value and Sure Manage, respectively
“Info Giant Loan Facility”	the loan facility in an aggregate principal amount of up to US\$40 million granted by DBS Bank Ltd., Hong Kong Branch, to Info Giant pursuant to a term facility agreement dated January 18, 2010 (as amended and supplemented by an amendment agreement dated March 25, 2010)
“International Offer Shares”	450,000,000 Shares comprising 250,000,000 New Shares and 200,000,000 Sale Shares pursuant to the International Offering, together with any additional Sale Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section entitled “Structure of the Global Offering” in this prospectus
“International Offering”	the offer of International Offer Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, and outside the United States in reliance on Regulation S, as further described in the section entitled “Structure of the Global Offering” in this prospectus
“International Underwriters”	the several underwriters of the International Offering expected to enter into the International Underwriting Agreement on the Price Determination Date to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into among our Company, the Covenantors, and the International Underwriters

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“Jiangsu Unity”	Jiangsu Unity Corporation Co., Ltd. (江蘇團結企業有限公司), a company established in China on May 11, 2004 with limited liability
“Joint Bookrunners”	Citi and DBS
“Joint Global Coordinators”	Citi and DBS
“Joint Lead Managers”	Citi, DBS and ABCI Securities Company Limited
“Joint Sponsors”	Citi and DBS
“Latest Practicable Date”	September 5, 2011, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date, expected to be on or about September 23, 2011, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Macau”	the Macau Special Administrative Region of China
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mayflower Footwear”	Nanjing Mayflower Footwear Corporation (南京美麗華鞋業有限公司), a company established in China on December 27, 1995 with limited liability, whose businesses, assets and undertakings relating to its footwear businesses located in Nanjing and Dongguan were acquired by our Group in 2002 in preparation for our Company’s listing on the SGX-ST
“Media Value”	Media Value Holdings Limited, a business company incorporated in the BVI on December 7, 2009 with limited liability and wholly owned by Mr. Li Wei
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company as supplemented, amended or otherwise modified from time to time

DEFINITIONS

“mid-to-premium”	for purposes of this prospectus only, women’s footwear sold in mid- and high-end department stores and in chained specialty stores that target middle-class women in first-tier and second-tier cities and some affluent third-tier cities, with retail price between RMB600 and RMB2,000 for a pair
“Ministry of Finance” or “MOF”	the PRC Ministry of Finance (中華人民共和國財政部)
“MOFCOM”	the PRC Ministry of Commerce (中華人民共和國商務部)
“Nanjing Mayflower”	Mayflower (Nanjing) Enterprise Company Limited (美麗華企業(南京)有限公司), a company established in China on March 3, 2004 with limited liability and wholly owned by Allied Great
“Nanjing Ruihe”	Nanjing Ruihe Trade Co., Ltd. (南京瑞和商貿有限公司), a company established in China on June 18, 2009 with limited liability and wholly owned by Nanjing Soft
“Nanjing Soft”	Nanjing Soft Garment & Footwear Co., Ltd. (南京舒服特服飾鞋業有限公司), a company established in China on December 15, 2005 with limited liability and wholly owned by China Ease
“NDRC”	the PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“New Shares”	the new Shares being offered by our Company at the Offer Price under the Global Offering
“NPC” or “National People’s Congress”	the PRC National People’s Congress (中華人民共和國全國人民代表大會) and its Standing Committee
“ODM”	an original design manufacturer, which designs and manufactures a product as specified and to be branded by another firm for sale
“OEM”	an original equipment manufacturer, which manufactures products or components to be purchased by another company and retailed under that purchasing company’s brand name
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and sold pursuant to the Global Offering, to be determined as further described in the section entitled “Structure of the Global Offering—Pricing of the Global Offering” in this prospectus

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“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Sale Shares sold pursuant to any exercise of the Over-allotment Option
“Over-allotment Option”	the option granted by the Selling Shareholder to the Joint Global Coordinators on behalf of the International Underwriters exercisable by the Joint Global Coordinators pursuant to the International Underwriting Agreement, to be exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 75,000,000 additional Sale Shares representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any
“PBOC”	the People’s Bank of China (中國人民銀行), the PRC central bank
“PDI”	personal disposable income
“PRC Company Law”	the PRC Company Law 《中華人民共和國公司法》, as enacted by the National People’s Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC government”	the central government of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“Price Determination Date”	the date, expected to be on or around September 17, 2011 but no later than September 21, 2011, on which the Offer Price is to be fixed by agreement among our Company, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) for the purposes of the Global Offering
“proprietary outlet”	either a department store outlet or an independent store outlet
“QIB”	a “qualified institutional buyer” within the meaning of Rule 144A
“RCPS”	Class A redeemable convertible preference shares of par value US\$1.00 each in the capital of the Company

DEFINITIONS

“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization arrangements we have undergone in preparation for the Listing, as more particularly described in the section entitled “Reorganization” and Appendix VII entitled “Statutory and General Information—A. Further information about Our Company and Its Subsidiaries—4. Corporate Reorganization” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, particulars of which are set forth in Appendix VII entitled “Statutory and General Information—A. Further Information about Our Company and Its Subsidiaries—3. Resolutions in writing of all the Shareholders passed on August 26, 2011” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
“SAIC”	the PRC State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局)
“Sale Shares”	the Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Global Offering
“same-store sales growth rate”	<p>the annual growth rate reflecting the average revenue increase of our individual proprietary outlets, which is calculated as follows:</p> $\text{Same-store sales growth rate} = (\text{average revenue per proprietary outlet for the comparing year} - \text{average revenue per proprietary outlet for the preceding year}) / \text{average revenue per proprietary outlet for the preceding year},$ taking into account the same set of proprietary outlets with full-year operations during both the comparing year and preceding year
“SAT”	the PRC State Administration of Taxation (中華人民共和國國家稅務總局)
“season”	spring, summer, fall or winter

DEFINITIONS

“second-tier cities”	major municipalities and provincial capitals in China with significant GDP and PDI growth, such as Dalian, Shenyang, Tianjin, Chongqing, Jinan, Qingdao, Hangzhou, Ningbo, Nanjing, Suzhou, Harbin and Hefei, totalling 25 cities
“Selling Shareholder”	High Score
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share Charge”	the share charge dated February 26, 2010 executed by Info Giant in favor of DBS Bank Ltd., Hong Kong Branch, over all the Shares held by Info Giant as continuing security for payment and discharge of its obligations under the Info Giant Loan Facility
“Share Option Scheme”	the share option scheme our Company conditionally adopted on August 26, 2011, the principal terms of which are summarized in Appendix VII entitled “Statutory and General Information—D. Other Information—1. Share Option Scheme” in this prospectus
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the share capital of our Company with a nominal value of US\$0.015 each
“SKU”	stock-keeping unit, with two shoes that are exactly the same except for their different colors deemed as different stock-keeping units, and two shoes that are exactly the same except for their different sizes deemed as one stock-keeping unit
“Stabilizing Manager”	Citi
“State Council”	the PRC State Council (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suining Shufute”	Suining Shufute Shoes Co., Ltd. (睢寧舒服特鞋業有限公司), a company established in China on January 28, 2010 with limited liability and owned as to 75% and 25% by Nanjing Soft and China Ease, respectively

DEFINITIONS

“Sure Manage”	Sure Manage Investments Limited, a business company incorporated in the BVI on December 8, 2009 with limited liability and wholly owned by Mr. Miao Bingwen
“S\$”	Singapore dollar(s), the lawful currency of Singapore
“third-party outlet”	a retail outlet owned and operated by our authorized distributor to which we wholesale our footwear products
“third-tier cities”	domestic mid-upper affluent cities and provincial capitals in inland and western China, such as Shijiazhuang, Taiyuan, Nanchang, Yinchuan, Guiyang, Kunming, Lanzhou, Hohhot, Weihai, Nantong, Xuzhou, Jiaxing, Zhanjiang, Zhangzhou, Shantou and Tangshan, totaling 41 cities
“Track Record Period”	the period comprising the three financial years ended December 31, 2010 and the three months ended March 31, 2011
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“United States or Canadian Person”	any national or resident of the United States or Canada, or any corporation, pension, profit-sharing or other trust or other entity organized under the laws of the United States or Canada or of any political subdivision thereof (other than a branch located outside the United States and Canada of any United States or Canadian Person), including any United States or Canadian branch of a person who is otherwise not a United States or Canadian Person
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States
“U.S. Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“we,” “us” or “our”	our Company or Group and, unless the context otherwise requires, all of its subsidiaries, or where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganization

DEFINITIONS

“White Form eIPO” the application process for Hong Kong Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of **www.eipo.com.hk**

“White Form eIPO Service Provider” Computershare Hong Kong Investor Services Limited

Unless expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC government authorities or the PRC entities mentioned in this prospectus and their English translation, the Chinese version will prevail. English translations of official Chinese names are for identification purposes only.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect,” “believe,” “plan,” “intend,” “estimate,” “project,” “anticipate,” “seek,” “may,” “will,” “would” and “could” or similar words or statements, in particular, in the sections entitled “Business” and “Financial Information” in this prospectus, in relation to future events, such as our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflect our current views with respect to future events, are not a guarantee of future performance and are subject to risks, uncertainties and assumptions, including the risk factors described in this prospectus. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the PRC women’s footwear industry;
- the regulatory environment as well as the general industry outlook for the PRC women’s footwear industry;
- future developments and trends in the PRC women’s footwear industry;
- the general economic trend in China and globally;
- exchange rate fluctuations and restrictions; and
- factors beyond our control such as catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the events and circumstances discussed in these forward-looking statements may not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information in this prospectus. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section and should not be taken as representations by us that our plans and objectives will be achieved or that any event or circumstance subject to such forward-looking statements will occur or exist.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please see “Summary of Principal Legal and Regulatory Provisions” in Appendix V to this prospectus.

RISKS RELATING TO OUR BUSINESS

We heavily rely on our women’s footwear brands “C.banner” and “EBLAN” and our failure to maintain the goodwill associated with either of them may materially adversely damage our business

We generate a majority of our revenue from the retail sales of our “C.banner” and “EBLAN” brands of women’s footwear, which accounted for approximately RMB740.9 million, RMB942.9 million, RMB1,171.0 million and RMB355.0 million, representing approximately 71.0%, 73.4%, 74.4% and 76.3%, of our total revenue for the three years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. We believe that, as brand image is a critical factor affecting consumers’ decision to purchase women’s footwear, our success depends, and will continue to depend, heavily on our “C.banner” and “EBLAN” brand image. If we are unsuccessful in continuing to promote the image of our “C.banner” and “EBLAN” brands, or fail to maintain the goodwill of such brands among our targeted consumer groups, market perception and consumer acceptance of such brands may be eroded, in which case our business, financial condition and results of operations may be materially adversely affected.

We may fail to produce commercially viable merchandise, or may fail to do so in a timely manner, which could adversely affect our profitability

The women’s footwear industry is highly susceptible to changes in fashion trends and consumer tastes and preferences. In order to achieve continued success in this industry, we must be able to anticipate, identify and respond promptly to such changes. As a result, research and development efforts to stay ahead of the fashion curve are crucial to our success and competitive advantage. In addition, as designs that appeal to some consumers may not appeal to others, it is critical that we are able to produce designs with sufficient mass market appeal. Our design team has adopted a systematic approach towards the creation of new designs. However, as the fashion industry is largely subjective in nature, we may fail to anticipate or respond to changes in fashion trends and customer tastes and preferences. As a result, we cannot assure you that our merchandise for each season will be commercially viable or successful.

In addition, our new product lines may not be commercially viable or successful. We also plan to expand our brand portfolio and product lines so as to broaden our retail base and increase our revenue sources. We have launched a new brand, “FABIOLA,” in the first half of 2011 and launched another new brand, “SUNDANCE,” in August 2011. The launch and development of each new brand or product line involves considerable time and resource commitments. Although we believe that

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we have the required resources, experience and expertise to undertake such developments, we cannot assure you the success of all or any of our future brands or product lines.

If we are unable to produce commercially viable merchandise, our profitability may be adversely affected. In the long run, this could lead to the loss or diminution in the goodwill and the commercial value of our brands which we have established among our customers.

We are subject to inventory risk

Our estimates from time to time of the market demand for our various products play an important role in our deployment of resources and production arrangements. The production of footwear for our retail business, particularly the initial batch, is based primarily on our estimate of the market demand and our estimate may be inaccurate. As we operate in an industry that is subject to constantly shifting market trends, a sudden decrease in the market demand for our products and the corresponding unanticipated drop in the sales of our products could cause our inventory to accumulate and may adversely affect our financial condition and results of operations. In addition, we generally require our authorized distributors to place a deposit of RMB40,000 per third-party outlet they operate for their purchase orders for winter footwear and a deposit of RMB10,000 per third-party outlet they operate for their purchase orders for footwear of the other seasons. However, if the authorized distributors delay or default in completing their contractual obligations due to changes in their financial or operational conditions or other reasons after placing orders with us but before accepting delivery, we may have to hold higher levels of inventories, and our risk of inventory obsolescence and write-downs will increase. There is no assurance that the deposits paid by the authorized distributors are sufficient to cover our losses. Our average inventory turnover days for continuing operations were 199 days, 163 days, 200 days and 199 days for the three years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. As of December 31, 2008, 2009 and 2010 and March 31, 2011, our outstanding amounts of provisions for obsolete inventories were in the amount of approximately RMB23.0 million, RMB32.6 million, RMB30.8 million and RMB33.1 million, respectively. Any further increase in our obsolete inventories or write-downs may materially and adversely affect our business, financial condition and results of operations.

We may not be able to maintain our growth or manage our expansion effectively

We experienced rapid growth during the Track Record Period. From December 31, 2008 to March 31, 2011, the number of our proprietary outlets grew from 721 to 1,015, and the number of our third-party outlets grew from 207 to 344. Our revenue grew from RMB1,044.0 million in 2008 to RMB1,575.0 million in 2010 at a CAGR of approximately 22.8%. Comparing the three months ended March 31, 2010 with the three months ended March 31, 2011, our revenue grew by 24.5% from RMB373.5 million to RMB465.1 million. Our future revenue growth depends on various factors, including:

- continued market demand for our products;
- our ability and effectiveness in researching and developing attractive brands, models and product lines for our targeted markets;
- our ability to increase sales at our existing proprietary outlets and open new proprietary outlets;
- our ability to develop authorized distributors to open more third-party outlets;
- customers' acceptance of the style or model of new women's footwear brands that we will be launching into the market;

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- sufficient and timely supply of raw materials, semi-finished products and finished products;
- our ability to effectively control cannibalization among our different brands and adjacent retail outlets during our expansion;
- our ability to maintain or increase our retail prices;
- our ability to attract and retain key personnel; and
- our ability to systematically manage and control our costs and supply and distribution chains with an enlarged operation.

As many factors affecting our future growth are beyond our control, we may not be able to achieve our historical growth rate or manage our planned expansion effectively. In the past, due to unexpected difficulties in our expansion, there were occasions when we were unable to meet the requirements contained in the agreements we entered into with our business partners, such as brand licensors. We also experienced, and cannot assure you that we will not encounter in the future, contract disputes and customer complaints in our ordinary course of business. In addition, we discontinued our apparel operations as a result of changes of both our own business strategies and those of the apparel licensors and may have to continue to adjust our business strategies according to market conditions and other factors beyond our control. If we fail to manage our planned expansion effectively, our business, financial condition and results of operations may be materially and adversely affected.

We heavily rely on our department store outlets for our sales and we may be unable to secure retail space for our department store outlets or secure such spaces on commercially reasonable terms

The majority of our revenue is derived from our retail sales through department store outlets, which was approximately RMB753.2 million, RMB965.4 million, RMB1,206.8 million and RMB364.6 million, representing approximately 72.1%, 75.1%, 76.6% and 78.4%, of our total revenue for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. Most of our arrangements with department stores are governed by concessionaire agreements. The concessionaire fees payable are calculated as a percentage, typically ranging from 15% to 30%, of our outlets' total retail sales amount. Any increase in the applicable concessionaire fees in the future will affect our selling and distribution expenses and our profitability. In addition, as we plan to expand our department store outlets, we expect that our total concessionaire fees will increase accordingly. Depending largely on the relative bargaining position of the parties, some department stores may further require our outlets to guarantee a minimum yearly or monthly retail sales amount, failing which we will be required to pay the concessionaire fees calculated as a percentage of such guaranteed minimum sales. As of March 31, 2011, 197 of our department store outlets operated pursuant to such agreements with minimum sales requirements, which ranged from RMB240,000 per year to RMB5.0 million per year.

Furthermore, the display of our merchandise in department store outlets provides our merchandise with a varying degree of visibility. Therefore, the location and ease of access to our outlets within department stores will determine the prominence of our display and the customer traffic flow to our merchandise. In addition, much of the goodwill we enjoy with our consumers tends to associate with major department stores within which we maintain our outlets. However, we cannot assure you that we will be able to obtain prime retail space, or any retail space, for our retail outlets on concessionaire fees that are commercially reasonable.

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Moreover, department stores regularly review the inventory turnover of the merchandise we have sold in our outlets within their stores. If the sales of our merchandise fall below their expectations, they may not renew our agreements for the retail outlets in their stores. If such existing concessionaire agreements cannot be renewed, we will have to find alternative premises that may not be located in areas that offer similar business environments. In addition, failure to renew our retail space will provide an opportunity for our competitors to move into such retail space previously occupied by us. The loss of retail space in a premium department store could have an adverse impact on our sales volume, which would in turn affect our profitability and prospects.

As the concessionaire agreements are usually renegotiated every six months to one year, the locations of our outlets within the same department stores are subject to change even if such agreements are renewed. Any location change within a department store depends on the outcome of our negotiations with the relevant department store, which is affected by our sales made during the term of the previous agreement, the prevailing market conditions and many other factors beyond our control. Such location change and the enforcement of other contractual provisions, such as charging concessionaire fees on our guaranteed minimum sales, may result in a decrease in our revenue and the incurrence of relocation costs.

We do not have a controlling equity interest in our joint venture and may lose our non-exclusive license to use the “Naturalizer” brand

Our operations with respect to “Naturalizer” brand footwear rely on our licensing arrangements with Brown Shoe, the owner of “Naturalizer” brand, with which we established a joint venture, Hong Kong B&H. We hold a 49% equity interest in Hong Kong B&H, and Brown Shoe holds the other 51% equity interest through its subsidiary. Brown Shoe initially granted Dongguan B&H, a wholly owned subsidiary of Hong Kong B&H, the exclusive, non-transferable license to operate “Naturalizer” brand women’s footwear in China by a master license agreement entered into in August 2007, subject to the arrangements under the tri-partite sub-license agreement as described below. In turn, Dongguan B&H initially granted us the exclusive, non-transferable license to distribute “Naturalizer” brand women’s footwear in China, except for Beijing, Shanghai, Guangzhou and Shenzhen, pursuant to a tri-partite sub-license agreement entered into at the same time. These two licenses subsequently became non-exclusive and the license agreements were further amended in August 2011, as disclosed below. For more details, please see the section entitled “Business—Our Product Portfolio—Our licensed footwear brand—License agreements” in this prospectus. The above license and sub-license agreements, which we rely on to operate our “Naturalizer” brand women’s footwear, do not give us the same control over the brand as we have over our self-developed women’s footwear brands. In addition, our joint venture partner, Brown Shoe, may:

- have economic or business interests or goals that are inconsistent with, or different from, ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill its obligations under the joint venture or related license agreements; or
- have financial difficulties that may require it to take actions or refrain from actions inconsistent with, or contrary to, our interest or the interest of the joint venture.

Any material disputes with Dongguan B&H or Brown Shoe over the scope or performance of our respective obligations under the joint venture or related license agreements could adversely affect our ability to use the “Naturalizer” brand.

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We have not strictly adhered to the obligations and restrictions contained in the initial sub-license agreement. Our initial sub-license agreement required us to operate 20, 66, 120, 182 and 245 “Naturalizer” retail outlets during the first, second, third, fourth and fifth years, respectively after mid-2007, failing which our license would become non-exclusive. We did not attain the specified number of “Naturalizer” retail outlets as required for certain years primarily due to unexpected difficulties in our expansion. As a result, our license became non-exclusive and, pursuant to a similar requirement under the master license agreement, Dongguan B&H’s license also became non-exclusive, although, to our knowledge, neither Brown Shoe nor Dongguan B&H has granted the license to any other person in China. In addition, the sub-license agreement requires us to sell “Naturalizer” brand women’s footwear only through our “Naturalizer” retail outlets and not through any third party distributor. We had historically wholesaled “Naturalizer” brand women’s footwear to a third party for retail in a third-party outlet in Inner Mongolia from 2008 to 2009, which constituted a breach of the sub-license agreement. We ceased such practice by the end of 2009. Under the sub-license agreement, any breach of the agreement will entitle both Brown Shoe and Dongguan B&H to terminate our license to use the “Naturalizer” brand upon delivery of a written termination notice if such breach is not rectified within 30 days of such written notice from either Dongguan B&H or Brown Shoe. In addition, Brown Shoe and Dongguan B&H may also seek damages from us for our breaches. In 2010, we commenced operating “Naturalizer” stores in Beijing and Shanghai by oral agreement with Dongguan B&H, notwithstanding such operations were beyond the scope of the licenses. We have subsequently ceased such operation in Beijing but continued the operation in Shanghai.

In view of the above breaches, the parties to the master license agreement and the sub-license agreement entered into a deed of understanding, effective May 4, 2011, pursuant to which Brown Shoe and Dongguan B&H have waived their rights and will not seek any damages under the joint venture deed, the sub-license agreement or the master license agreement resulting from our prior breaches described above. In addition, the Indemnifiers have agreed to indemnify our Group against any loss and damage incurred by any member of our Group as a result of or in connection with such breaches of the sub-license agreement and/or the master license agreement.

In August 2011, we entered into an asset sale agreement with Dongguan B&H to transfer all of our “Naturalizer” retail outlets in Shanghai, four in total, to Dongguan B&H, including assignment of business contracts and sale of equipment and inventory of these outlets. The sale of the equipment and inventory of our outlets will be based on their book value plus a margin with respect to our inventory for the spring 2012 season. The book value of such equipment and inventory was approximately RMB1.2 million as of March 31, 2011. We expect to complete the sale by January 2012 and will be restricted from operating “Naturalizer” retail outlets in Shanghai afterwards pursuant to the sub-license agreement.

Also in August 2011, we entered into a deed of amendment with the relevant parties to amend the joint venture deed, the master license agreement and the sub-license agreement. The deed of amendment allows us to continue to operate “Naturalizer” retail outlets in Shanghai until the transfer of such outlets to Dongguan B&H and has removed the previous store-opening requirement. Pursuant to the deed of amendment, we have agreed to purchase an annual amount, ranging from 100,000 pairs to 220,000 pairs, of women’s footwear under “Naturalizer” brand from Dongguan B&H in each year from 2011 to 2017. We are confident to meet such annual purchase requirement. If we fail to do so in any one year, we are not deemed in breach of the agreement but are required, in the succeeding year, to make up for the difference between the required annual purchase amount and the actual purchase

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amount. If we fail to make up for the difference in the succeeding year, we will be deemed in breach and required to pay a certain amount of liquidated damages as calculated under a formula by reference to the difference. If we fail to pay the liquidated damages within 10 days of Dongguan B&H's written notice, Brown Shoe will be entitled to purchase the number of Hong Kong B&H's shares held by us as calculated under a formula by reference to the liquidated damages. When Brown Shoe's shareholding in Hong Kong B&H reaches two-thirds or 75%, both the joint venture deed and Hong Kong B&H's articles of association will be revised accordingly to restrict our right in the management of Hong Kong B&H.

Except as amended by the deed of amendment, the joint venture deed, master license agreement and sub-license agreement will continue to be effective under their current terms. If we fail to comply with the terms of the deed of amendment and other agreements, Brown Shoe may terminate our license, or refuse to renew our license, to use the "Naturalizer" brand. In such event, we may not be able to generate revenue from "Naturalizer" brand as we did in the past, or at all. In addition, we may have to close our "Naturalizer" outlets, but the relevant department stores may require us to continue to pay utilities fees, management fees, our share of the department stores' promotion and advertisement fees, and the concessionaire fees based on guaranteed minimum sales amounts during the respective terms of the agreements with these department stores. We may further incur expenses as a result of closing the relevant outlets and disposing of inventories at a discount. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our revenue from "Naturalizer" brand accounted for approximately RMB18.3 million, RMB29.5 million, RMB43.8 million and RMB12.2 million, respectively, representing 1.8%, 2.3%, 2.8% and 2.6%, respectively, of our total revenue. During the corresponding periods, our gross profit from the "Naturalizer" brand accounted for approximately RMB10.9 million, RMB14.8 million, RMB21.6 million and RMB5.9 million, respectively, representing 1.9%, 2.3%, 2.2% and 2.0%, respectively, of our total gross profit.

Unfavorable changes in the price or quality, or interruptions to the supply, of raw materials or finished products we source from third parties will adversely affect our business

We rely on independent third parties to supply all our raw materials needed for our manufacturing process. We also outsource approximately 40% to 50% of the footwear production of our self-developed brands to third-party contract manufacturers. The prices of raw materials and the prices of semi-finished and finished products quoted by our suppliers or contract manufacturers may fluctuate, which is beyond our control. In particular, the prices of leather in China, which is the principal raw material we use in our production process, fluctuate seasonally and are also subject to the fluctuations of the international leather market. Depending on the extent of such price fluctuations, we may need to adjust the selling price of our products. However, we cannot assure you that we can always pass increases in prices of our supplies onto our customers in a timely manner or at all.

Moreover, supplies that fail to meet our quality standards may affect the quality of our products and lead to complaints, negative publicity or product liability claims. In particular, as we do not have direct control over the manufacturing process of the raw materials as well as semi-finished and finished products we outsource from third-party suppliers or contract manufacturers, we cannot assure you that the raw materials will meet our quality requirements, or such semi-finished or finished products will have the same quality as the products manufactured by ourselves. Any quality problems related to our supplies, if undetected, may adversely affect our business and reputation.

In addition, we must obtain sufficient quantities of quality supplies from our suppliers in a timely manner in order to maintain and grow our operations. If we fail to do so for any reason, we may incur additional costs to locate alternative suppliers in order to avoid any interruption to our production

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or delivery schedule. Furthermore, if we cannot identify alternative suppliers when needed or obtain sufficient supplies when required, a stock shortage at our retail outlets may ensue and we may be unable to deliver products to our customers in a timely manner, or at all, which could adversely affect our results of operations and reputation.

We have no insurance coverage for our production facilities and warehouses and limited insurance coverage for our inventories, and may be subject to product liability claims for which we do not maintain any insurance

We have no insurance coverage for our production facilities and warehouses, and may incur damages arising from production accidents, fire or natural disasters. In addition, our inventories stocked in the department stores, where most of our proprietary outlets are located, have no insurance coverage either. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses and liabilities, we may have to pay out of our own funds for financial and other losses, damages and liabilities, including those caused by natural disasters and other events beyond our control. This could have a material and adverse effect on our business, financial condition and results of operations.

Moreover, we do not maintain any product liability insurance. Under current PRC laws and regulations, we are not required to maintain product liability insurance, and we believe it is customary in the women's footwear industry in China not to maintain product liability insurance. As of the Latest Practicable Date, we had not received any material complaint or claim, nor were we subject to any material legal or administrative proceedings, in relation to the quality of our products. However, we cannot assure you that material claims in relation to product liability will not be brought against us in the future. Any such claims will divert our management attention as well as financial resources from our operations. If we fail in defending against such claims, we could be subject to significant damages as well as reputational losses. In addition, any material product defect could influence purchasing decisions of our customers, thereby negatively affecting our future sales and profitability.

We may be adversely affected by labor shortages, increases in labor costs and labor disputes

Our production of women's footwear is labor intensive. During the Track Record Period, we experienced a shortage of labor, particularly in our production facilities in Dongguan. Workforce turnover also remained relatively high. We cannot assure you that we will not experience any shortage of labor in the future. If we experience a shortage of labor, we may not be able to maintain our production volume. If our workforce turnover remains high, we will be forced to train unskilled or less skilled workers on a more frequent basis. Recruitment of unskilled or less skilled labor force may result in an increase in substandard products or reduced efficiency in our manufacturing process. In addition, labor costs in China have increased and may continue to increase in the future. As a result, our production costs may continue to increase, and we may not be able to pass these increases to our customers due to competitive pricing pressures.

Moreover, labor disputes, work stoppages or slowdowns at our production facilities or any of our contract manufacturers or raw material suppliers could significantly disrupt our operations or our expansion plans. Delays caused by any such disruptions could adversely affect our operations, our expansion plans and revenues, which could in turn have a material adverse effect on our business, financial condition and results of operations.

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Failure to compete effectively in the women's footwear industry may adversely affect our profitability and prospects

The women's footwear industry in China is a highly competitive sector where numerous brands are vying for the attention of consumers. The competition in this sector may increase because the barriers to entry are relatively low.

We primarily compete with local and national women's footwear retailers in terms of brand image, product design and quality, pricing and distribution network. Our competitors may have, or may be able to devote, greater resources to the development of their businesses than us. In addition, our competitors may be able to react more quickly to changing market conditions and customer requirements than us. Our competitive strength depends on whether we can continue to build on the goodwill associated with our brands and produce commercially viable merchandise that caters to the consumer market in China. If we cannot compete effectively with our competitors, our business, financial condition and results of operation may be adversely affected.

Our sales volume is sensitive to changes in consumer spending patterns, seasonality and change of weather patterns

In the women's footwear industry, consumer spending patterns are affected by various factors, including local economic conditions, uncertainties about future economic prospects, interest rates, taxation, and shifts in discretionary spending towards other goods and services. Consumer preferences and economic conditions may differ or change from time to time in each market in which we operate.

We experience seasonal fluctuations in our revenues generated from China as consumer spending patterns vary on a seasonal basis. We generally record higher sales during major holidays and festivals, as compared with our sales in other periods in a financial year. In addition, we typically generate more revenue from fall and winter of a year than from the spring and summer primarily because the shoes we sell in fall and winter generally have higher prices than the shoes we sell in spring and summer and there are more holidays and festivals in fall and winter. As a result of these fluctuations, comparisons of sales and results of operations between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance. Any change in spending patterns, consumer demands, market trends or timing of festival seasons may intensify such fluctuations and adversely or seasonally affect our business, financial condition and results of operations.

Weather patterns may also change consumer preferences. Usually, consumers tend to purchase lighter footwear products when the weather is relatively warm, and heavier and thicker footwear products when the weather is relatively cold. As such, if the weather is significantly different from what we have expected, we may not have suitable footwear products to meet consumers' demands. In the event of a severe unexpected change in weather patterns, we may not have time to plan our sales suitable for the season, and our business, financial condition and results of operations may be adversely affected.

We may not be able to deliver raw materials to our manufacturing sites or deliver merchandise to our proprietary outlets or our authorized distributors in a timely manner

Logistic coordination constitutes an important part of our operational process. Our ability to produce and effect sales of our products depends on our ability to secure the supply of the required raw materials or finished products outsourced from third parties and to deliver merchandise to our

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proprietary outlets and our authorized distributors, each in a timely manner. This process requires an effective logistics system. We rely on third-party freight companies for the transportation of our raw materials and production feedstock from the various suppliers to our manufacturing sites and for the transportation of our merchandise from our central warehouses to our regional warehouses and eventually to our retail outlets. As a result, we may experience delays caused by factors beyond our control, such as weather conditions, labor unrest or financial condition at such freight companies. If we are unable to secure the transportation of raw materials or production feedstock to our manufacturing sites or deliver merchandise to our retail outlets in a timely manner, our production, sales and results of operations could be adversely affected.

The image and goodwill of our brands could be harmed if our authorized distributors fail to manage the third-party outlets in accordance with our standards

As one of our distribution channels, we wholesale women's footwear of our self-developed brands directly to authorized distributors, who operate their own retail outlets according to the same brand formats as our proprietary outlets. Although the initial design and layout and subsequent changes of the retail outlets of our distributors are subject to our approval, their lack of maintenance and wear and tear to their premises may cause such outlets to fall out of rank with our standard format. As we do not directly control the operations of these retail outlets, the image and goodwill of our brands may be damaged if the authorized distributors fail to manage their retail outlets in accordance with our standards. Such loss of goodwill with our consumers could adversely affect our reputation, sales and results of operations.

Counterfeit products using our brand name or our licensed brands may damage consumer confidence in our products and erode our goodwill

Our major intellectual property rights are our trademarks, which are critical to the success of our business operations. As of the Latest Practicable Date, in relation to our business operations, we had registered a number of trademarks and were in the process of applying for the registration of certain additional trademarks. For additional information, please see Appendix VII entitled "Statutory and General Information—Intellectual Property Rights of our Group" to this prospectus.

We heavily depend on the goodwill that we have established in our brands for women's footwear. As of the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks. However, we cannot assure you that there have not been, or that there will not be, third parties who attempt to pass off their merchandise under our brand names. Although we have been vigilant in policing the infringement of our brand names, we cannot completely prevent others from passing off their merchandise as being associated with ours. If customers are unable to distinguish our merchandise from counterfeit products of inferior quality, the goodwill generated by our brand names will be eroded. As a result, our reputation, business, financial condition and results of operations could be adversely affected.

Certain defects in title of our lease agreements related to certain properties occupied by us in China may materially and adversely affect our ability to use such properties

As of July 31, 2011, we leased 56 properties with a total GFA of approximately 68,258 square meters in China. In some instances, our immediate lessors are not the ultimate owners of the rental properties, and no consent was obtained from the ultimate owners to sublease the properties to us. A lessor's failure to duly obtain title to the properties it has leased to us, or its failure to obtain any

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necessary approval from the ultimate owners or primary lease holders of the properties, could potentially invalidate our leases. As of July 31, 2011, with respect to 12 of the properties leased by us, the lessors have not provided us with the relevant title ownership certificates. These 12 properties are located in 10 cities in China and have an aggregate GFA of approximately 56,949 square meters. Among these 12 properties, the lessors of 11 properties, including our Dongguan and Suining production facilities, have provided us documents evidencing that they have requisite titles or rights to lease the properties to us. As a result, our PRC legal advisor is of the view that such leases are valid and are in compliance with the applicable PRC laws, and that we are entitled to lawfully occupy the relevant properties within the lease terms. The lessor of one property in Foshan, which we use for our research and development center and one central warehouse, has been unable to provide us with sufficient documents evidencing its rights to lease the property to us. As advised by our PRC legal advisor, the lease contract of this property complies with the PRC Contract Law and is binding and enforceable between the contracting parties. However, we cannot assure you that we will not encounter any challenges by any third party on the title to such property, which might adversely affect our current occupations. Should any dispute arise due to such title or leasehold interests, we may encounter difficulties in continuing to lease such properties and may be required to relocate.

We rely on our key personnel for our future growth

The Directors and our senior management implement our business plans and oversee our day-to-day operations. In addition, the creative efforts and innovation of our design team play a crucial role in determining whether our merchandise has the requisite market appeal for achieving a healthy sales volume. Our future development and expansion will rely on the continued dedication, skills and experience of such key personnel, in particular, Mr. Chen Yixi and other members of our senior management team as mentioned in the section entitled “Directors, Senior Management and Staff” in this prospectus.

Members of our key personnel may voluntarily serve notices of termination of their employment with us at any time. There is no assurance that we can retain such key personnel for their future services, nor can we assure that qualified personnel can be found to replace any potential loss of such key personnel, which could adversely affect our profitability and operations.

We may not be able to detect or prevent fraud or other misconduct which may be committed by our employees or third parties

Fraud and other misconduct may be committed by our employees or third parties. Such fraud and misconduct can be difficult to prevent or deter despite our internal controls and corporate governance practices. As we handle large amounts of footwear in our daily operations, we cannot ensure that there will not be instances of fraud, theft or other misconduct involving our employees. Third parties such as contract manufacturers, transportation companies, suppliers and customers may also commit fraud or other misconduct against us. Such illegal actions can be difficult to detect, deter and fully prevent, and could subject us to financial losses and harm our business, operations and reputation. Although we are protected by indemnity provisions in our logistic arrangements and outlet operating procedures, we cannot assure that such indemnity provisions will be effective in preventing or protecting us against such fraud or misconduct or that any such contract manufacturer, transportation company, supplier, customer or employee will be financially able to honor its indemnity obligations. We also face the risk that our employees may not adhere to our mandated code of conduct, procedures and requirements, and such misconduct or improper acts of our employees could subject us to third party claims and regulatory investigations. Although we consider our internal control policies

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and procedures adequate, we may be unable to prevent, detect or deter all such instances of fraud, theft, misconduct and improper acts.

Dividends declared in the past may not be indicative of our dividend policy in the future

For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we paid dividends in the amount of RMB26.8 million, nil, RMB191.6 million and RMB64.4 million, respectively. Dividends declared and paid by us in the past may not be indicative of our dividend policy in the future.

Any future declaration of dividends will be proposed by our Board. The amount of future dividends on our Shares will depend on our financial position, results of operations, plans for expansion, capital needs, distributable reserves and other factors as our Directors may deem appropriate. Subject to the Companies Act, Shareholders in general meetings may from time to time declare a dividend or other distribution but no dividend or distribution may be declared in excess of the amount recommended by our Directors. Accordingly, our historical dividends declared are not indicative of our future dividend policy.

Our Controlling Shareholders have substantial control over us, and their interests may not be aligned with the interests of our other Shareholders

Immediately after the Global Offering, our Controlling Shareholders will directly and indirectly own an aggregate of approximately 36.59% of our Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Although the aggregate ultimate shareholding of Mr. Li Wei, another founder of our Group, of 20.01% and Mr. Miao Bingwen, another founder of our Group, of 18.40% in our Company will exceed the ultimate shareholding of Mr. Chen Yixi of 36.59% in our Company upon completion of the Capitalization Issue and the Global Offering, Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen have exercised their rights over their shareholding in our Company independently and are not connected persons to each other. None of our founders is currently, or has in the past been, acting in concert with each other under the Hong Kong Code on Takeovers and Mergers. Neither we nor any of our founders has any current intention to change the way of managing our business after the Listing.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. In cases where their interests are aligned and they vote together, our Controlling Shareholders will also have the power to either prevent or cause a change in control. To the extent the interests of our Controlling Shareholders conflict with the interest of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

We may be unable to obtain adequate funding to implement our growth strategies

After the Global Offering, we anticipate that our working capital needs and our capital expenditure needs will increase with the implementation of our growth strategies. Our ability to raise additional capital will depend on the financial success of our current business and the successful implementation of our future plans as set forth in this prospectus, as well as other financial, economic and market conditions, some of which are outside our control. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our average inventory turnover days for

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continuing operations were 199 days, 163 days, 200 days and 199 days, respectively, partially due to (i) our policy of maintaining a certain level of raw materials in our inventory to support our manufacturing of approximately 50% to 60% of the footwear of our self-developed brands, and (ii) our policy of maintaining a certain level of inventory of finished footwear to support our retail business. We may not be successful in raising any required capital on reasonable terms or at required time, or raising any required capital at all.

In addition, equity financing may have a further dilutive effect on our Shareholders. If we require additional debt financing, the lenders may require us to agree to restrictive covenants that could limit our flexibility in conducting future business activities, and the debt service payments may be a significant drain on our free capital allocated for our business activities. If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, our business operations and growth may be materially and adversely affected.

Business interruptions at our production facilities due to force majeure and other causes could reduce our sales and results of operations

Our operations are vulnerable to interruptions by war, riot, fire, earthquake, epidemic, power blackout and other events beyond our control. Any material interruption at our production facilities, even for a short duration, could result in decrease in production capacity for a sustained period and delays in deliveries of our products, which could reduce our sales and results of operations.

A majority of the products we sell are manufactured at our production facilities located in China. In recent years, some regions in China have experienced power shutdowns, electricity shortages or government interventions, particularly in the form of power rationing, during peak seasons. Such factors could affect our daily operations. If there is an insufficient supply of electricity to satisfy our requirements, we may need to limit or delay our production, which could adversely affect our business and results of operations.

Moreover, we rely on our management information systems to conduct our production, logistics and sales. We cannot assure you that our information systems will always operate without interruption. In particular, as our retail network system is fully integrated, any malfunction to a particular part of the system for an extended period of time, whether due to power failure, equipment failure or human error, may result in a breakdown throughout our network. As a result, our ability to continue our operations smoothly may be negatively affected, which in turn could adversely affect our financial condition and results of operations.

We may not be able to achieve the marketing results we expect if we cannot renew our agreements with our existing brand ambassadors or engage brand ambassadors of equivalent or higher standing

We have engaged Miss Gao Yuanyuan (高圓圓), a well-known actress in China, and Miss Shang Wenjie (尚雯婕), a popular singer in China, as our brand ambassadors for “C.banner” and “SUNDANCE,” respectively. We plan to continue to engage celebrities to promote our brands and products as part of our marketing strategy. If we fail to renew our agreements with any of our existing brand ambassadors or if their popularity declines, we may not be able to find suitable celebrities for replacement. As a result, the marketing results we expect may not be achieved. In addition, the consideration we pay our existing brand ambassadors may increase on renewal after the Listing even if we successfully renew our agreements with them.

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RISKS RELATING TO OUR INDUSTRY

We are susceptible to the changing conditions in the PRC footwear retail industry

As all our production facilities, proprietary retail outlets and authorized distributors are situated in China, our business and results of operations are susceptible to the changing conditions of the PRC market. Changes in laws and regulations relating to the retail industry, in particular, the footwear retail industry, or their interpretation adopted by the PRC government may adversely affect our business, financial condition and results of operations.

We are incorporated in Bermuda and operate our retail businesses through our foreign-invested enterprises in China. With the accession of China into the World Trade Organization in 2001, the PRC government promulgated, on April 16, 2004, the Administrative Measures on Foreign Investments in Commercial Sectors 《外商投資商業領域管理辦法》, which aim at liberalizing the regulatory framework for foreign investment in the PRC retail industry by allowing foreign investors to set up wholly owned enterprises to engage in wholesale and retail business. Such a liberalized regulatory framework has been crucial to our engagement in retail operations in China, but there is no assurance that the PRC government will continue such a policy and will not reinstate or adopt more restrictive measures to regulate the PRC retail industry. In addition, the aforesaid measures may intensify competition, particularly from large international retailers, and there is no assurance that we will be able to maintain our level of performance, profitability and market share in such an operating environment.

We are subject to the slowdown of the global economy

We were adversely affected by the global financial crisis that occurred in late 2008 and early 2009. For example, in anticipation of a sustained effect from the global financial crisis, we decided to reduce our inventory levels in 2009. As a result, our gross margin, operating margin and net margin were adversely affected that year. The women's footwear industry is very sensitive to changes in the economy, as any shift in discretionary spending on consumer goods and services may have an adverse effect on the industry. Any recurrence of the global financial crisis may adversely affect the economies of China and other countries to which we export our products and could in turn adversely affect our business and results of operations. When confronted with times of such financial crisis, we may have to offer deep discounts for an extended period to attract customers and maintain our sales volume.

RISKS RELATING TO CHINA

PRC economic, political and social conditions as well as governmental policies can affect our business

The PRC economy differs from the economies of most developed countries in many aspects, including:

- structure;
- degree of government involvement and control;
- degree of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

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The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For over three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on the overall long-term development of China, we cannot predict whether changes in the PRC economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

PRC government restrictions on the convertibility of Renminbi may limit our ability to effectively utilize our revenues and funds and the ability of our PRC subsidiaries to obtain financing

Most of our revenues as well as costs and expenses are denominated in Renminbi, which is currently not a freely convertible currency. In order for us to effectively utilize our revenues and the funds raised in this Global Offering, we need to conduct currency exchanges between Renminbi and other currencies. Under PRC laws and regulations, Renminbi is convertible for current-account transactions, which include, among other things, dividend payments and payments for the import of goods and services. Our PRC subsidiaries may also retain foreign exchange in their respective current-account bank accounts for use in payment of international current-account transactions. Although Renminbi has been fully convertible for current-account transactions since 1996, we cannot assure you that the relevant PRC government authorities will not limit or eliminate our ability to purchase and retain foreign currencies for current-account transactions in the future.

Conversion of Renminbi into foreign currencies, and of foreign currencies into Renminbi, for payments relating to capital account transactions, which principally include investments and loans, generally requires the approval of SAFE and other relevant PRC governmental authorities. Restrictions on the convertibility of Renminbi for capital-account transactions could affect the ability of our PRC subsidiaries to make investments overseas or to obtain foreign exchange through debt or equity financings, including by means of loans or capital contributions from us.

If we finance the operations of our PRC subsidiaries through additional capital contributions, the amount of these capital contributions must be approved by the MOFCOM authorities. On August 29, 2008, SAFE promulgated Circular 142 “Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises” 《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》 (“Circular 142”), relating to the conversion by a foreign-invested company of foreign currency into Renminbi with restrictions on the use of the converted Renminbi. Circular 142 requires that Renminbi converted from foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within China unless specifically provided in its business scope. In addition, SAFE generally strengthened its oversight of the flow and use of Renminbi funds converted from foreign currency denominated capital of a foreign-invested company. The use of such Renminbi funds may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the company’s approved business scope. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the foreign exchange control regulations.

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We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we receive from this Global Offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries

The value of Renminbi depends, to a large extent, on the PRC domestic and international political, economic and financial developments and governmental policies, as well as the currency's supply and demand in the local and international markets. From 1994 to 2005, the conversion of Renminbi into foreign currencies was based on exchange rates set and published daily by PBOC in light of the previous day's interbank foreign exchange market rates in China and the then-current exchange rates on the global financial markets. The official exchange rate for the conversion of Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, PBOC revalued Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of Renminbi appreciated by more than 2% on that day. Since then, PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies within a defined internal band. There can be no assurance that such exchange rate will not fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness denominated in foreign currencies.

Interpretation of PRC laws and regulations involves uncertainty

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as reference. Since 1979, the PRC government has promulgated laws and regulations relating to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty.

Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. Any of these uncertainties may cause difficulties in the enforcement of our statutory and contractual rights and interests.

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Any change in our tax treatment may have a material adverse impact on our business, financial condition and results of operations

Pursuant to the EIT Law, if our overseas members are deemed to be non-PRC resident enterprises for tax purposes without an office or premises in China, our Shareholders outside China will be subject to a withholding tax rate of 10% for any dividend paid by our subsidiary established in China unless they are entitled to certain tax reductions or exemptions, for example, by tax treaties.

The EIT Law provides that if an enterprise incorporated outside China has its “de facto management organization” within China, such enterprise may be deemed a PRC resident enterprise for tax purposes and may be subject to an enterprise income tax rate of 25% on its worldwide income. Most members of our management are located in China and, as they have remained there after the effective date of the EIT Law, our overseas Shareholders may be deemed PRC resident enterprises and therefore subject to an enterprise income tax rate of 25% on our worldwide income. As a result of these tax provisions, our historical results of operations will not be indicative of our results of operations for future periods, and the value of our Shares may be materially and adversely affected.

The EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, but due to the short history of the EIT Law, it remains unclear as to the qualification requirements for this exemption and whether dividend payments by our subsidiaries established in China will meet such qualification requirements.

The EIT Law also stipulates that if (i) an enterprise distributing dividends is domiciled in China or (ii) capital gains are realized from the transfer of equity interests in enterprises domiciled in China, then such dividends or capital gains are treated as PRC-sourced income. If our overseas Shareholders are deemed PRC resident enterprises for tax purposes, then (i) any dividends we pay to our non-resident overseas Shareholders and (ii) any capital gains realized by our non-resident Shareholders from transfers of our Shares may be regarded as PRC-sourced income and be subject to a PRC withholding tax rate of up to 10%.

As the EIT Law has only recently taken effect, it is uncertain how it will be implemented by the relevant PRC tax authorities. If dividend payments from our PRC incorporated subsidiaries to us are subject to the PRC withholding tax, it may have a material adverse effect on our business, financial condition and results of operations. If our dividend payments to our non-resident overseas Shareholders are subject to the PRC withholding tax, it may have a material adverse effect on your investment return and the value of your investment in us.

We are a holding company relying on dividend payments from our subsidiaries for funding, which is subject to restrictions under the PRC laws

We are a holding company incorporated in Bermuda, and we operate our core businesses through our subsidiaries in China. Therefore, the availability of funds for us to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from these PRC subsidiaries. If our subsidiaries incur debt or losses, their ability to pay dividends or other distributions to us may be impaired. As a result, our ability to pay dividends and to repay our indebtedness will be restricted. The PRC laws require that dividends be paid only out of the net profit of our PRC subsidiaries calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves. These

RISK FACTORS

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 pay dividends to us. Therefore, these restrictions on the availability of our funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

Our labor costs may increase with the enforcement of the Labor Contract Law and other labor-related regulations in China

The PRC Labor Contract Law 《中華人民共和國勞動合同法》 became effective and was implemented on January 1, 2008. This new labor law and its implementing rules have reinforced the protection for employees, who, under the existing PRC Labor Law, have certain rights, such as the right to have written labor contracts, the right to enter into labor contracts with no fixed terms under specific circumstances, the right to receive overtime wages when working overtime and the right to terminate or alter terms in the labor contracts. In addition, the Labor Contract Law and its implementing rules have amended the existing PRC Labor Law and added some clauses that could increase labor costs. As the Labor Contract Law and its implementing rules are relatively new, there remains certain uncertainty as to their interpretation and application by the PRC government. However, with the enforcement of the Labor Contract Law and other labor-related regulations in China, our labor costs may increase, which may materially and adversely affect our business and results of operations.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations or sales, may result in material disruptions to our production and our marketing and sales, which in turn may adversely affect our business, financial condition and results of operations.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds we receive from this Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business

In utilizing the proceeds we receive from this Global Offering as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any financing to our PRC subsidiaries is subject to PRC regulations and approvals. For example, loans by us to our wholly owned subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the SAFE authorities. We may also decide to finance our PRC subsidiaries by means of capital contributions. These capital contributions must be approved by the MOFCOM authorities. We cannot assure you that we will be

RISK FACTORS

able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds we receive from this Global Offering and to capitalize our PRC operations may be negatively affected, which could materially adversely affect our liquidity and our ability to fund and expand our business.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in mainland China or to enforce against them any judgments obtained from non-PRC courts

All of our executive Directors and executive officers reside within mainland China, and substantially all of our assets and substantially all of the assets of those persons are located within mainland China. Therefore, it may be difficult for you and other investors to effect service of process upon us or those persons inside mainland China or to enforce any judgments obtained from non-PRC courts against us or them in mainland China.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with Bermuda and many other jurisdictions. Therefore, recognition and enforcement in China of judgments of a non-PRC court is subject to uncertainties.

RISKS RELATING TO OUR GLOBAL OFFERING

There has been no prior public market in Hong Kong for our Shares, and their liquidity and market price may be volatile

Prior to the Global Offering, there has been no public market in Hong Kong for our Shares. However, our Shares were listed on the SGX-ST from June 5, 2003 until the privatization of our Company and the Delisting in May 2010. The Shares previously listed on the SGX-ST and currently to be listed on the Stock Exchange have different trading characteristics, such as trading volume, liquidity and investor bases, including different levels of participation by individual and institutional investors. As a result of these differences, the historical prices of our Shares on the SGX-ST may not be indicative of the performance of our Shares to be listed on the Stock Exchange.

The initial indicative Offer Price range for our Shares as disclosed in this prospectus was the result of negotiations among the Selling Shareholders, the Joint Bookrunners on behalf of the Underwriters and us, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. In addition, there can be no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may significantly affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;

RISK FACTORS

- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, the Controlling Shareholder or other Shareholders.

In addition, the securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. For instance, during the global economic slowdown and financial market crisis that began around the middle of 2008, the global stock markets witnessed drastic price drops with heavy unprecedented selling pressure. Many stocks fell to a fraction of their highs in 2007. These market fluctuations may also materially adversely affect the market price of our Shares.

You will experience immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, you and other investors in our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible asset value to RMB0.70 (HK\$0.83) per Share, based on the maximum Offer Price of HK\$3.24.

In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future. You and other investors in our Shares may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issuance.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information about us contained in such unauthorized press and media coverage may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

RISK FACTORS

Sales, or perceived sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

The Shares held by our Controlling Shareholders are subject to certain lock-up periods falling six and 12 months after the date on which trading in our Shares commences on the Stock Exchange, the details of which are set out in the section entitled “Underwriting” in this prospectus. We cannot assure you that, after such restrictions expire, our Controlling Shareholders will not dispose of any Shares. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the PRC women’s footwear industry contained in this prospectus

Facts, forecasts and other statistics in this prospectus relating to China, the PRC economy, the PRC women’s footwear industry have been derived from various official government publications available in China as well as an industry report prepared by Euromonitor, and may not be consistent with other information compiled within or outside China. We cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Selling Shareholder, any Joint Sponsor, any Joint Global Coordinator, any Joint Bookrunner, any Joint Lead Manager, any Underwriter or any of our or their respective affiliates or advisors (including legal advisors), or other participants in this Global Offering and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics. We have, however, taken reasonable care in the reproduction and/or extraction of the official government publications and the Euromonitor Report for the purpose of disclosure in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC women’s footwear industry contained in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

For the purpose of the Listing, we have sought the following waiver from the Stock Exchange in relation to strict compliance with certain requirements under the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

The headquarters of our Group is at Nanjing, China, and our operations are all managed and conducted in mainland China. Save that one of the independent non-executive Directors, Mr. Kwong Wai Sun Wilson, who is ordinarily resident in Hong Kong, all our Directors are ordinarily resident in mainland China, and all our executive Directors are based at our headquarters in Nanjing, China, to oversee our business and operations. Save for an office established in Hong Kong for liaison purposes, we do not and will not propose to have any business and operation located, conducted and managed in Hong Kong and therefore, in the foreseeable future, will not have two executive Directors residing in Hong Kong.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules and have been granted a waiver subject to the following conditions:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Huo Li, our executive Director and vice president, and Ms. Mok Ming Wai, our company secretary, who will act as our principal channel of communication with the Stock Exchange and will also ensure our full compliance with the Listing Rules at all times. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable timeframe upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the authorized representatives is authorized to communicate on our behalf with the Stock Exchange. We will inform the Stock Exchange promptly in the event of any change of the authorized representatives in accordance with the Listing Rules;
- (b) in compliance with Rule 3A.19 of the Listing Rules, we will retain a compliance adviser acceptable by the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute our annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules. The compliance adviser will provide us with advice on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines and will act as our additional channel of communication with the Stock Exchange. We will inform the Stock Exchange promptly in the event of any change of the compliance adviser in accordance with the Listing Rules;
- (c) our two authorized representatives have means of contacting all the Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication with the Stock Exchange, we will implement a policy whereby:
 - (i) each Director will have to provide his phone numbers, fax numbers and email addresses to the authorized representatives;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) in the event that a Director expects to travel and be out of office, he will provide to the authorized representatives the valid phone number of the place of his accommodation or other means of communications; and
- (iii) the Directors will provide their respective office phone numbers, mobile phone numbers, fax numbers and email addresses to the Stock Exchange; and
- (d) all the Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and all the Directors and authorized representatives can meet with the Stock Exchange within a reasonable time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus for which our Directors collectively and individually accept full responsibility includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on fair and reasonable bases and assumptions.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under, and eligible for, the Hong Kong Public Offering, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offering. Hong Kong Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorized in connection with the Hong Kong Public Offering to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Sponsors, any of the Underwriters, any of their respective directors or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as at any subsequent time.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 50,000,000 Offer Shares and the International Offering of initially 450,000,000 Offer Shares subject, in each case, to re-allocation on the basis described in the section entitled "Structure of the Global Offering" in this prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms a part of the Global Offering. The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. One of the conditions is that we, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters) have agreed on the Offer Price. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. The Global Offering is managed by the Joint Global Coordinators.

The Offer Price is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date. The Price Determination Date is expected to be Saturday, September 17, 2011 and, in any event, not later than

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Wednesday, September 21, 2011. If, for any reason, the Offer Price is not agreed among us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please see the section entitled “Underwriting” in this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering and any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted under the Share Option Scheme. None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek advice from your stockbroker or other professional advisors for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasize that none of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, Underwriters, us, the Selling Shareholder, any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our Hong Kong register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in Bermuda, Appleby Management (Bermuda) Ltd. Our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

Dealings in the Shares registered in our Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offering and the International Offering, including its conditions, are set out in the section entitled "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translations of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars have been made at the rates of RMB6.5483 to US\$1.00 (the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2011) and HK\$7.7750 to US\$1.00 (the noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on March 31, 2011), respectively, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.8423 to HK\$1.00 (the exchange rate set by PBOC for foreign exchange transactions prevailing on March 31, 2011). No representation is made that (i) Renminbi amounts could have been, or could be, converted into U.S. dollars; (ii) that Hong Kong dollars could have been, or could be, converted into U.S. dollars; or (iii) the Renminbi amounts could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Chen Yixi	Building 88, Zhongshan Villa, No. 18 Jinma Road Qixia District, Nanjing, China	Chinese
Li Wei	Building 31, No. 69 Mu Xu Yuan Street Baixia District, Nanjing, China	Chinese
Zhao Wei	Room 1208, Building A3, No.9 Changjiang Road Xuanwu District, Nanjing, China	Chinese
Huo Li	Room 505, Building B of Tai Gu Cheng No. 181 North Huju Road, Gulou District Nanjing, China	Chinese
Xu Tingyu	Room 1101, Building 8-3 of Bai Lu Xin Yu No. 459 Central Longpan Road, Nanjing, China	Chinese
<i>Non-executive Director</i>		
Miao Bingwen	Room 102, Building 16 of Minghu Villa Baixia District, Nanjing, China	Chinese
<i>Independent non-executive Directors</i>		
Kwong Wai Sun Wilson	Flat A, 2 nd Floor, Hau Yuen 51 Shouson Hill Road Shouson Hill, Hong Kong	Chinese
Xu Chengming	Room 602, Building 19 No. 14 Hong Miao Xiang Gulou District, Nanjing, China	Chinese
Li Xindan	Room 305 No. 15 Sha Tang Yuan Xuanwu District, Nanjing, China	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Joint Global Coordinators (in alphabetical order)	<p>Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road, Central Hong Kong</p> <p>DBS Asia Capital Limited 17th Floor, The Center 99 Queen's Road Central Hong Kong</p>
Joint Bookrunners (in alphabetical order)	<p><i>Hong Kong Underwriters</i></p> <p>Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower Citibank Plaza 3 Garden Road, Central Hong Kong</p> <p>DBS Asia Capital Limited 17th Floor, The Center 99 Queen's Road Central Hong Kong</p>

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

International Underwriters

Citigroup Global Markets Limited

33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

DBS Asia Capital Limited

17th Floor, The Center
99 Queen's Road Central
Hong Kong

Hong Kong Underwriters

Citigroup Global Markets Asia Limited

50th Floor, Citibank Tower
Citibank Plaza
3 Garden Road, Central
Hong Kong

DBS Asia Capital Limited

17th Floor, The Center
99 Queen's Road Central
Hong Kong

ABCI Securities Company Limited

Room 701, 7th Floor
One Pacific Place
88 Queensway
Hong Kong

International Underwriters

Citigroup Global Markets Limited

33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

DBS Asia Capital Limited

17th Floor, The Center
99 Queen's Road Central
Hong Kong

ABCI Securities Company Limited

Room 701, 7th Floor
One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to our Company

as to Hong Kong and U.S. law

Sidley Austin

Level 39

Two International Finance Centre

8 Finance Street

Central, Hong Kong

as to PRC law

GFE Law Office

18/F, Guangdong Holdings Tower

No. 555, Dongfeng East Road

Guangzhou, China

as to Bermuda law

Appleby

2206-19 Jardine House

1 Connaught Place

Central, Hong Kong

Legal Advisors to the Underwriters

as to Hong Kong and U.S. law

Herbert Smith

23rd Floor, Gloucester Tower

15 Queen's Road Central

Hong Kong

as to PRC law

Jingtian & Gongcheng

34/F, Tower 3, China Central Place

77 Jianguo Road, Chaoyang District

Beijing, China

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

35/F, One Pacific Place

88 Queensway

Hong Kong

Property Valuer

DTZ Debenham Tie Leung Limited

16/F, Jardine House

1 Connaught Place

Central

Hong Kong

Receiving Bankers

DBS Bank (Hong Kong) Limited

16th Floor, The Center

99 Queen's Road Central, Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road, Central

Hong Kong

Bank of Communications Co., Ltd. Hong Kong Branch

20 Pedder Street

Central, Hong Kong

CORPORATE INFORMATION

Registered Office	Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Headquarters in China	31st Floor, Nanjing International Trade Center 18 Zhongshan East Road Nanjing, China
Place of Business in Hong Kong	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company Secretary	Mok Ming Wai
Authorized Representatives	Huo Li Mok Ming Wai
Audit Committee	Kwong Wai Sun Wilson (Chairman) Xu Chengming Li Xindan
Remuneration	Xu Tingyu (Chairman) Xu Chengming Kwong Wai Sun Wilson Li Xindan
Nomination Committee	Huo Li (Chairman) Xu Chengming Kwong Wai Sun Wilson Li Xindan
Compliance Advisor	First Shanghai Capital Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	Agricultural Bank of China, Nanjing Xinjiekou Subbranch 8 East Zhongshan Road Nanjing, China DBS Bank Ltd., Hong Kong Branch 18 th Floor, The Center 99 Queen's Road Central, Hong Kong

CORPORATE INFORMATION

**China Merchants Bank, Nanjing Chengxi
Subbranch**

65 West Beijing Road
Nanjing, China

**Bank of China, Nanjing Economic Development
Zone Subbranch**

20 Gaoke No. 1 Road
Pukou Economic Development Zone
Nanjing, China

Principal Share Registrar and Share Transfer Agent

Appleby Management (Bermuda) Ltd.

Argyle House, 41a Cedar Avenue
Hamilton HM 12
Bermuda

INDUSTRY OVERVIEW

Certain facts, statistics and data presented in this section and elsewhere in this prospectus are derived from various publications issued by PRC governmental authorities and other third parties, including Euromonitor, an independent provider of business intelligence on business, countries and consumers. We believe that these are appropriate sources for the relevant information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Selling Shareholder, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates or advisors or any other party involved in the Global Offering and no representation is given as to its accuracy.

INTRODUCTION

The women's footwear segment is the largest and fastest growing footwear segment in China according to the Euromonitor Report. Rapid growth in the segment has been underpinned by strong economic fundamentals in China. GDP has continued to grow strongly, and combined with rising urbanization, this has led to a significant rise in disposable income and consumption levels. In addition, with the increasing financial independence and social status of women in China which has come with economic growth, women's footwear is expected to be faster growing than men's and children's footwear in China going forward according to the Euromonitor Report.

Within the women's footwear segment, mid-to-premium women's footwear continues to be the key growth segment. Strong economic growth has led to a booming middle class in China and with the middle class being the core target customer segment of the market, this has been one of the key drivers of growth. As a result, the mid-to-premium women's footwear segment has continued to gain share from low- and mid-end segments and commanded a market share of 27.8% in 2010, compared to 26.8% in 2007. This trend is expected to continue going forward.

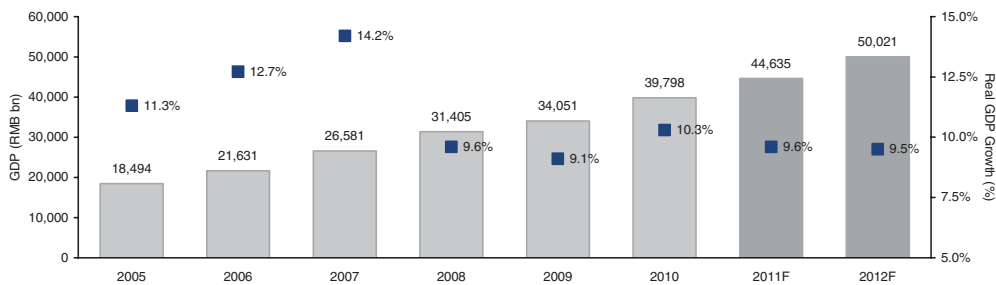
The competitive landscape in the mid-to-premium casual and formal women's footwear market in China, being the relevant segment for the Company, is relatively consolidated. The top 10 brands in China comprised 59.6% market share according to the Euromonitor Report. We are the second largest company in the segment with a 6.5% market share and our "C.banner" is the fourth largest brand in the segment with 5.0% market share.

ECONOMIC OVERVIEW OF CHINA

Rapid Economic Growth in China

The economy in China has continued to grow rapidly since economic reform was introduced in 1978. Since then, the PRC government has continued to emphasize raising economic productivity and improving personal income through market oriented reforms as well as focusing on foreign trade as a major driver of economic growth. Since the introduction of these reforms, the economy in China has continued to demonstrate high growth, and real GDP grew at a CAGR of approximately 11.2% between 2005 and 2010. Economic growth has continued remain strong and real GDP growth stood at 10.3% in 2010. As a result of the continued growth, China was named as the second largest economy in the world last year, surpassing Japan. The table below sets out the nominal GDP and real GDP growth of China between 2005 and 2010 and forecast nominal GDP and real GDP growth of China in 2011 and 2012:

Nominal GDP and real GDP growth in China (2005—2012F)

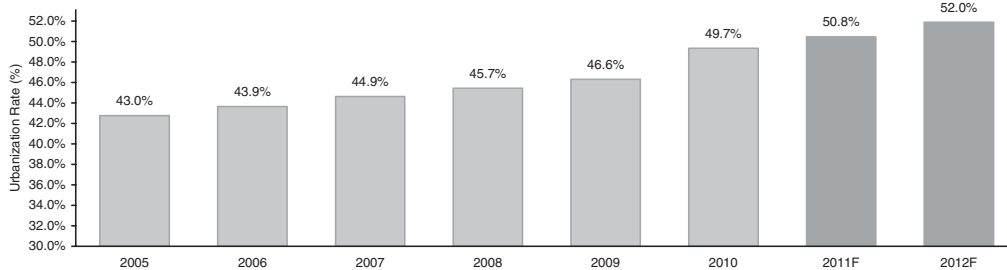


Source: Euromonitor Report; 2010 China Statistical Yearbook

Rising Urbanization and Household Consumption

As a result of economic growth in China, urbanization has continued to accelerate. Populations in urban areas have increased substantially, largely due to the significant influx of people from rural areas. The urbanization rate in China has increased from approximately 40.5% in 2003 to 49.7% in 2010 and is forecast by Euromonitor to increase to 52.0% by 2012. The chart below sets forth the urbanization rate in China between 2005 and 2009 and the forecast urbanization rate to 2012:

Urbanization rate in China (2005—2012F)

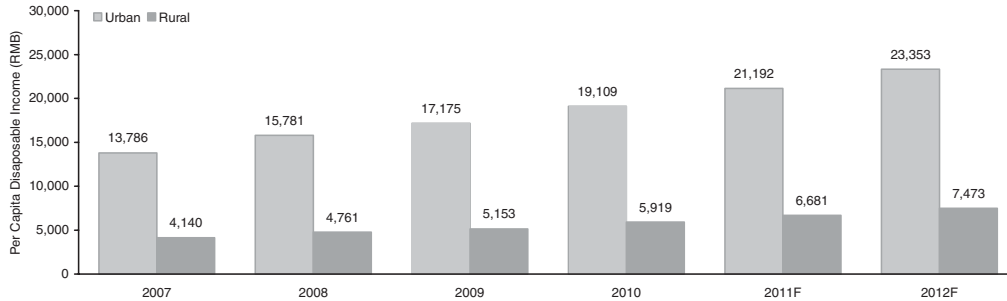


Source: Euromonitor Report; National Bureau of Statistics

INDUSTRY OVERVIEW

As new cities emerge, and consumers increasingly move away from rural areas to urban areas, they earn substantially higher income which results in higher disposable income and higher consumption levels. Historically, between 2007 and 2010, per capita disposable income in urban households has been approximately 3.3 times higher than rural per capita disposable income. For example, in 2010, estimated urban disposable income per capita was RMB19,109 compared to RMB5,919 in rural households. The chart below sets forth urban versus rural disposable income per capita between 2007 and 2012F:

Urban vs. rural per capita disposable income in China (2007—2012F)

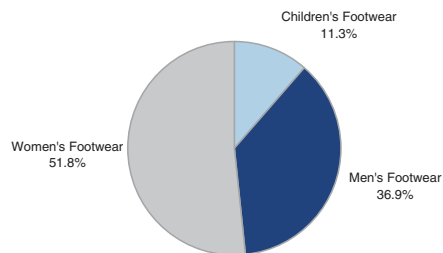


Source: Euromonitor Report

OVERVIEW OF THE WOMEN'S FOOTWEAR MARKET IN CHINA

The women's footwear market in China has continued to demonstrate strong growth since 2007. According to the Euromonitor Report, the women's footwear market in China has grown at a CAGR of approximately 9.4% between 2007 and 2010 to reach a market size of RMB 119.1bn, despite being impacted by the global financial crisis in 2008 and 2009. Women's footwear is the largest segment of the footwear market comprising approximately 52% of the footwear market in China in 2010. We set forth in the chart below the breakdown of the China footwear segment in 2010:

2010 breakdown of retail sales of footwear in China by category

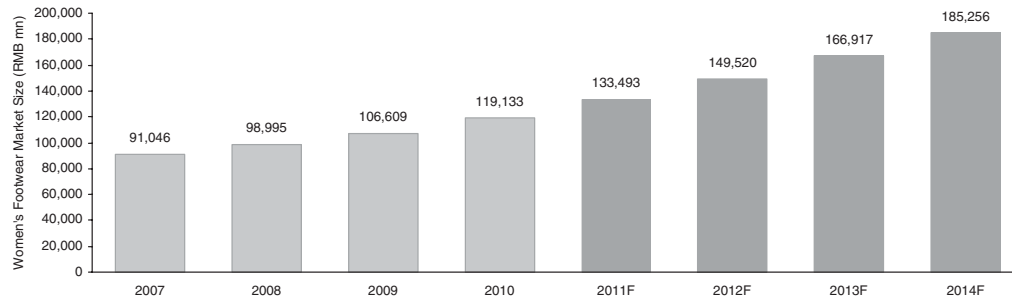


Source: Euromonitor Report

INDUSTRY OVERVIEW

Going forward, strong market growth is expected to continue with Euromonitor forecasting a market CAGR of approximately 11.7% between 2010 and 2014. The chart below sets forth the historical and forecast market size of the women's footwear market in China:

2007—2014F retail sales of women's footwear in China



Source: Euromonitor Report

INDUSTRY OVERVIEW

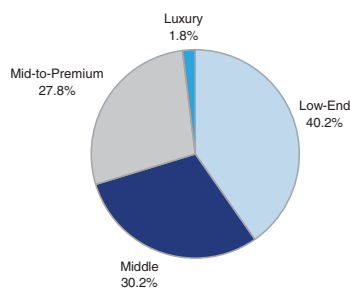
For the purposes of this prospectus, we have segmented the women’s footwear market by price segment and in accordance to Euromonitor’s segmentation. According to the Euromonitor Report, the women’s footwear market can be segmented into four categories, namely low-end, middle, mid-to-premium and luxury. Whilst price is one of the key determinants, the distinction between different price segments is due to a number of factors including price, brand positioning, consumer, and industry perception and distribution channels. The table below summarizes the key characteristics of the different segments:

<u>Price Segment</u>	<u>Description</u>
Low-end	<ul style="list-style-type: none"> ● Retail price of a pair of women’s low-end pumps is typically below RMB300 ● Low-end women’s footwear is usually sold in hypermarkets, supermarkets and independent multi-brand footwear stores ● Targets women with low level income
Middle	<ul style="list-style-type: none"> ● Retail price of a pair of women’s middle-end pumps is typically between RMB300 and RMB600 ● Middle-end women’s footwear is typically sold in chained specialty stores, middle-end department stores ● Brands include Daphne, Comrade and Walker Shop
Mid-to-premium	<ul style="list-style-type: none"> ● Retail price of a pair of women’s mid-to-premium pumps is typically between RMB600 and RMB2,000, in accordance with industry practice based on Euromonitor’s market research ● Mid-to-premium women’s footwear are typically sold in mid- and high-end department stores and chained specialty stores ● Targets middle-class women in first tier and second tier cities and some of the affluent third-tier cities ● Brands include Belle, Teenmix, Tata, C.banner, ST&SAT, Clarks and Ecco
Luxury	<ul style="list-style-type: none"> ● Retail price of a pair of women’s luxury pumps is typically above RMB2,000 ● Luxury brands usually sell multiple products in addition to footwear such as clothing, bags, accessories, fragrances etc. ● Mainly sold in specialty stores in very high end department stores and mono-brand specialty stores ● Brands include Louis Vuitton, Salvatore Ferragamo, Gucci and Dolce & Gabbana

INDUSTRY OVERVIEW

The low-end segment is the largest segment of the market given the large proportion of the population that live in lower tier cities and rural areas where income levels are lower. Conversely, the luxury segment comprises the smallest segment of the market given the relatively small proportion of the population that is able to afford luxury shoes and the limited distribution being focused largely on tier 1 cities. The chart below sets forth the split of retail sales of women's footwear by price segment in 2010:

2010 split of retail sales of women's footwear by price segment



Source: Euromonitor Report

KEY TRENDS IN THE WOMEN'S FOOTWEAR MARKET IN CHINA

Strong Economic Growth, Increasing Consumer Spending, Urbanization and Favorable Government Policies Supporting Sustainable Growth

Economic growth has been the key driver of growth for the women's footwear sector. As the economy has grown, bringing with it increased urbanization and rising disposable income, consumers have increased their levels of expenditure. In addition to existing urban consumers, increasing expenditure, economic growth has led to a larger addressable customer base for women's footwear retailers through increased urbanization, notably for middle-end and mid-to-premium brands. Consumers who did not previously have access to such brands in more rural areas would have access following migration to a larger city, in addition to higher income levels.

In addition, the PRC government is increasingly focused on private consumption as the key driver of economic growth going forward, as opposed to the previous focus which was very much centered on exports and foreign investment. For example, in 2008 the PRC government announced a RMB4 trillion stimulus plan which was focused on boosting domestic demand through increased spending in areas such as low-income housing, rural infrastructure, technological innovation, transportation and infrastructure.

Going forward, economic policies in China are expected to be focused on consumer expenditure. The recently announced 12th Five-Year Plan by the PRC government shifts the focus away from export led sectors to increasing domestic consumption through raising income levels of workers in China. Notably, the focus will be more on developing rural areas and prioritizing more equitable wealth distribution as well as social welfare and infrastructure.

In addition to larger scale macroeconomic policies, the PRC government has implemented other specific policies aimed at boosting consumer spending such as the rural household appliance subsidy program launched in February 2009 which resulted in sales of appliances in rural areas

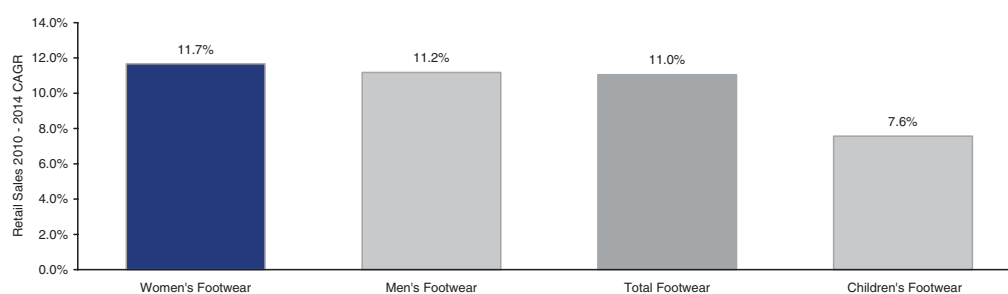
INDUSTRY OVERVIEW

growing by 170% in 2010. Other initiatives undertaken by the PRC government include testing new consumer lending policies to improve the market structure in consumer lending and facilitating more open lines of credit for consumers.

Women's Footwear Outgrowing Men's and Children's Footwear

Women's footwear has historically been the fastest growing footwear segment in China. Historically, between 2007 and 2010, retail sales of women's footwear market in China grew at a CAGR of approximately 9.4% and are expected to grow at a CAGR of approximately 11.7% between 2010 and 2014, according to the Euromonitor Report. In both periods, this represents higher growth than that seen in the men's and children's footwear segments. The chart below sets forth the CAGR of footwear retail sales in China by segment from 2010 to 2014:

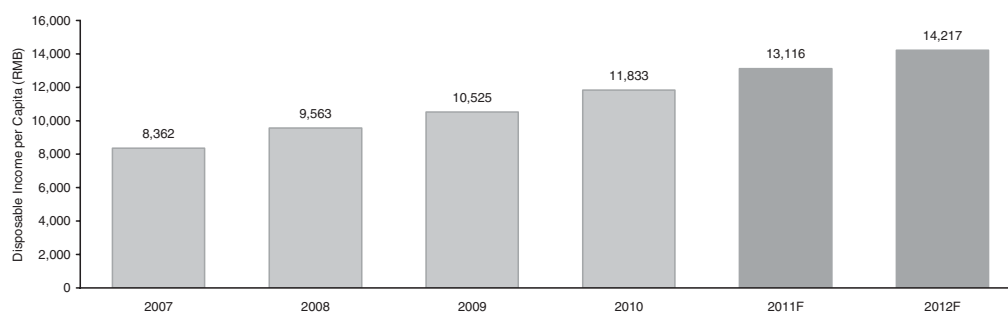
2010—2014F CAGR of retail sales of footwear in China by segment



Source: Euromonitor Report

According to the Euromonitor Report, sustained growth of the women's footwear market has in part been driven by growing financial independence of women in China. With continued industrialization and urbanization, an increasing number of Chinese women are now enjoying higher levels of education and employment, notably in more skilled jobs with higher incomes. As a result, according to the Euromonitor Report, the per capita disposable income of women has continued to demonstrate strong growth with a CAGR of approximately 12.3%, rising from RMB8,362 in 2007 to RMB11,833 in 2010. Going forward, growth is expected to continue to remain robust with per capita disposable income expected to rise to RMB14,217 by 2012, implying a 2010—2012 CAGR of approximately 9.6%. The chart below sets forth the per capita disposable income of women in China between 2007 and 2012:

2007—2012F per capita disposable income of women in China



Source: Euromonitor Report

INDUSTRY OVERVIEW

In addition, increased employment and rising incomes has led to a rising social status for women in China. According to the Euromonitor Report, such rise in social status, along with an increasing number of women in management and senior level employment has led to women attaching an increased level of importance to their appearance which has in turn driven demand for women's footwear.

Frequent Launches and Product Variety Stimulating Consumption

As footwear companies continue to launch new styles, this increases the desire of women to purchase new shoes and has been a driver of demand. According to the Euromonitor Report, women's footwear accounts for approximately 60% of adult's footwear in terms of retail sales value due to the frequent launches of new styles and products as compared to men's and children's shoes. Such a high level of variety of products has been driven by footwear companies continuing to launch new styles in an attempt to meet increasing demand caused by rising income and propensity to spend on footwear as described above and to capture greater market share. In addition, several of the leading manufacturers are adopting a multi-brand strategy to target various ages and demographic groups which has resulted in a rise in the number of brands in the market. As competition continues to intensify, it is expected that such rapid and continuous product launches will continue to be a driver of market demand for women's footwear.

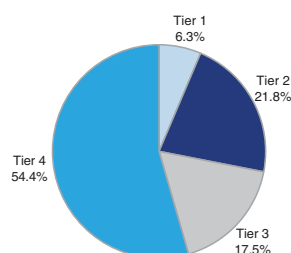
Second and Third Tier Cities Demonstrating Greater Growth Potential

Second and third tier cities in China have become the key area of focus in China not just for retailers in the women's footwear sector but throughout multiple segments. First tier cities, whilst highly attractive from an income perspective, only represent 3.6% of the total population and are becoming increasingly saturated with most of the major brands having been established there for several years and the competition for prime locations becoming increasingly prohibitive. Conversely, other cities (defined here as cities that do not fall under tier 1, tier 2 or tier 3 categories), which predominantly comprise prefecture and county level cities, account for over 60% of the national population according to the Euromonitor Report, but per capita consumption remains low with the majority of expenditure being focused on necessities rather than discretionary goods such as footwear.

INDUSTRY OVERVIEW

As a result, companies are increasingly focused on second and third tier cities which, on a combined basis, represent a significant proportion of the Chinese population and whose inhabitants can be characterized as having sufficiently high disposable income levels to generate strong and rising demand for discretionary goods such as women's footwear. Statistics from the National Bureau of Statistics of China show that the populations in second and third tier cities comprise 15.5% and 15.1% of the national total respectively in 2009 which resulted in significantly larger retail sales value of women's footwear as compared to first tier cities. The chart below sets forth the split of retail sales of women's footwear by city tier:

2010 split of women's footwear retail sales in China by city tier



Source: Euromonitor Report

While other cities comprise the largest part of the market by sales due to the large population, given the low income levels, demand is focused on low margin, low-end shoes with per capita expenditure on women's footwear in fourth-tier cities and the rural market estimated to be approximately RMB151 in 2010 according to the Euromonitor Report.

In addition, the economic development of second and third tier cities has been robust, specifically in cities located in certain specified economic zones such as Suzhou, Wuxi, Ningbo and Wenzhou. As a result, according to the Euromonitor Report, the women's footwear market in second and third tier cities is expected to demonstrate faster growth as compared to first tier and fourth tier cities.

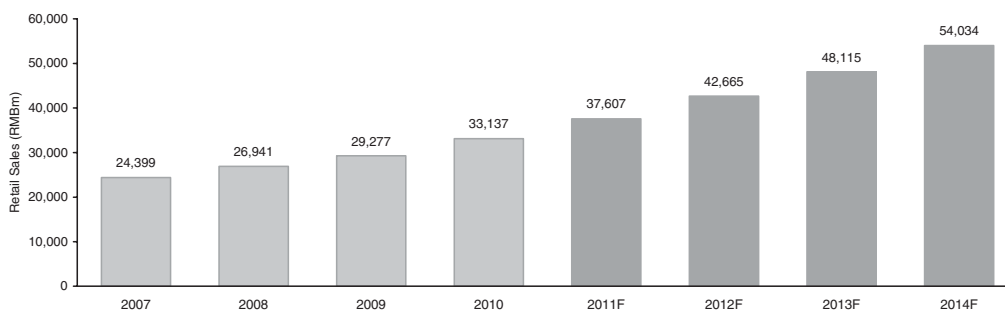
OVERVIEW OF THE MID-TO-PREMIUM WOMEN'S FOOTWEAR MARKET IN CHINA

The mid-to-premium women's footwear market comprises approximately 28% of the women's footwear market in China. The segment mainly targets middle-class women, such as female white collar workers with mid-to-high income who typically are well educated, and have relatively high purchasing power. Women who purchase shoes in this segment are also more brand-oriented and choose brands with high awareness and are of good quality. Examples of such brands include "Belle," "Teenmix," "Tata," "C.banner" and "Kisscat."

INDUSTRY OVERVIEW

The segment has continued to demonstrate strong growth, with retail sales of the segment demonstrating a CAGR of approximately 10.7% between 2007 and 2010 to reach RMB33.1 billion, and such strong growth is expected to continue. According to the Euromonitor Report, retail sales of mid-to-premium women's footwear in China is expected to grow at 13.0% between 2010 and 2014. The chart below sets forth historical and forecast retail sales of mid-to-premium women's footwear in China between 2007 and 2014F:

2007—2014F retail sales of mid-to-premium women's footwear in China



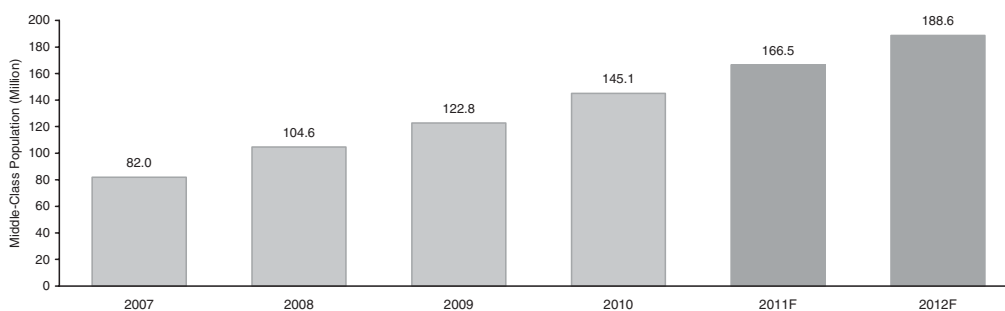
Source: Euromonitor Report

KEY TRENDS IN THE MID-TO-PREMIUM WOMEN'S FOOTWEAR MARKET IN CHINA

Booming Middle-class Population Driving Growth of the Mid-to-premium Women's Footwear Market

Strong economic growth has brought with it a rapid increase in the population of the middle-class in China. According to the National Bureau of the Statistics of China, middle-class is defined as people with an annual household income of between RMB60,000 to RMB500,000. Based on this definition, China is said to have a middle-class population of 145 million in 2010, accounting for approximately 10.8% of the population. The middle-class population has witnessed rapid growth and according to the Euromonitor Report, is expected to continue its fast growth going forward. Between 2007 and 2010, the middle-class population in China demonstrated a CAGR of approximately 21.0% and is expected to demonstrate a CAGR of approximately 14.0% between 2010 and 2012. The chart below sets forth the population growth of the middle-class population in China:

2007—2012F middle-class population in China



Source: Euromonitor Report

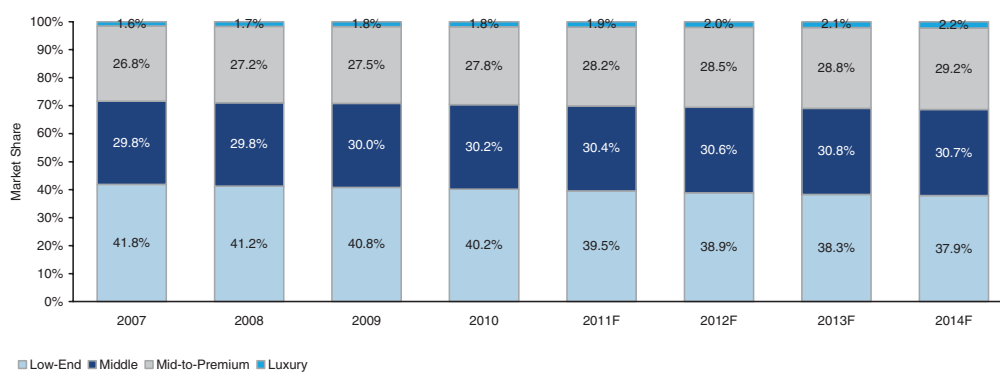
INDUSTRY OVERVIEW

The middle-class population is typically comprised of professionals and white collar workers who continue to pursue higher quality lives and are more willing to pay for branded products of better quality and design. As a result, the strong growth in middle-class population has significantly benefited the mid-to-premium women's footwear segment given their high quality offering and companies' focus on brand image and positioning.

Mid-to-premium Segment Continuing to Gain Share

The mid-to-premium market has continued to gain share in overall women's footwear and has been the key driver of growth in the industry. According to the Euromonitor Report, between 2007 and 2010, mid-to-premium women's footwear increased its share of the overall women's footwear market from 26.8% to 27.8% and this rising trend is expected to continue, with the segment expected to command 29.2% of the overall women's footwear market in China by 2014. The chart below sets forth a breakdown of retail sales of the women's footwear segment in China by price segment between 2007 and 2014.

2007—2014F market shares of the women's footwear segment in China



Source: Euromonitor Report

Increasing market share has largely been driven by positive demographic trends, notably due to a rising middle-class as well as rising incomes as discussed previously. As this trend continues, this will lead to an increasing customer base in the mid-to-premium market as consumers purchase more middle-end shoes in lieu of low-end shoes.

Branding and Product Quality Becoming Increasingly Important

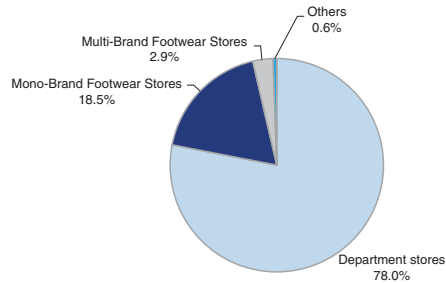
Given an increasing focus of target customers for mid-to-premium women's footwear on improving their lifestyles, branding and product quality have become important differentiating factors. Mid-to-high income consumers want to be seen wearing clothing and footwear from leading brand names which are in line with the latest fashion trends and styles. As a result, brand owners and manufacturers have placed increasing emphasis on product design as well as choice of materials and craftsmanship. In addition, companies continue to place greater effort in marketing and advertising to strengthen their brand image with their target customers, such as using well-known celebrities to endorse their brands.

INDUSTRY OVERVIEW

Department Stores Are the Dominant Distribution Channel for Mid-to-premium Women's Footwear

For the mid-to-premium women's footwear market, department stores continue to be the dominant distribution channel in China. In 2010, department stores comprised 78.0% of retail sales of formal and casual mid-to-premium women's footwear in China. The chart below sets forth the split of retail sales by distribution channel in the mid-to-premium women's footwear segment in China:

2010 split of mid-to-premium women's footwear in China by distribution channel



Source: Euromonitor Report

Note: Includes formal and casual footwear only. Excludes other footwear which predominantly comprises sports shoes

According to the Euromonitor Report, department stores have significant advantages over other channels. Such advantages include better shopping environments, higher product variety, and a premium image of department stores as compared to mono-brand stores. In addition, department stores are typically located in the center of major business and commercial districts in China which allow for high customer traffic and as such, are the first choice distribution channel for footwear manufacturers.

While their dominance is likely to continue in the longer term, it should be noted that there has also been strong growth of mono-brand stores in recent years given a greater focus on expansion into lower tier cities by footwear brands. Department stores tend to have lower penetration in lower tier cities and as such mono-branded specialty stores, both franchised and self-operated, continue to enjoy strong growth.

INDUSTRY OVERVIEW

MID-TO-PREMIUM WOMEN'S FOOTWEAR COMPETITIVE LANDSCAPE

The mid-to-premium women's footwear market is relatively consolidated with the top 10 brands (both casual footwear and formal footwear) comprising 59.4% of the total market. Being predominantly comprised of sportswear, we have excluded others from our analysis of the competitive landscape. The table below sets forth the 2010 market shares of the top 10 brands in the mid-to-premium casual and formal women's footwear market in China:

Market shares of mid-to-premium formal and casual women's footwear in China by 2010 estimated retail sales

<u>Brand</u>	<u>Company</u>	<u>Market Share (%)</u>
Belle	Belle International Holdings Ltd	17.0
Teenmix	Belle International Holdings Ltd	9.8
Tata	Belle International Holdings Ltd	9.6
C.banner	Hongguo International Holdings Ltd	5.0
Kisscat	Kisscat Co Ltd	4.2
Staccato	Belle International Holdings Ltd	4.1
ST&SAT	Foshan Saturday Shoes Co Ltd	3.1
Harson	Harson Kunshan Shoes Co Ltd	2.4
Basto	Belle International Holdings Ltd	2.3
Le Saunda	Le Saunda Holdings Ltd	2.2
Others	Others	40.6

Source: Euromonitor Report

Among the top 10 brands Belle International Holdings Ltd is the largest company taking five of the top 10 brands including the top three brands in the segment. According to the Euromonitor Report, the Company is the second largest company in the segment by retail sales with its flagship brand "C.banner" being the fourth largest brand in the segment with 5.0% market share based on estimated retail sales. Together with "EBLAN" and "Naturalizer," the Company had a total of 6.5% market share in the mid-to-premium formal and casual women's footwear market in China in 2010. The table below sets forth the leading companies in the mid-to-premium casual and formal women's footwear market in China:

2010 market shares of mid-to-premium formal and casual women's footwear in China

<u>Company</u>	<u>Market Share (%)</u>
Belle International Holdings Ltd	46.0
Hongguo International Holdings Ltd	6.5
Kisscat Co Ltd	4.2
Foshan Saturday Shoes Co Ltd	3.7
Le Saunda Holdings Ltd	3.2
Others	36.3

Source: Euromonitor Report

As the top 10 brands have continued to accelerate store rollout into lower tier cities, the market has continued to consolidate. According to the Euromonitor Report, the combined market share of the top 10 brands in the segment has increased from 48.2% in 2007 to 59.4% in 2010. This trend is expected to continue going forward with leading brands continuing to expand their presence and gain share from smaller, regional brands.

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

In connection with the Global Offering, we have engaged Euromonitor, an Independent Third Party, to conduct a study of the women's footwear market in China. Euromonitor is an independent market research firm with more than 25 years' of industry experience in conducting trade research and detailed local market analysis. We have included certain information from the Euromonitor Report in this prospectus because we believe such information facilitates an understanding of the women's footwear market in China for potential investors. A total amount of US\$33,800 in fees was paid to Euromonitor for the Euromonitor Report.

The Euromonitor Report covers various topics including: (1) macroeconomic factors in China that are relevant to the women's footwear market; (2) quantitative and qualitative market sizing and analysis of the women's footwear market in China, including further market sizing and analysis of the women's casual footwear market in China as well as the women's formal footwear market in China; (3) quantitative analysis of retail channel sales for both the women's casual footwear mid-to-premium segment and women's formal mid-to-premium segment; and (4) qualitative and quantitative analysis of the competitive landscape of the women's footwear retail market. The methodology used by Euromonitor for its study consisted of both primary research and secondary research on the women's footwear markets in China, supplemented with market/strategy overview analysis reconciling data and qualitative and anecdotal information gained from sources inside the industry. Primary research involves trade interviews with identified contacts of major women's footwear manufacturers (brand owners), retailers, distributors, and trade associations. Secondary research involves information-gathering and assessment of relevant information from sources such as Euromonitor's in-house data, corporate websites of leading women's footwear retailing companies (brand owners) in China, trade reports on the women's footwear retail segment, reports of the Footwear Associations, China Chain Store & Franchise Association, business and trade press.

The geographic scope of work for the study conducted by Euromonitor covers first-to-third-tier cities and the other cities in China.

HISTORY AND DEVELOPMENT

We were founded by Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen in December 1995.

Shortly after the formation of Mayflower Footwear, we established production facilities in Nanjing and began to manufacture and market women's footwear under the brand name “千百度” (“Qianbaidu” in Chinese pinyin). In 1996, we set up sales offices and began selling “千百度” women's footwear through both proprietary outlets and third-party outlets.

In 2001, we constructed new production facilities in Dongguan, Guangdong province, which also housed our product design center. In the same year, we started our contract manufacturing business. In 2002, we established our research and development center in Foshan, Guangdong province.

In 2002, we adopted “C.banner” as the equivalent of our “千百度” brand name in English and marketed our merchandise under the brand name “C.banner.” In the same year, Mayflower (Nanjing) Industries Limited and Dongguan Mayflower acquired the assets, business and undertakings relating to footwear business from Mayflower Footwear in preparation for the listing of our Company on the SGX-ST.

In 2004, we launched our second brand “EBLAN 伊伴” into the market. In June 2007, we established a joint venture with Brown Shoe to manufacture and sell “Naturalizer” footwear products in China.

Our business has been growing rapidly in line with the fast growth of the women's footwear market in China. The number of our proprietary outlets grew from about 110 in 2000 to 1,015 as of March 31, 2011 and the number of our third-party outlets grew from about 70 in 2000 to 344 as of March 31, 2011. According to the Euromonitor Report, we are the second largest retailer of mid-to-premium women's formal and casual footwear in China and our “C.banner 千百度” is the fourth largest mid-to-premium women's formal and casual footwear brand in China, both as measured by estimated retail revenue in 2010. To further expand our market share, we have established our third production base in Suining, Jiangsu province and have launched one additional self-developed footwear brand, “FABIOLA 範歐納,” in the first half of 2011 and launched another self-development footwear brand, “SUNDANCE 太陽舞,” into the market in August 2011.

The following sets forth the corporate history and development of each member of our Group since their respective dates of establishment/incorporation. Our principal operating entities are Nanjing Mayflower, Dongguan Mayflower, Nanjing Soft, Nanjing Ruihe and Suining Shufute which are the Company's indirect wholly-owned subsidiaries. In addition, our Group and Brown Shoe Asia have formed a joint venture company, namely Hong Kong B&H, which is owned indirectly by our Company as to 49%. We also underwent the Reorganization in contemplation of the Global Offering, particulars of which are set forth in the section entitled “Reorganization” in this prospectus.

Our Company

Our Company was incorporated in Bermuda on April 26, 2002 under the Companies Act under the name “MF International Holdings Limited” and subsequently changed its name to “Hongguo International Holdings Limited” on January 22, 2003. Our Company undertook a restructuring exercise and was listed on the SGX-ST on June 5, 2003. It remained listed on the SGX-ST for nearly seven years until the privatization of our Company which was completed on May 5, 2010 and the subsequent Delisting with effect from May 6, 2010.

HISTORY AND DEVELOPMENT

Investment Holding Companies of Our Group

Allied Great

Allied Great was incorporated with limited liability in Hong Kong on November 21, 2007. At its incorporation, the authorized share capital of Allied Great was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one subscriber share was allotted and issued to the initial subscriber. On December 5, 2007, the subscriber share was transferred to the Company.

Best Invent

Best Invent was incorporated in the BVI with limited liability on May 3, 2002. At its incorporation, Best Invent was authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00, of which two shares were allotted and issued to our Company on May 30, 2002.

Best Value

Best Value was incorporated in the BVI with limited liability on September 26, 2001. At its incorporation, Best Value was authorized to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00, of which two subscriber shares were allotted and issued to Liu Yunguang, an Independent Third Party, on December 28, 2001. On July 17, 2002, our Company acquired the two subscriber shares for the nominal consideration of US\$2.00.

China Ease

China Ease was incorporated in Hong Kong with limited liability on October 31, 2007. At its incorporation, the authorized share capital of China Ease was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one subscriber share was allotted and issued to the initial subscriber. On December 5, 2007, one subscriber share was transferred to our Company.

Principal Operating Entities of Our Group

Nanjing Mayflower

Nanjing Mayflower was established in China on March 3, 2004 with an initial registered capital of US\$15,000,000 by Best Invent. On October 25, 2007, the registered capital of Nanjing Mayflower was increased from US\$15,000,000 to US\$18,000,000. On December 5, 2007, Allied Great entered into an equity transfer agreement with Best Invent to acquire the entire equity interests in Nanjing Mayflower from Best Invent for a consideration of US\$18,000,000. Nanjing Mayflower is principally engaged in retail sale of our branded footwear.

Dongguan Mayflower

Dongguan Mayflower was established in China on July 30, 2002 with a registered capital of US\$1,000,000 by Best Invent. Dongguan Mayflower is our operating arm for ODM and OEM businesses.

Nanjing Soft

Nanjing Soft was established in China on December 15, 2005 with a registered capital of US\$5,000,000 by Best Value. On December 5, 2007, China Ease entered into an equity transfer

HISTORY AND DEVELOPMENT

agreement with Best Value to acquire the entire equity interests in Nanjing Soft from Best Value for a consideration of US\$5,000,000. On February 13, 2009, the registered capital of Nanjing Soft was increased from US\$5,000,000 to US\$10,000,000. Nanjing soft is principally engaged in the manufacture of our branded footwear.

Nanjing Ruihe

Nanjing Ruihe was established in China on June 18, 2009 with a registered capital of RMB20,000,000. On October 22, 2009, Peng Jun, an Independent Third Party, transferred the entire equity interest in Nanjing Ruihe to Nanjing Ji Nan City Trading Limited (南京紀南城商貿有限公司), an Independent Third Party. On October 26, 2009, Nanjing Soft entered into an equity transfer agreement with Nanjing Ji Nan City Trading Limited to acquire its 100% equity interests in Nanjing Ruihe for a consideration of RMB27,000,000. Nanjing Ruihe is our property holding company which holds our property located at Nanjing International Trade Center in Nanjing and does not engage in our main operating activities.

Suining Shufute

Suining Shufute was established in China on January 28, 2010 with a registered capital of US\$5,000,000 and is owned as to 75% and 25% by Nanjing Soft and China Ease, respectively. Suining Shufute is mainly responsible for producing upper units to support the footwear production at our Dongguan and Nanjing facilities.

Joint Venture Investments

Hong Kong B&H

Hong Kong B&H, the holding company of Dongguan B&H, was incorporated in Hong Kong with limited liability on May 29, 2007. Upon its incorporation, the authorized share capital of Hong Kong B&H was HK\$10,000 divided into 1,000 shares of HK\$10 each. On June 14, 2007, one subscriber share was transferred from the initial subscriber to Brown Shoe Asia; and 50 shares and 49 shares were issued and allotted to Brown Shoe Asia and Best Invent, respectively. Upon completion of transfer of the subscriber share and the issue and allotment of shares, Hong Kong B&H was owned as to 51% and 49% by Brown Shoe Asia and Best Invent, respectively.

The authorized share capital of Hong Kong B&H was increased from HK\$10,000 to HK\$39,000,000 on July 3, 2007, and was further increased to HK\$43,000,000, HK\$52,000,000 and HK\$58,100,000 on December 17, 2008, August 27, 2010 and July 8, 2011, respectively.

Thereafter, additional 3,509,900, 780,000, 833,578 and 601,133 shares in Hong Kong B&H were allotted and issued to Brown Shoe Asia and Best Invent on December 31, 2007, December 24, 2008, August 27, 2010 and July 8, 2011, respectively, in proportion to their respective 51% and 49% shareholding interests.

Dongguan B&H

Dongguan B&H was established in China on August 23, 2007 by Hong Kong B&H. The registered capital of Dongguan B&H is US\$7,000,000, which has been fully paid up by Hong Kong B&H as at the Latest Practicable Date. Dongguan B&H is principally engaged in the retail of our licensed brand “Naturalizer.”

HISTORY AND DEVELOPMENT

Previous Subsidiaries of Our Group During the Track Record Period

Dongguan Industries

Dongguan Industries was established in China on October 8, 2005 with a registered capital of US\$1,000,000 by Best Invent. However, Dongguan Industries had not commenced any business activity since its establishment when its business licence was revoked by the relevant PRC Government authorities on August 1, 2008. Subsequently, liquidation of Dongguan Industries was approved by the relevant PRC government authorities on August 19, 2008. Dongguan Industries was deregistered by Dongguan Administration for Industry and Commerce on March 17, 2011.

Jiangsu Unity

The Group had been carrying on apparel distribution and retail business through Jiangsu Unity since 2004. In preparation for the Listing, the Group implemented the Reorganization to dispose of its interests in Jiangsu Unity with a view to focus on its footwear business. Jiangsu Unity had been generating profits since its establishment, but encountering loss in recent years as a result of the change in business strategies of the apparel brand owners. Since apparel distribution and retail business was not the Group's core business and the operating results of Jiangsu Unity were not promising in previous years, the Directors considered that the disposal of Jiangsu Unity to allow the Group to further focus on its footwear business was in the interests of the Group and did not have any negative impact on the Group and its footwear business as a whole.

On December 8, 2010, Nanjing Mayflower and Dongguan Mayflower entered into an equity transfer agreement with Hongguo Industry to dispose of their respective 90% and 10% equity interests in Jiangsu Unity for a total consideration of RMB34,550,000, which was determined after arm's length negotiations with reference to the net asset value of Jiangsu Unity immediately before the disposal. As at the Latest Practicable Date, Hongguo Industry was owned by Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen as to 37%, 33% and 30%, respectively. After the above disposal, Jiangsu Unity ceased to be a subsidiary of the Group and as the Group no longer has any interest in the apparel distribution and retail business, neither Jiangsu Unity nor Hongguo Industry or any of its subsidiaries compete with the business of the Group. All assets and liabilities of Jiangsu Unity including its apparel distribution and retail business have remained with Jiangsu Unity and, accordingly, the operation of Jiangsu Unity should not have any negative impact on the core operations of the Group or the Group as a whole or on the financial results of the core operations of the Group.

Delisting of the Company from the SGX-ST

On January 18, 2010 ("Privatization Offer Announcement Date"), DBS Bank Ltd., for and on behalf of Info Giant, announced that Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen ("Undertaking Shareholders"), through Info Giant, intended to make a privatization offer to acquire all the shares of US\$0.015 each in the capital of our Company, other than those shares held by Info Giant ("Privatization Shares"), with a view to seeking the voluntary delisting of our Company from the SGX-ST, at an offer price of S\$0.439 in cash per share.

The privatization offer closed on March 22, 2010. Following the closing of the privatization offer, valid acceptances in respect of 386,244,977 Privatization Shares, representing approximately 97.32% of the then issued share capital of our Company, had been received. Subsequently, Info Giant exercised its right of compulsory acquisition under Section 103 of the Companies Act to compulsorily

HISTORY AND DEVELOPMENT

acquire all the shares held by the shareholders who had not accepted the privatization offer. The compulsory acquisition was completed on May 5, 2010 and our Company was delisted from the SGX-ST on May 6, 2010.

In connection with the privatization offer, an irrevocable undertaking was given by each of the Undertaking Shareholders to Info Giant to accept the privatization offer in respect of their respective shareholding interests in our Company. In addition, Info Giant entered into subscription agreements with each of the Undertaking Shareholders and their respective investment holding companies, namely High Score, Media Value and Sure Manage, pursuant to which the investment holding companies agreed to subscribe for new shares in Info Giant for a consideration equivalent to the proceeds to be received from the acceptance of the privatization offer by them.

The cash consideration under the privatization offer was funded by the Info Giant Loan Facility from DBS Bank Ltd., Hong Kong Branch, an affiliate of DBS, as lender which made available funds in an aggregate amount of up to US\$40 million. The Info Giant Loan Facility was secured by, inter alia, the Share Charge over all the shares in the capital of our Company held by Info Giant. To facilitate the Reorganization in preparation for the Listing, the outstanding loan amount of the Info Giant Loan Facility of approximately US\$9.8 million as at March 9, 2011 was repaid in full by Info Giant and all securities relating to the Info Giant Loan Facility including the Share Charge were released on March 9, 2011. In substitution for the Info Giant Loan Facility, our Company and DBS Bank Ltd., Hong Kong Branch, entered into a term facility agreement on March 9, 2011, pursuant to which DBS Bank Ltd., Hong Kong Branch, agreed to make available to our Company the Hongguo Loan Facility in an aggregate amount of up to US\$10 million. The Hongguo Loan Facility is secured by the following:

- personal guarantees given by each of Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen;
- share charges created by each of High Score, Media Value and Sure Manage over their respective shareholding interests in our Company;
- share charges created by each of Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen over his entire shareholding interests in High Score, Media Value and Sure Manage, respectively; and
- the debenture created by our Company by way of a first fixed and floating charge over all of our assets and undertaking.

The outstanding amount of the Hongguo Loan Facility was US\$10 million as of July 31, 2011. It is expected that part of the proceeds from the Global Offering will be used to repay part of the outstanding amount of the Hongguo Loan Facility with the remaining amount to be repaid with our internal funds and all securities and guarantees relating to the Hongguo Loan Facility will be released upon Listing. Please refer to the section entitled “Use of Proceeds” in this prospectus.

The principal reasons for the privatization offer were:

- The trading liquidity of the shares of our Company on the SGX-ST in the preceding year was generally thin. The average daily trading volume of the shares of our Company on the SGX-ST was approximately 1,018,184 shares over the 12-month period from January 14, 2009 to January 13, 2010 (being the last trading day of shares of our Company on the SGX-ST prior to Privatization Offer Announcement Date), representing only approximately 0.26% of the then issued share capital of our Company. We believed that

HISTORY AND DEVELOPMENT

the trading price of our Company on the SGX-ST might not reflect the underlying values of our business because of the lack of liquidity; and

- The privatization offer represented a clean cash exit opportunity for accepting shareholders to realize their investment at an attractive premium over the market price of the shares of our Company on the SGX-ST prior to the Privatization Offer Announcement Date. The offer price under the privatization offer represented a premium of approximately 31.44% to 69.50% over the one-month, three-month, six-month and 12-month volume weighted average price of the shares of our Company. The offer price also represented a premium of approximately 37.19% and 119.50% over the last transacted price as quoted on the SGX-ST on January 13, 2010 (being the last trading day of shares of our Company on the SGX-ST prior to the Privatization Offer Announcement Date) and our Company's initial public offering price on the SGX-ST, respectively.

As a company engaged in the design, manufacture and sale of women's footwear business with operations in China, we believe that the trading liquidity and valuation of the Shares of our Company could be improved if we were to be listed on an exchange where our comparable companies are traded, such as the Stock Exchange.

Details of the change in the share capital of our Company are set out in the section entitled "Further Information about our Company and its Subsidiaries—Change in Share Capital of our Company" in Appendix VII to this prospectus.

REORGANIZATION

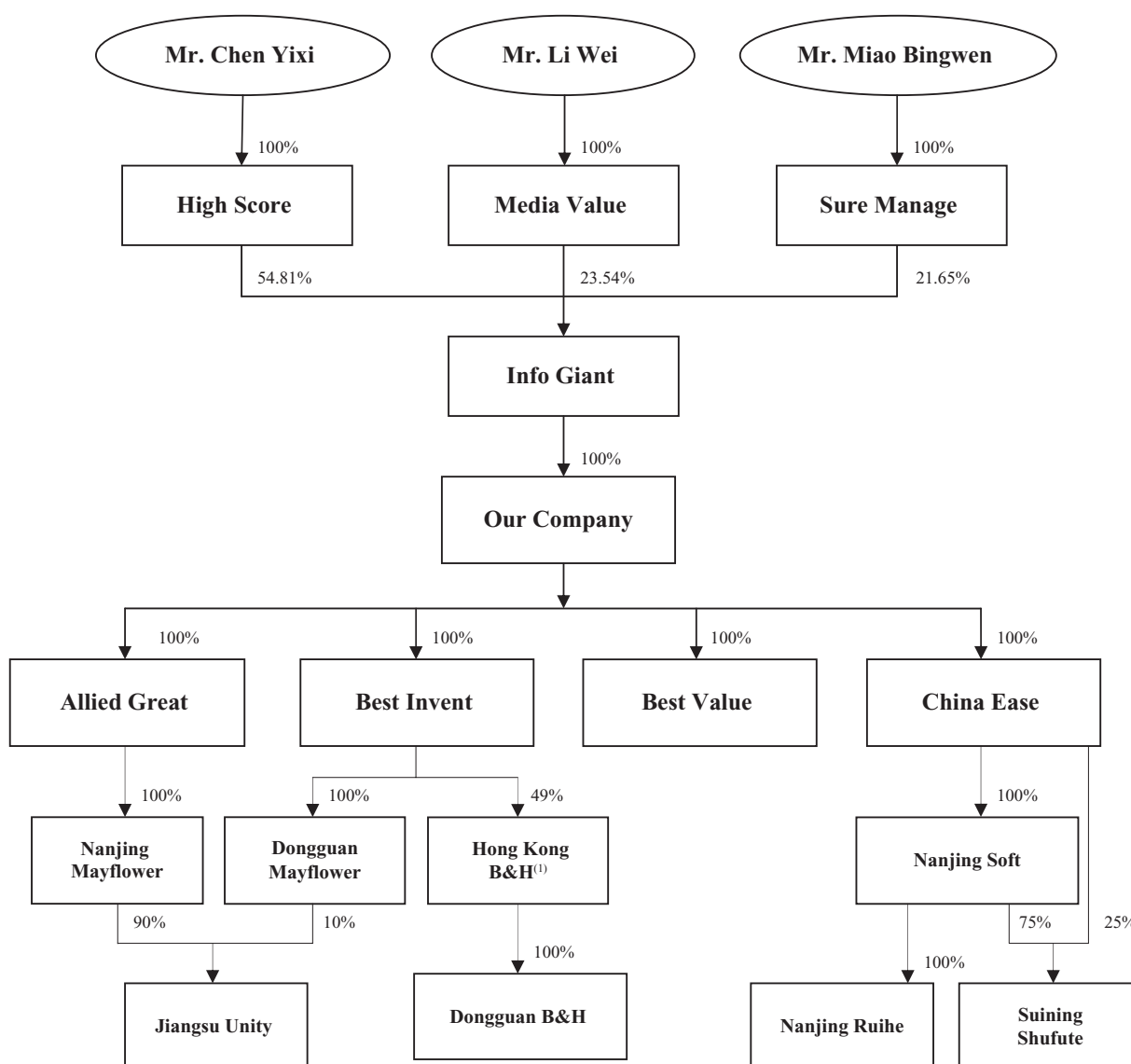
INTRODUCTION

Upon completion of the compulsory acquisition of all Privatization Shares by Info Giant and the Delisting, our Group became wholly-owned by Info Giant on May 6, 2010.

In preparation for the Listing, our Group underwent the Reorganization, which involves the following principal steps:

- disposal of Jiangsu Unity; and
- acquisition of 54.81%, 23.54% and 21.65% shareholding interests in our Company by High Score, Media Value and Sure Manage, respectively, from Info Giant.

The following diagram illustrates the shareholding and corporate structure after the Delisting and prior to the Reorganization:



(1) Hong Kong B&H is a joint venture company owned as to 49% by Best Invent and 51% by Brown Shoe Asia.

REORGANIZATION

DETAILED REORGANIZATION STEPS

In preparation for the Listing, we underwent the Reorganization, which involves the following principal steps:

Disposal of Jiangsu Unity

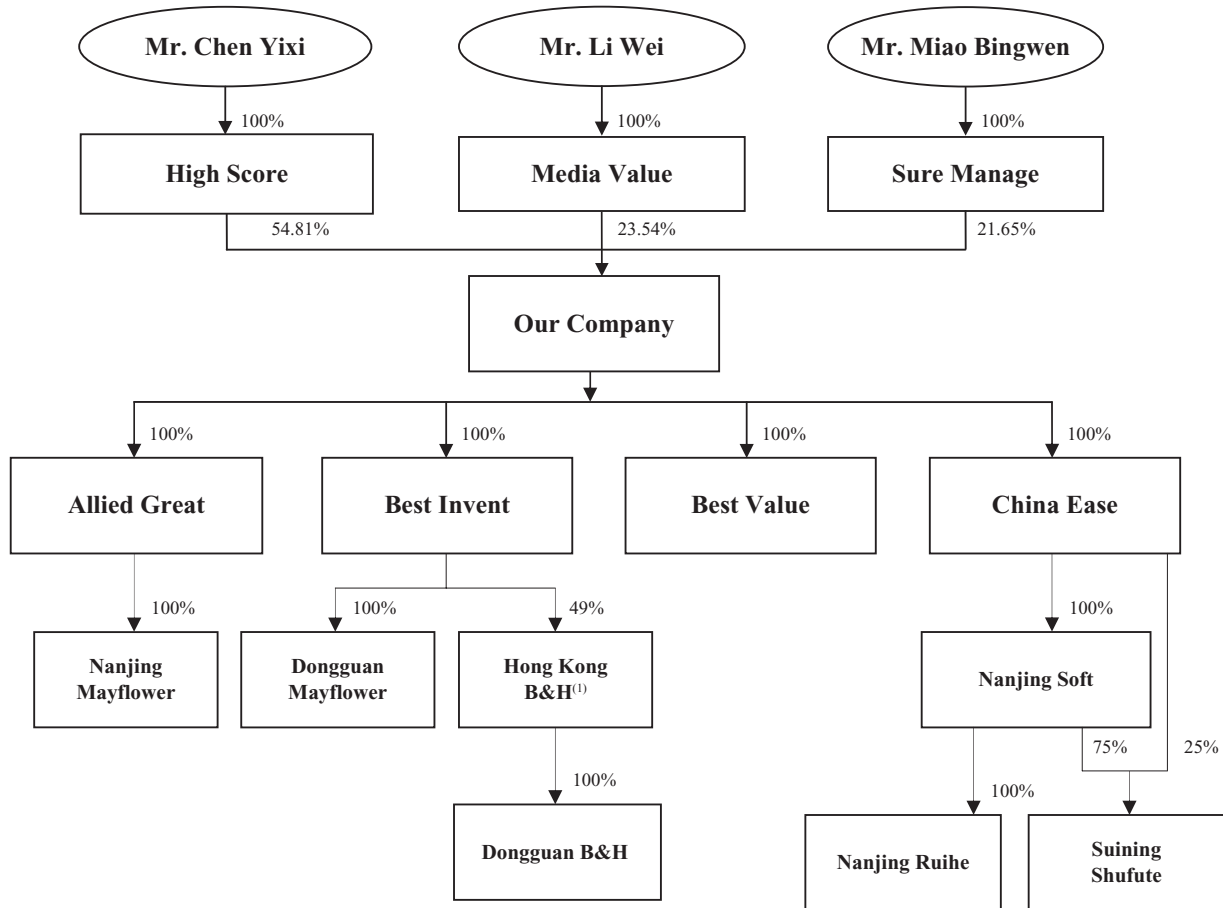
As disclosed in the section entitled “History and Development—Previous Subsidiaries of Our Group During the Track Record Period—Jiangsu Unity”, on December 8, 2010, Nanjing Mayflower and Dongguan Mayflower entered into an equity transfer agreement with Hongguo Industry to dispose of their respective 90% and 10% equity interests in Jiangsu Unity to Hongguo Industry for a total consideration of RMB34,550,000. After the disposal, Jiangsu Unity ceased to be a subsidiary of our Group effective from December 30, 2010.

Acquisition of our Company by High Score, Media Value and Sure Manage

On March 9, 2011, Info Giant transferred to High Score, Media Value and Sure Manage 54.81%, 23.54% and 21.65% shareholding interests in our Company for consideration of US\$3,262,852, US\$1,401,342 and US\$1,288,829, respectively. The consideration payable by each of High Score, Media Value and Sure Manage to Info Giant was set off by the dividends in a sum of US\$5,953,023 declared by Info Giant to High Score, Media Value and Sure Manage in proportion to their respective shareholding interests in Info Giant. Upon completion of the acquisition, our Company has been owned as to 54.81%, 23.54% and 21.65% by High Score, Media Value and Sure Manage, respectively.

REORGANIZATION

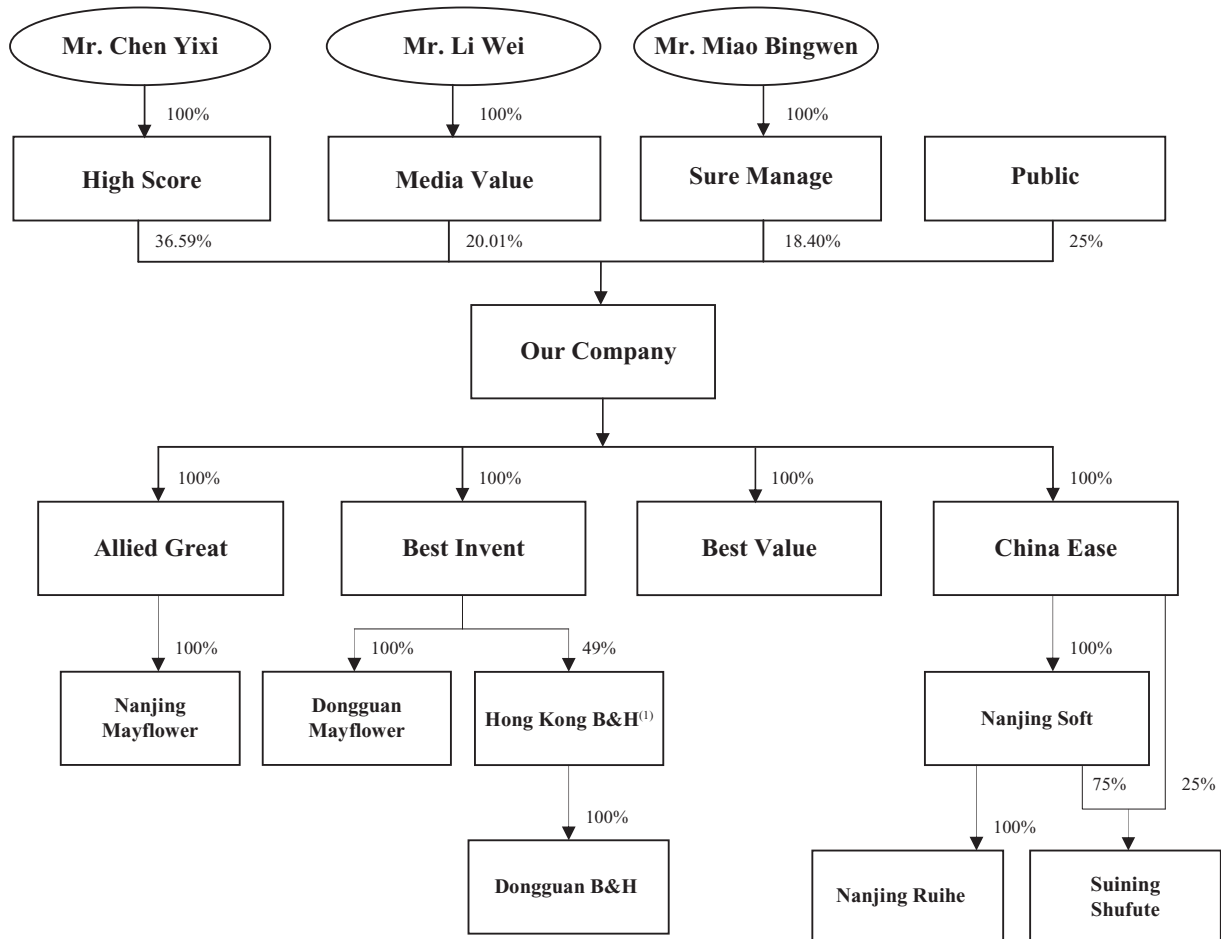
The following diagram illustrates our shareholding and corporate structure at the Latest Practicable Date:



(1) Hong Kong B&H is a joint venture company owned as to 49% by Best Invent and 51% by Brown Shoe Asia.

REORGANIZATION

The diagram below illustrates our shareholding and corporate structure following completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of the options which may be granted under the Share Option Scheme:



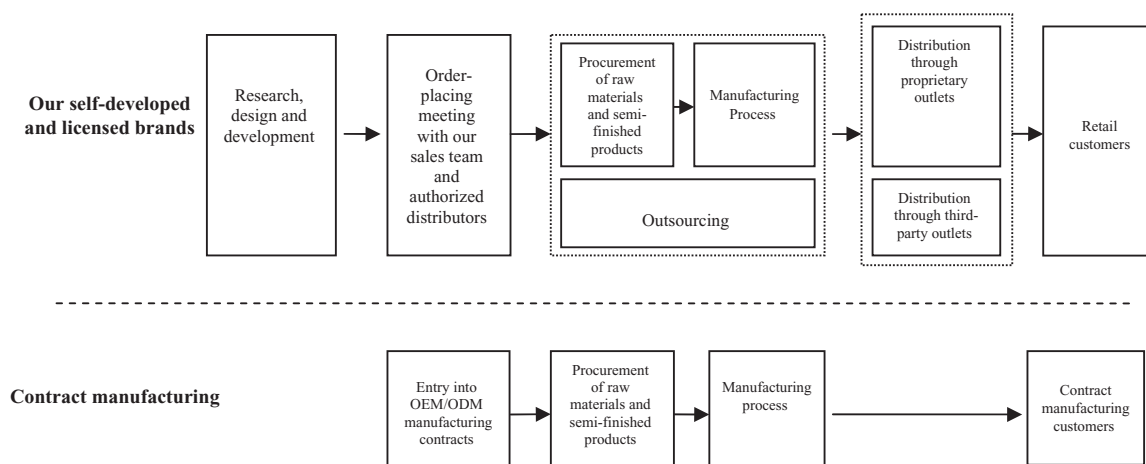
(1) Hong Kong B&H is a joint venture company owned as to 49% by Best Invest and 51% by Brown Shoe Asia.

Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen, who are founders of our Group, have exercised their rights over their shareholdings in our Company independently and are not connected persons to each other. None of our founders is currently, or has in the past been, acting in concert with each other under the Hong Kong Code on Takeovers and Mergers. Our founders have also confirmed that they have no current intention to act in concert with each other after the Listing. There is no shareholders' agreement between our founders in respect of the matters of our Group that will apply after the Listing. The aggregate ultimate shareholding of Mr. Li Wei of 20.01% and Mr. Miao Bingwen of 18.40% in our Company will exceed the ultimate shareholding of Mr. Chen Yixi of 36.59% in our Company upon completion of the Capitalization Issue and the Global Offering. Despite the above change in shareholding of our founders, our Company and each of our founders have no current intention to change the way of managing our business after the Listing.

If the Over-allotment Option is exercised in full, the shareholding percentage of the public Shareholders will increase to approximately 28.75% and the shareholding percentage of High Score will decrease to approximately 32.84%.

OVERVIEW

We are primarily engaged in the design, manufacture and sale of mid-to-premium women’s footwear in China. We are the second largest retailer of mid-to-premium women’s formal and casual footwear in China in terms of estimated retail revenue for the year ended December 31, 2010 according to the Euromonitor Report. We retail products of our self-developed and licensed brands through department store outlets and independent store outlets primarily in first-to-third-tier cities in China. We also wholesale products of our self-developed brands to authorized distributors, who in turn retail these products primarily in the other cities in China. In addition to manufacturing women’s footwear of our self-developed and licensed brands, we also manufacture footwear, as OEM or ODM, for international footwear companies for export to overseas. We have established a vertically integrated business model to manage our key operational chains, including design and development, sourcing, manufacturing, marketing, distribution and sale of our products. We believe our control over such key functions provides us significant operational flexibility to quickly respond to changing market trends and customer tastes with suitable products, and enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women’s footwear market. The following diagram illustrates our main business model:



We currently manufacture and sell a wide range of women’s footwear with various designs for all seasons through two of our self-developed brands, “C.banner 千百度” and “EBLAN 伊伴,” introducing approximately 400 to 500 SKUs into the market for each brand during each season. We also sell footwear through our licensed brand “Naturalizer.” According to the Euromonitor Report, our “C.banner” brand is the fourth largest mid-to-premium women’s formal and casual footwear brand in China as measured by its estimated 2010 retail revenue. We have launched one additional self-developed footwear brand, “FABIOLA 範歐納,” in the first half of 2011 and launched another self-development footwear brand, “SUNDANCE 太陽舞,” into the market in August 2011.

According to the Euromonitor Report, women’s footwear accounted for approximately 51.8% of the entire PRC footwear market, women’s mid-to-premium footwear accounted for approximately 27.8% of the entire women’s footwear market in China, and formal and casual footwear accounted for approximately 30.5% and 55.8% of the entire women’s mid-to-premium footwear market in China, respectively, all in terms of estimated retail sales value for the year ended December 31, 2010. For further information on market share and ranking, you may refer to the section entitled “Industry Overview—Mid-to-premium Women’s Footwear Competitive Landscape” in this prospectus.

Extensive Distribution and Retail Network

Our extensive distribution and retail network consisted of 1,015 proprietary outlets and 344 third-party outlets located in 31 provinces, autonomous regions and municipalities in China as of March 31, 2011. Among the 1,015 proprietary outlets, there were 1,006 outlets located in department stores across China and nine independent store outlets operated at premises other than department stores. Our proprietary outlets are primarily located in first-to-third-tier cities of China, where we believe consumers generally have stronger spending power and, therefore, are more inclined to purchase mid-to-premium women's footwear. In order to expand into the other regions in China in a cost-effective manner, we distribute footwear in such regions primarily through third-party outlets established by our authorized distributors. As of March 31, 2011, we had 196 authorized distributors, who operated 344 third-party retail outlets across China.

Strong Design Capacity and Reliable Manufacturing Capacity

For each of our self-developed brands, including "C.banner," "EBLAN," "FABIOLA" and "SUNDANCE," we have a research, design and development team to create designs of a wide variety of products based on domestic and international fashion trend, distinctive features of the brand and market demand. We currently have a design capacity of approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands.

We manufacture approximately 50% to 60% of the footwear of our self-developed brands each year and outsource the rest from third-party manufacturers. We typically enter into one year agreements with our main suppliers of raw materials, such as leather, which govern the terms of the periodic purchase orders we place during the year. Our outsourcing of finished products typically occurs on a season-by-season basis in connection with our product offerings for each season. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we placed orders with 17, 20, 19 and 18 sub-contractor footwear manufacturers, respectively, all located in Guangdong province, China. For the risks relating to our outsourcing of finished products, see the section entitled "Risk Factors—Risks Relating to Our Business—Unfavorable changes in the price or quality, or interruptions to the supply, of raw materials or finished products we source from third parties will adversely affect our business" in this prospectus.

We also manufacture a wide range of footwear with various designs for all seasons as OEM or ODM of international brands primarily for export into other countries. Our direct contract manufacturing customers are primarily footwear trading companies for international footwear brands and we generally do not have direct contact with the headquarters of the companies which operate these brands. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we had six, 10, six and four contract manufacturing customers, respectively, acting for seven brands from the United States, two from Australia and one from Canada.

Rapid Growth during Track Record Period

With the expansion of our distribution and sales network in the fast-growing women's footwear market in China, we have experienced rapid growth in financial and operational terms during the Track Record Period. Our revenue grew from RMB1,044.0 million in 2008 to RMB1,575.0 million in 2010, representing a CAGR of approximately 22.8%, and the number of our proprietary outlets and third-party outlets, in aggregate, grew from 928 as of December 31, 2008 to 1,289 as of December 31, 2010, representing a CAGR of approximately 17.9%. Comparing the three months ended March 31, 2010

BUSINESS

with the three months ended March 31, 2011, our revenue grew by 24.5% from RMB373.5 million to RMB465.1 million, and the number of our proprietary outlets and third-party outlets, in aggregate, grew by 22.4% from 1,110 as of March 31, 2010 to 1,359 as of March 31, 2011. Our proprietary outlets achieved the same-store sales growth rate of approximately 12.3% from 2009 to 2010 and approximately 17.7% from 2008 to 2009.

Segment Information

Our revenue and growth heavily depend on our sales through department store outlets. Our revenue generated from department store outlets for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011 was approximately RMB753.2 million, RMB965.4 million, RMB1,206.8 million and RMB364.6 million, respectively, representing approximately 72.1%, 75.1%, 76.6% and 78.4%, of our total revenue for the respective periods. We enter into concessionaire agreements with department stores typically on a six-month to annual basis with respect to our retail spaces in department stores. We may be unable to secure such retail spaces for our department store outlets or on terms that we consider commercially reasonable, as we have disclosed in the section entitled “Risk Factors—Risks Relating to Our Business—We heavily rely on our department store outlets for our sales and we may be unable to secure retail space for our department store outlets or secure such spaces on commercially reasonable terms” in this prospectus.

The following table sets forth our revenue from (i) our retail and wholesale segments and (ii) our contract manufacturing segment, and provides their respective percentages of our total revenue from continuing operations for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2008		2009		2010		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Retail and wholesale										
Retail	758,457	72.7	972,100	75.7	1,214,566	77.1	299,475	80.2	367,214	79.0
Wholesale	69,393	6.6	123,744	9.6	152,350	9.7	25,059	6.7	52,293	11.2
Contract										
Manufacturing	216,109	20.7	189,079	14.7	208,047	13.2	49,011	13.1	45,589	9.8
Total revenue	<u>1,043,959</u>	<u>100.0</u>	<u>1,284,924</u>	<u>100.0</u>	<u>1,574,963</u>	<u>100.0</u>	<u>373,545</u>	<u>100.0</u>	<u>465,096</u>	<u>100.0</u>

With multiple brands targeting a broad customer base in the mid-to-premium women’s footwear market, we believe that we are well positioned to continue to benefit from the fast-growing women’s footwear industry in China and further strengthen our market position.

OUR COMPETITIVE STRENGTHS

We believe that our historical success and potential for future growth are attributable to the following competitive strengths.

A Leading Player with Multiple Brands in the Fast-growing Women’s Footwear Industry

We are the second largest retailer of mid-to-premium women’s formal and casual footwear in China in terms of retail revenue according to the Euromonitor Report. According to the Euromonitor Report, our first brand, “C.banner,” is the fourth largest mid-to-premium women’s formal and casual footwear brand in China as measured by estimated retail revenue. We have successfully established a second brand, “EBLAN,” which was launched in 2004 and has continued to grow, with a CAGR of

approximately 47.4% in retail revenue from 2008 to 2010. In addition, we have launched a third brand, “FABIOLA,” in the first half of 2011 and launched a fourth brand, “SUNDANCE,” in August 2011, which we believe will further strengthen our market position.

According to the Euromonitor Report, the growth rates for retail sales of the women’s footwear market in China were approximately 8.7% and 7.7% for 2008 and 2009, respectively, which represented a slowdown from the double-digit growth in previous years mainly due to the impact of the global financial crisis in late 2008 and early 2009. Since then, retail sales of women’s footwear has seen a robust growth of approximately 11.7% in 2010 and is expected to grow at a CAGR of approximately 11.5% from 2011 to 2014. We experienced rapid growth during the Track Record Period. Our revenue grew from RMB1,044.0 million in 2008 to RMB1,575.0 million in 2010, representing a CAGR of approximately 22.8%. Comparing the three months ended March 31, 2010 with the three months ended March 31, 2011, our revenue grew by 24.5% from RMB373.5 million to RMB465.1 million. With multiple brands targeting the broad customer base in the mid-to-premium women’s footwear market, we believe that we are well positioned to continue to benefit from the fast-growing women’s footwear industry in China.

Extensive Distribution and Retail Network in Strategic Locations in China

We have an extensive distribution and retail network with 1,015 proprietary outlets and 344 third-party outlets located in 31 provinces, autonomous regions and municipalities in China as of March 31, 2011. Our proprietary outlets are primarily located in first-to-third-tier cities of China. We believe that consumers in these cities generally have stronger spending power and are, therefore, more inclined to purchase mid-to-premium women’s footwear. Most of our proprietary outlets are established in department stores, which are the primary retail channel for mid-to-premium women’s footwear accounting for approximately 80.0% and 76.9% of the total retail sales of mid-to-premium women’s formal and casual footwear in 2010, respectively, according to the Euromonitor Report. Our widely spread proprietary outlets have enabled us to stay at the forefront of the market and respond quickly to customers’ needs.

In the other cities of China, in order to expand into these areas in a cost-effective manner, we distribute footwear primarily through third-party outlets established by our authorized distributors. The third-party outlets established by our authorized distributors are decorated in the same style and layout as our proprietary outlets to ensure consistent brand positioning to customers in different geographic areas. By deepening our reach to customers in different geographic locations, we believe our extensive distribution and retail network greatly enhances our communication with customers and continuously improves brand awareness of our brands, which in turn enhances our product sales.

Responsive Supply Chain Based on Vertically Integrated Business Model

We have established a vertically integrated business model to manage the key supply chain functions, including design and development, sourcing and merchandising, manufacturing, marketing, distribution and sale of our products. We believe our control over such key supply chain functions provides us significant operational flexibility to quickly respond to changing market trends and customer tastes with suitable products, which enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women’s footwear market.

Our network of proprietary outlets has enabled us to closely monitor market trends and customer preferences in different regions across China. Through our regional sales team, continuous

market and customer feedbacks are provided to our design team, which enable our designers to consistently develop new products for our brands that attend to the latest fashion trends and customer preferences. Our design team works together with both our sourcing and manufacturing teams to ensure that the new products are manufactured efficiently and in a cost-effective manner. Once new products have been developed, our production team works together with our marketing and sales team to ensure appropriate quantities of each product are produced in line with the varying levels of market demand in different regions so that appropriate levels of inventory are maintained. We believe our vertically integrated business model, which allows us to control the whole process from design to sale, enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women's footwear market.

Systematic Research, Design and Development Capabilities

We conduct research, design and development of footwear systematically at our own research and development center, which is strategically located in Foshan, Guangdong province, next to Guangzhou, the hub of China's footwear industry. With a GFA of approximately 15,000 square meters and 223 employees as of March 31, 2011, our research and development center has a current design capacity of approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands. For each of our self-developed brands, including "C.banner," "EBLAN," "SUNDANCE" and "FABIOLA," we have a research, design and development team for developing distinctive designs for each brand.

In order to continuously improve our design capacities, we conduct various regular trainings for our brand directors, design managers and designers. Such trainings include internal and external design courses, and field study in both domestic markets and overseas markets. In order to keep abreast of the latest international fashion trends, our designers attend trade exhibitions in Hong Kong and Europe on a regular basis. In addition, we are able to leverage our business with international brands in our contract manufacturing operations, which brings us advanced shoe-making know-how to continuously improve the product quality of our self-developed brands.

As a result of our systematic research, design and development capabilities, we have successfully established two self-developed brands, "C.banner" and "EBLAN", with "C.banner" being the fourth largest mid-to-premium women's formal and casual footwear brand in China. Moreover, we have launched a third brand, "FABIOLA," in the first half of 2011 and launched a fourth brand, "SUNDANCE," in August 2011.

Experienced and Dedicated Management Team

We have an experienced and dedicated management team which has extensive knowledge and strong operational expertise in the footwear industry. Our executive Directors and senior management team have, on average, more than 10 years of experience in the women's footwear industry in China. In particular, Mr. Chen Yixi and Mr. Li Wei, two of the three founders of our group, have been playing an important role in establishing our market share in the PRC women's footwear industry since our inception. Mr. Chen Yixi received the "Outstanding Entrepreneur of Non-state-owned Companies (優秀民營企業家)" award from the People's Government of Jiangsu Province and the People's Government of Nanjing in 2008. Mr. Li Wei, with his 20 years of experience in the footwear industry, has made great contributions to the fast growth of our "C.banner" women's footwear. Mr. Wan Xianghua, our Chief Executive Assistant as well as the General Manager of our commodity center, is

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responsible for our product research, design and development and supply chain management and has served as a committee member of the National Technical Committee on Footwear of Standardization Administration of China (中國制鞋標準化委員會) since 2008.

We believe our strategic vision and our efficient management model are the keys to our long-term success. Under the leadership of our management team, we have built up our systematic research, design and development capabilities, developed an extensive distribution and retail network in China, and established a responsive supply chain to capture market opportunities. We are committed to retaining and recruiting talented people and providing our key management, technical and sales staff with professional development opportunities as well as attractive compensation packages.

OUR BUSINESS STRATEGIES

In order to maintain and extend our leading position in the mid-to-premium women's footwear market in China, we have established the following business strategies:

Improve Same-store Sales Growth of Our Retail Outlets

We achieved the same-store sales growth rate of approximately 12.3% from 2009 to 2010 and approximately 17.7% from 2008 to 2009 for our proprietary outlets. We intend to continue to increase the same-store sales of our proprietary outlets by improving outlet quality, enhancing product offerings and strengthening customer-focused marketing. To this end, we plan to continue to improve the location and layout of our outlets and periodically refurbish our outlets, which we believe will improve customers' shopping experience and our brand image. We also intend to rely on our management information systems and strong research, design and development capabilities to further enhance our product offerings. In order to establish and enhance customer loyalty with our customers, we will continue to promote our VIP member program for each of our self-developed footwear brands to encourage customers' repeat purchases of our products and enhance customers' awareness of our footwear brands. Under the VIP program, our customers may accumulate points for purchasing our products, which can be used as credits for their subsequent purchases of our products of the same brand.

Expand Distribution and Retail Network

We intend to further expand our distribution and retail network by establishing more proprietary outlets and developing more third-party outlets. In first-to-third-tier cities of China, where we believe consumers generally have stronger spending power to purchase our mid-to-premium women's footwear, we plan to add a net number of approximately 220 to 320 proprietary outlets, primarily department store outlets, in each of the years ending December 31, 2011, 2012 and 2013, subject to market conditions in the future. In line with our previous practice and experience, we expect the establishment of a medium-size proprietary outlet to cost an average of approximately RMB400,000 in the targeted first-to-third tier cities, without adjustment for inflation.

In the other cities of China, we also plan to further enlarge our market share, targeting an increase of approximately 80 to 125 third-party outlets in 2011 through both our existing authorized distributors and new authorized distributors to be developed, and continue the expansion depending upon market conditions in the future. The costs for establishing third-party outlets are typically for the account of our authorized distributors.

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The table below sets forth the number of our proprietary outlets and third-party outlets we plan to increase on a net basis during 2011 in the regions indicated:

<u>Region⁽¹⁾</u>	<u>Net increase in number in 2011</u>	
	<u>Proprietary outlets⁽²⁾</u>	<u>Third-party outlets⁽³⁾</u>
Northeastern China	25-33	15-20
Beijing Region	22-25	5-8
Tianjin Region	30-38	5-8
Northwestern China	12-15	15-20
Central China	15-18	2-6
Eastern China	62-70	15-25
Zhejiang Region	30-38	3-8
Shanghai Region	20-23	Nil
Southwestern China	20-26	15-20
Southern China	24-34	5-10
Total	<u>260-320</u>	<u>80-125</u>

(1) For the definition of each region, see the section entitled “Business — Sales and Distributions” in this prospectus.

(2) For the six months ended June 30, 2011, we opened 138 new proprietary outlets, with 39 existing proprietary outlets terminated during the same period. The number of new proprietary outlets we opened during the six months ended June 30, 2011 is within our expectation for our expansion in 2011 for our existing brands. We launched our new brand “SUNDANCE” in August 2011 and plan to open approximately 60 proprietary outlets in 2011 for “SUNDANCE.”

(3) For the six months ended June 30, 2011, our authorized distributors opened 76 new third-party outlets, with 20 existing third-party outlets terminated during the same period.

For 2012 and 2013, we intend to continue to increase an average number of proprietary outlets and third-party outlets (except for the Shanghai Region in which we do not operate third-party outlets) in each of the above regions evenly according to our overall expansion plans, depending on the market conditions and the actual implementation of our expansion plan in the preceding years. Our expansion plans are based on the outlet-opening plans of our regional divisions. For the expansion of proprietary outlets, our regional divisions formulate their respective plans in turn based on the outlet-opening proposals of the branch offices under their management. With this bottom-up approach, our headquarters reviews the outlet-opening plans submitted by our regional divisions at the end of each year and formulate our overall expansion plans, which will be further adjusted on an on-going basis in their implementation.

Through market monitoring at our outlet and branch office level and our high-level communication with department stores, our regional divisions stay abreast of the potential outlet-opening opportunities at both the existing department stores and the new department stores to be opened in their respective regions. Based on our market analysis and communication with department stores, we typically set the target number of new outlets to be opened well below the number of potential opportunities for which we expect the commercial terms offered by the relevant department stores will be acceptable to us, which will ensure that we can achieve our outlet-opening target. We typically staff our new outlets with at least one of our experienced employees together with new recruits, preferably from the footwear industry, to whom we will provide sales training before they commence work. For further information on development and management of our proprietary outlets and third-party outlets, see the sections entitled “Distribution of Products of Our Self-developed Brands and Licensed Brand Through Our Proprietary Outlets—Selection of proprietary outlets” and “—Management of proprietary outlets” and the sections entitled “Distribution of Products of Our Self-developed Brands Through Third-party Outlets—Selection of third-party outlets” and “—Management of authorized distributors and third-party outlets” in this prospectus.

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Our Directors believe that our expansion plans are feasible and reasonable based on our past growth, anticipated market demand and our production and sourcing capacities. In particular, we added 183 proprietary outlets in 2010 and expect that the growth of the market demand for our products of existing brands will continue in the next three years. Furthermore, we are planning to open approximately 60 proprietary outlets for our new brand “SUNDANCE,” which was launched in August 2011. However, we cannot guarantee the strict implementation of such expansion plans, and we may adjust such plans depending upon circumstances in our actual implementation process. For risks involved in our expansion plan, see the sections entitled “Risk Factors—Risks Relating to Our Business—We may not be able to maintain our growth or manage our expansion effectively” and “Forward-looking Statements” in this prospectus.

As online shopping has been growing rapidly in China, we are also planning to expand our retail network via the internet. We established our internet sales department in 2009 and have been selling our products through third-party online platforms, which we intend to continue to use and develop upon. Specifically, we plan to establish warehousing facilities and recruit experienced technical and sales personnel for our online business. We also intend to upgrade our computer software and hardware in order to provide better online sales services. As a marketing strategy, we also intend to cooperate with third-party e-commerce companies to advertise our brands online and to extend the coverage of our VIP program also to online customers. In addition, we plan to establish strategic relationships with third-party logistics companies to facilitate the logistics management of our online business. We also intend to develop our internet sales through our own websites when we consider our online sales have grown into a relatively mature stage, which is expected to occur in the next three to five years. Our PRC legal counsel has advised that (i) for conducting our internet sales through third-party online platforms, no particular approvals or registrations are required under the relevant PRC laws and regulations and (ii) for conducting internet sales through our own websites, which we plan to do in the long run, there is no material legal impediment so long as we make filings related to such websites with the relevant provincial telecommunication administrative authorities for conducting such business, which we intend to do before launching our own website for internet sales.

Expand Our Brand Portfolio

We will remain focused on the women’s footwear market in China and continue to develop complementary mid-to-premium brands to establish a multi-brand portfolio. Specifically this year, we have started marketing premium formal and trendy women’s footwear under the new brand name “FABIOLA” in the first half of 2011, and we have started marketing mid-to-premium casual women’s footwear under the new brand name “SUNDANCE” since August 2011.

We intend to continue to strengthen our product research, design and development capabilities to support the expansion of our brand portfolio. We believe that such capabilities are crucial for us to develop new products for our existing brands as well as launch new brands to the market. We believe a multi-brand portfolio will diversify our product offerings, broaden our customer base and enhance our market segmentation.

Enhance Our Operating Capabilities and Efficiencies

We intend to enhance our operating capabilities through expanding manufacturing facilities, enhancing our supply chain management capabilities, and developing strategic relationship with selected suppliers. In line with our business growth, we have established, and will continue to expand,

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our third production facility in Suining, Jiangsu province, a town where a large number of skilled workers reside. We believe the selection of Suining as the venue of our third production facility will facilitate the expansion of our production capacity in a cost-effective manner.

We also intend to upgrade our current management information system into a business intelligence system, which will integrate our current separate systems into one centralized operation platform based on a uniform database. Such business intelligence system is expected to improve the efficiency of our data analysis and enhance our supply chain management capabilities. In addition, we plan to enhance our internal training for employees, sales personnel in particular, to continuously improve our performance and results of operations.

Moreover, we plan to develop strategic Relationship with selected suppliers of both raw materials and finished products to ensure stable and flexible supplies through reasonable scheduling of orders along the year. As another way to enhance our operating capacities, we will optimize our inventory level by further lowering the proportion of the initial batch of footwear in the estimated total production of each design. By meeting market demands as much as possible via production of subsequent batches, we target to keep our inventory of finished products at a minimum level.

Expand Our Business Through Selective Acquisitions

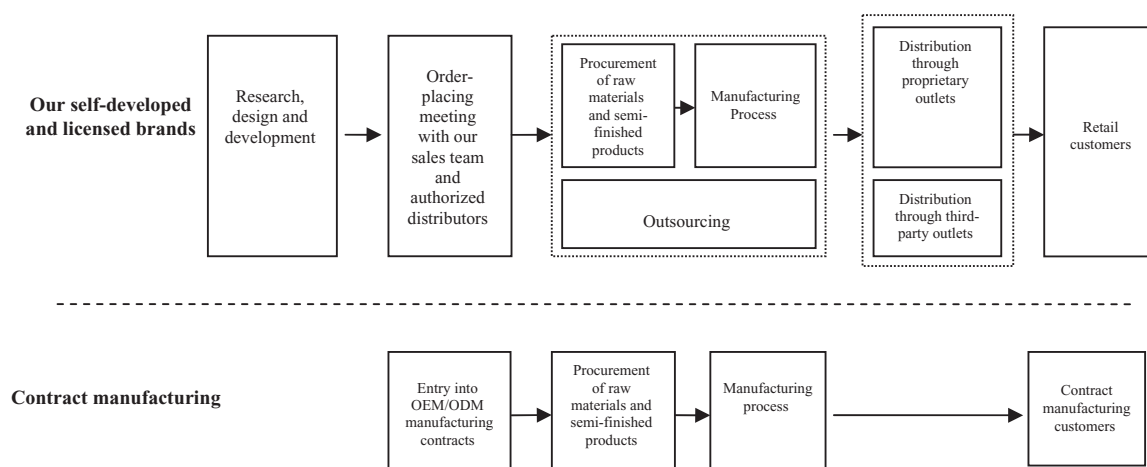
If the opportunity arises, we intend to expand our business by selectively acquiring footwear retailers in China in order to enhance our competitiveness and strengthen our market position. Our potential acquisition targets primarily include footwear companies which have well-established distribution channels or footwear companies which own regional footwear brands. We also consider other acquisition targets which may potentially complement our existing operation. In making acquisition decisions, we will further consider other factors, such as stableness of management team, healthiness of financial conditions, inventory levels, and reasonableness of acquisition price, to ensure the acquisitions will generate synergies. With our experienced and dedicated management team, we believe we will be able to successfully expand our business in a time-efficient manner through selective acquisitions in China.

OUR BUSINESS MODEL

We are primarily engaged in the design, manufacture and sale of mid-to-premium women's footwear in China. We retail products of our self-developed and licensed brands through department store outlets and independent store outlets primarily in first-to-third-tier cities in China. We also wholesale products of our self-developed brands to authorized distributors, who in turn retail these products primarily in the other cities in China. We generally endeavor to set the retail and wholesale prices of our products at an appropriate market price by reference to comparable products and our assessment of actual market conditions. In addition to manufacturing women's footwear of our self-developed and licensed brands, we also manufacture footwear, as OEM or ODM, for international footwear companies primarily for export to overseas.

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The following diagram illustrates our main business model:



For our licensed brand “Naturalizer,” we purchase products of such brand from a joint venture we established with the licensor and retail such products through our proprietary outlets. For more details, see the section entitled “—Our Product Portfolio—Our licensed footwear brand” in this prospectus.

OUR PRODUCT PORTFOLIO

We are the second largest retailer of mid-to-premium women’s formal and casual footwear in China in terms of retail revenue in 2010. We currently manufacture and sell a wide range of women’s footwear with various designs for all seasons through two of our self-developed brands, “C.banner” and “EBLAN,” and also sell women’s footwear through our licensed brand “Naturalizer.” In addition, as a complement to our women’s footwear business, we sell a small amount of related products, such as men’s footwear and women’s handbags, of our self-developed brands. We launched one additional self-developed footwear brand, “FABIOLA,” in the first half of 2011 and launched another self-developed brand, “SUNDANCE,” in August 2011. The retail prices of our products generally range from approximately RMB500 to approximately RMB3,000.

We also manufacture a wide range of footwear as OEM or ODM of mid-to-premium international footwear brands primarily for export into other countries.

Our Self-developed Footwear Brands

We currently have four self-developed footwear brands in the market:

- “C.banner 千百度”—“C.banner” mainly offers a range of mid-to-premium fashion, business and business casual footwear targeting women aged from 20 to 40. Footwear in this line is generally priced between RMB500 and RMB700 per pair for spring and summer styles, and RMB800 to RMB2,500 for fall and winter styles. We have engaged celebrity Miss Gao Yuanyuan (高圆圆), a well-known actress in China, as our brand ambassador for “C.banner” for a term of three years ending December 31, 2012, renewable as may be agreed by the parties. Pursuant to our agreement, the brand ambassador is required to provide certain advertising services, maintain appropriate personal image and promote our product image, failing which the ambassador will be responsible for our damages accordingly. We are required to pay a total amount of service fees to the brand ambassador in installments as provided by our agreement. We launched our “C.banner” brand into the market in 1996 and, according to the Euromonitor Report, “C.banner” is the fourth largest mid-to-premium women’s formal and casual footwear brand in China as measured by estimated retail revenue in 2010. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our revenue generated from the retail sales of “C.banner” products through proprietary outlets was RMB613.7 million, RMB749.9 million, RMB894.5 million and RMB262.7 million, respectively. We own the trademarks related to our “C.banner” brand.



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- “EBLAN 伊伴”—“EBLAN” mainly offers a range of more colorful and energetic mid-to-premium fashion, business and business casual footwear targeting women aged from 20 to 35. Footwear in this line is generally priced between RMB500 and RMB700 per pair for spring and summer styles, and RMB800 to RMB2,500 for fall and winter styles. We launched our “EBLAN” brand footwear into the market in 2004 and our revenue generated from the retail sale of “EBLAN” products through proprietary outlets has been continuously increasing, reaching RMB127.2 million, RMB193.0 million, RMB276.5 million and RMB92.3 million, respectively, for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011. We own the trademarks, and have pending trademark applications, related to our “EBLAN” brand.



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- “FABIOLA 範歐納”—We launched “FABIOLA” as our self-developed footwear brand in the first half of 2011. With “FABIOLA,” we offer a range of premium fashion, business and business casual footwear targeting women aged from 25 to 39, starting in the first half of 2011. Footwear in this line is priced between RMB1,000 and RMB1,500 per pair for spring and summer styles, and RMB1,200 to RMB3,000 for fall and winter styles. The design and manufacture of our “FABIOLA” footwear is primarily outsourced at present to our preferred suppliers in Italy, whose footwear designs are carefully chosen by our dedicated team to fit into our “FABIOLA” brand image. We enter into purchase contracts with such suppliers, pursuant to which the suppliers sell to us their self-designed footwear chosen by us, on a non-exclusive basis. Under the contracts, the suppliers are required to deliver specified quantities of footwear identical to the samples initially provided to us. The suppliers are typically subject to damages of up to 15% of the contract price for any late delivery. If the delivery is delayed, due to causes other than force majeure, for more than two weeks, however, we will be entitled to cancel the contract, in addition to the above damages. In parallel with our outsourcing efforts, our own in-house team is also developing new designs for our “FABIOLA” footwear. We have commenced mass production of such “FABIOLA” footwear of our own design and expect to introduce them into the market following the initial launch of our “FABIOLA” brand with outsourced footwear. We are currently selling the “FABIOLA” footwear in the outlets of our best selling brand, “C.banner,” in order to gradually develop the premium market for our “FABIOLA” footwear. We own the trademarks, and have pending trademark applications, related to our “FABIOLA” brand.



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- “SUNDANCE 太陽舞”—We launched our “SUNDANCE” brand in August 2011. With “SUNDANCE”, we offer a range of mid-to-high-end casual footwear targeting women aged from 18 to 35. Footwear in this line is expected to be priced between RMB400 and RMB600 per pair for spring and summer styles, and RMB700 to RMB2,200 for fall and winter styles. We have engaged Miss Shang Wenjie (尚雯婕), a popular singer in China, as our brand ambassador for “SUNDANCE” with a term of two years ending May 31, 2013, renewable as may be agreed by the parties. Pursuant to our agreement, the brand ambassador is required to provide certain advertising services and use her best effort to maintain our product image, failing which the ambassador will be responsible for our damages accordingly. We are required to pay a total amount of service fees to the brand ambassador in installments as provided by our agreement. We sell “SUNDANCE” footwear in its own outlets and expect to open approximately 60 such outlets by the end of 2011. We own the trademarks, and have pending trademark applications, related to our “SUNDANCE” brand.



Each of our self-developed footwear brands is managed by its own team, which is responsible for the research, design, development, marketing and sales of such brand only. The separate management of each of the different brands is intended to promote market segmentation and management accountability.

Our Licensed Footwear Brand

We currently have a license to distribute “Naturalizer” brand of footwear in China from Brown Shoe, the owner of “Naturalizer” brand, with which we established a joint venture, Hong Kong B&H. In Hong Kong B&H, we hold a 49% equity interest and Brown Shoe holds the other 51% equity interest through its subsidiary. Brown Shoe initially granted Dongguan B&H, a wholly owned subsidiary of Hong Kong B&H, the exclusive, non-transferable license to operate “Naturalizer” brand women’s footwear in China by a master license agreement entered into in August 2007. In turn, Dongguan B&H initially granted us the exclusive, non-transferable license to distribute “Naturalizer” brand women’s footwear pursuant to a sub-license agreement entered into at the same time. These two licenses subsequently became non-exclusive and the license agreements were amended in August 2011, as disclosed below.

“Naturalizer” mainly offers a range of casual footwear targeting women aged from 25 to 44. Footwear in this line is generally priced between RMB650 and RMB1,100 per pair for spring and summer styles, and RMB1,100 to RMB3,000 for fall and winter styles.

License agreements

We established the joint venture, Hong Kong B&H, on May 29, 2007 in Hong Kong through our subsidiary Best Invent with Brown Shoe Asia, a subsidiary of Brown Shoe, the owner of the “Naturalizer” brand. Hong Kong B&H’s wholly-owned PRC subsidiary, Dongguan B&H, entered into a master license agreement with Brown Shoe in August 2007. Pursuant to the master license agreement, Dongguan B&H is granted a license to manufacture, sell, market, advertise and distribute footwear and other footwear-related accessories bearing the “Naturalizer” trademark in China. The master license agreement requires Dongguan B&H to pay Brown Shoe a royalty as a percentage of the net sales of “Naturalizer” products. On the same date of the master license agreement, Dongguan B&H, together with Brown Shoe, entered into a tripartite sub-license agreement with us. Pursuant to the sub-license agreement, we are granted the right to own and operate “Naturalizer” stores in China except for Beijing, Shanghai, Guangzhou and Shenzhen. We purchase “Naturalizer” brand footwear from Dongguan B&H under a predetermined pricing formula and conduct retail sale of the footwear in all other areas of China. Pursuant to the tri-partite sub-license agreement, we sell “Naturalizer” brand footwear through our proprietary outlets decorated in accordance with Brown Shoe’s requirement, solely for the retail of the “Naturalizer” brand footwear.

Both the master license agreement and sub-license agreement have a term of 10 years commencing in August 2007 and can be renewed and amended as agreed by contracting parties. Both agreements provide for termination events, which include, among other things, breach of the agreements, failure to make the required payment, failure to maintain necessary approvals and consents, failure to maintain the product quality and failure to attain the minimum required number of “Naturalizer” retail outlets. Under the sub-license agreement, any breach of the agreement will entitle both Brown Shoe and Dongguan B&H to terminate our license to use the “Naturalizer” brand upon delivery of a written termination notice if such breach is not rectified within 30 days of such written notice from either Dongguan B&H or Brown Shoe. In addition, Brown Shoe and Dongguan B&H may also seek damages from us for our breaches. We have breached some of the requirements or restrictions contained in the initial sub-license agreement. Our initial sub-license agreement required us to operate 20, 66, 120, 182 and 245 “Naturalizer” retail outlets during the first, second, third, fourth and fifth years, respectively after mid-2007, failing which our license would become non-exclusive. We did not attain the specified number of “Naturalizer” retail outlets as required for certain years primarily due to unexpected difficulties in our expansion. As a result, our license became non-exclusive and, pursuant to a similar requirement under the master license agreement, Dongguan B&H’s license also became non-exclusive, although, to our knowledge, neither Brown Shoe nor Dongguan B&H has granted the license to any other person in China. The sub-license agreement also requires us to sell “Naturalizer” brand women’s footwear only through our “Naturalizer” retail outlets and not through any third party distributor. We however wholesaled “Naturalizer” brand women’s footwear to a third party for retail in a third-party outlet in Inner Mongolia from 2008 to 2009 and ceased such practice by the end of 2009. In 2010, we commenced operating “Naturalizer” stores in Beijing and Shanghai by oral agreement with Dongguan B&H, notwithstanding such operations were beyond the scope of the licenses. We have subsequently ceased such operation in Beijing but continued the operation in Shanghai.

In view of the above breaches, the parties to the master license agreement and the sub-license agreement entered into a deed of understanding, effective May 4, 2011, pursuant to which Brown Shoe and Dongguan B&H have waived their rights and will not seek any damages under the joint venture deed, the sub-license agreement and the master license agreement resulting from our breaches as

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mentioned above. Moreover, prior to entering into any formal supplemental agreements, we were not obligated to further attain the store-opening targets as required by the sub-license agreement and we may continue to operate the “Naturalizer” stores in Beijing and Shanghai.

As part of our further cooperation with Brown Shoe, the parties have agreed that Dongguan B&H will own and operate all the “Naturalizer” stores in Beijing and Shanghai by itself. Accordingly, we entered into an asset sale agreement with Dongguan B&H in August 2011 to transfer all of our “Naturalizer” retail outlets in Shanghai, four in total, to Dongguan B&H, including assignment of business contracts and sale of equipment and inventory of these outlets. The sale of the equipment and inventory of our outlets will be based on their book value plus a margin with respect to our inventory for the spring 2012 season. The book value of such equipment and inventory was approximately RMB1.2 million as of March 31, 2011. We expect to complete the sale by January 2012 and will be restricted from operating “Naturalizer” retail outlets in Shanghai afterwards pursuant to the sub-license agreement.

Also in August 2011, we entered into a deed of amendment with the relevant parties to amend the joint venture deed, the master license agreement and the sub-license agreement. The deed of amendment allows us to continue to operate “Naturalizer” retail outlets in Shanghai until the transfer of such outlets to Dongguan B&H and has removed the previous store-opening requirement. Pursuant to the deed of amendment, we have agreed to purchase an annual amount, ranging from 100,000 pairs to 220,000 pairs, of women’s footwear under “Naturalizer” brand from Dongguan B&H in each year from 2011 to 2017. While we are confident to meet such annual purchase requirement, if we fail to do so in any one year, we are not deemed in breach of the agreement but are required, in the succeeding year, to make up for the difference between the required annual purchase amount and the actual purchase amount. If we fail to make up for the difference in the succeeding year, we will be deemed in breach and required to pay a certain amount of liquidated damages as calculated under a formula by reference to the difference. If we fail to pay the liquidated damages within 10 days of Dongguan B&H’s written notice, Brown Shoe will be entitled to purchase the number of Hong Kong B&H’s shares held by us as calculated under a formula by reference to the liquidated damages. When Brown Shoe’s shareholding in Hong Kong B&H reaches two-thirds or 75%, both the joint venture deed and Hong Kong B&H’s articles of association will be revised accordingly to restrict our right in the management of Hong Kong B&H. Except as amended by the deed of amendment, the joint venture deed, master license agreement and sub-license agreement will continue to be effective under their current terms. For risks relating to our license of “Naturalizer” brand, see the section entitled “Risk Factors—We do not have a controlling equity interest in our joint venture and may lose our non-exclusive license to use the ‘Naturalizer’ brand” in this prospectus. We anticipate to finance the expansion of our “Naturalizer” retail outlets with our own funds, and if necessary, bank borrowings.

As Hong Kong B&H had been recording losses since its establishment, we incurred our share of losses in this joint venture in the amount of RMB10.6 million, RMB4.4 million, RMB3.0 million and RMB0.4 million for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. You may find more information under Note 20 in the Accountants’ Report included in Appendix I attached to this prospectus. Hong Kong B&H’s losses were primarily caused by the time-consuming process for the joint venture to develop “Naturalizer” brand footwear suitable for the PRC market. First, although “Naturalizer” is a well-known brand in the United States, we had to adjust its market positioning in China to ensure it could be well received by PRC consumers. Our joint venture had to develop, and constantly adjust, new designs and products in order to cater to the PRC market, which was more time-consuming than we expected. Second, it took

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time and resources to establish supply chain and sales outlets for this new brand. The joint venture incurred substantial expenses in establishing its operating platform in China, and did not reach the break-even point during the Track Record Period.

Our Contract Manufacturing Brands

In addition to the manufacture and sale of our self-developed or licensed footwear brands, we also manufacture footwear for several international brands as OEM or ODM primarily for export overseas. For more information about our contract manufacturing arrangement, see the section entitled “—Contract Manufacturing” below.

SALES AND DISTRIBUTION

There are two principal channels for the sales and distribution of our footwear: proprietary outlets and third party outlets. Our sales volume is affected by seasonality, as disclosed in the sections entitled “Risk Factors—Risks Relating to Our Business—Our sales volume is sensitive to changes in consumer spending patterns, seasonality and change of weather patterns” and “Financial Information—Key Factors Affecting Our Results of Operations—Seasonality Effects” in this prospectus. The table below sets forth the numbers of our proprietary outlets and third-party outlets by brand and region as of March 31, 2011.

Region	“C.banner”		“EBLAN”		“Naturalizer”	Total
	Proprietary Outlets	Third-party Outlets	Proprietary Outlets	Third-party Outlets	Proprietary Outlets	
Northeastern China	75	34	48	19	5	181
Beijing Region	38	9	13	5	2 ⁽¹⁾	67
Tianjin Region	61	54	35	14	7	171
Northwestern China	51	51	28	21	—	151
Central China	35	18	11	8	—	72
Eastern China	109	44	79	19	10	261
Zhejiang Region	70	10	42	1	12	135
Shanghai Region	50	—	18	—	4 ⁽²⁾	72
Southwestern China	75	18	21	1	1	116
Southern China	78	14	31	4	6	133
Total	<u>642</u>	<u>252</u>	<u>326</u>	<u>92</u>	<u>47</u>	<u>1,359</u>

(1) The two “Naturalizer” proprietary outlets in Beijing Region as of March 31, 2011 were located in Inner Mongolia autonomous region, not in Beijing.

(2) In August 2011, we entered into an agreement to sell all of our “Naturalizer” proprietary outlets in Shanghai to Dongguan B&H, the wholly owned subsidiary of our joint venture Hong Kong B&H, and we expect to complete the sale by January 2012. For more information, see the section entitled “—Our Product Portfolio—Our licensed footwear brand” in this prospectus.

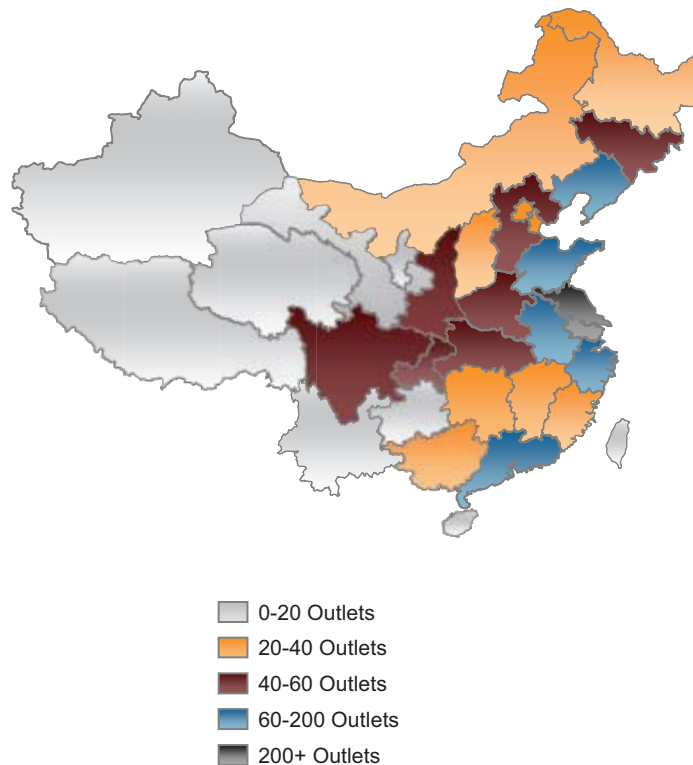
For purposes of this prospectus:

- Northeastern China comprises Jilin, Liaoning and Heilongjiang provinces;
- Beijing Region comprises Beijing, Inner Mongolia autonomous region, and Zhangjiakou and Qinhuangdao cities of Hebei province;
- Tianjin Region comprises Tianjin, and Shandong and Hebei provinces (except Zhangjiakou and Qinhuangdao cities of Hebei province);
- Northwestern China comprises Shanxi, Shaanxi, Qinghai, Gansu and Henan provinces, and Xinjiang and Ningxia autonomous regions;
- Central China comprises Hunan and Hubei provinces;

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- Eastern China comprises Jiangsu (excluding Wuxi and Suzhou cities), Anhui and Jiangxi provinces;
- Zhejiang Region comprises Zhejiang province, and Wuxi and Suzhou cities of Jiangsu province;
- Shanghai Region comprises Shanghai;
- Southwestern China comprises Sichuan, Guizhou, and Yunnan provinces, Chongqing, and Tibet autonomous region; and
- Southern China comprises Guangdong, Hainan and Fujian provinces and Guangxi autonomous region.

The following map illustrates our sales and distribution network, which consisted of 1,015 proprietary outlets and 344 third-party outlets across China as of March 31, 2011:



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The following table sets forth the average selling price and sales volume of our retail business for each of our brands during the Track Record Period:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2011	
C.banner	Revenue (RMB'000)	613,701	749,896	894,534	262,743
	Sales volume (thousand pairs)	1,923	2,244	2,289	538
	Average selling price (RMB)⁽¹⁾	319	334	391	488
EBLAN	Revenue (RMB'000)	127,179	192,983	276,481	92,252
	Sales volume (thousand pairs)	417	619	725	200
	Average selling price (RMB)⁽¹⁾	305	312	381	461
Naturalizer	Revenue (RMB'000)	17,577	29,221	43,551	12,218
	Sales volume (thousand pairs)	27	55	88	21
	Average selling price (RMB)⁽¹⁾	646	534	494	596

(1) Average selling price does not include value-added tax.

Distribution of Products of Self-developed Brands and Licensed Brand Through Proprietary Outlets

We retail products of both our self-developed brands and licensed brand through our proprietary outlets, which include department store outlets and independent store outlets. As of March 31, 2011, we had in aggregate 1,015 proprietary outlets throughout China for all of our brands. We derived approximately 72.7%, 75.7%, 77.1% and 79.0% of our total revenue from this channel for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

- *Department Store Outlets*

We operate our department store outlets pursuant to agreements with major department stores in China. Pursuant to such agreements, the department stores typically allocate to us a certain amount of store space, generally with a size ranging from approximately 20 square meters to approximately 80 square meters, for the display and sale of our products, provide centralized cashier services and receive concessionaire fees payable by us. As of March 31, 2011, our department store outlets have an average size of approximately 44 square meters. We negotiate these agreements, which generally have a duration of six months to one year, on an outlet-by-outlet basis for each of our department store outlets. Key terms of our arrangements with department stores are set out below.

Restrictions on Sale and Pricing. We are typically required to sell the products of the brands and types expressly identified in our agreements with the department stores. We generally have the discretion to set prices for our products except that some department stores may require the retail prices for our products sold in such department stores to be no higher than those for our products sold in other department stores in the same city.

Concessionaire Fees. The concessionaire fees we pay to department stores are calculated as a percentage, typically ranging from 15% to 30%, of our respective outlets' total retail sales and are negotiated individually with the department stores. During the Track Record Period, the concessionaire fees paid by our department store outlets as a percentage of our retail sales remained relatively stable on average, while in absolute terms the total concessionaire fees we paid in aggregate increased in line with the increase of our total retail sales. Some department stores require our outlets to also guarantee a

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minimum yearly or monthly retail sales amount, failing which we would be required to pay the concessionaire fees calculated as a percentage of such minimum sales. As of March 31, 2011, 197 of our department store outlets operated pursuant to such agreements with minimum sales requirements, which typically ranged from RMB240,000 per year to RMB5.0 million per year. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, the portion of concessionaire fees we paid to department stores due to such minimum sales requirements as a result of our failure to meet the requirements was RMB309,724, RMB452,239, RMB566,847 and RMB101,294, respectively, representing approximately 0.14%, 0.18%, 0.16% and 0.10% of the total concessionaire fees we paid to department stores during the corresponding periods.

Other Fees and Expenses. In addition to the concessionaire fees, we also pay the department stores certain utilities fees and management fees, and share a part of the expenses incurred by the department stores for the stores' overall promotion and advertisement either in a fixed amount or as a percentage of our total sales during the promotion period. For the years ended December 31, 2008, 2008 and 2010 and the three months ended March 31, 2011, we made payment to the department stores for fees and expenses other than concessionaire fees in an aggregate amount of RMB24.0 million, RMB40.6 million, RMB46.0 million and RMB13.0 million, respectively, accounting for 3.2%, 4.2%, 3.8% and 3.5% of our total retail revenue for the corresponding periods. The department stores generally provide us, at their expenses, with certain basic decorations and electrical equipment for our outlets, while we are generally responsible for any further decoration and renovation at our own expenses.

Fee Settlement. We manage our inventories and conduct sales at the department store outlets with our own employees and recognize revenue when our products are sold to customers in the department store outlets, but do not accept payments directly from customers. Instead, all payments from our customers are made to the centralized cashiers provided and managed by the department stores. We typically hand over the products to our customers after they present us a copy of their payment receipts endorsed by the centralized cashiers. We keep such payment receipts as our sales records, which would serve as the basis to reconcile any inconsistency between the department stores' sales records and ours. Our outlets generally settle on a monthly basis for the sales we made in the preceding month with the department stores, and we are typically paid the net sales amount after deduction of the concessionaire fees. For more information about our accounting policy for revenue recognition, see the section entitled "Financial Information—Critical Accounting Policies and Estimates—Revenue Recognition" in this prospectus.

We generally re-negotiate the major commercial terms of our agreements, such as the concessionaire fees, the location and size of the outlet within a department store, the arrangement of the utilities fees and management fees with the department stores and the duration of the renewed concession, before the expiration of the existing terms in the event we decide to renew a concession. While our agreements with these department stores are typically entered into every six months to one year, we have generally maintained a long-term cooperation relationship with most of them. As of March 31, 2011, we had 1,006 department store outlets throughout China, among which we had maintained a business relationship with 261 department stores for more than five years, 459 department stores for more than one but less than five years and 286 department stores for less than one year.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any early termination of our agreements with the department stores. On occasions where we failed to

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meet the minimum sales requirement provided in certain of our agreements with the department stores, we paid, as required, concessionaire fees by reference to such minimum sales and no disputes had ever ensued. While we had never been rejected by the department stores to negotiate the renewal of concessionaire agreements, we did not renew some concessionaire agreements when we deemed the terms and conditions required by the department stores for renewal were not commercially acceptable to us, or when we found better offers from comparable department stores or when we decided to close the outlets due to our assessment of market circumstances.

The following table sets out the total number of our department store outlets as of December 31, 2008, 2009 and 2010 and March 31, 2011, and the number of additions and terminations of such department store outlets during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011.

Brand	January 1, 2008	December 31,						March 31, 2011	
		2008		2009		2010			
	Number of department store outlets	Addition/ (Termination) ⁽¹⁾	Number of department store outlets	Addition/ (Termination) ⁽¹⁾	Number of department store outlets	Addition/ (Termination) ⁽¹⁾	Number of department store outlets	Addition/ (Termination) ⁽¹⁾	Number of department store outlets
C.banner	430	98/(43)	485	98/(44)	539	114/(37)	616	29/(9)	636
EBLAN	112	89/(19)	182	63/(37)	208	115/(20)	303	24/(4)	323
Naturalizer . . .	18	27/(7)	38	12/(19)	31	21/(10)	42	5/(0)	47 ⁽²⁾
Total	<u>560</u>	<u>214/(69)</u>	<u>705</u>	<u>173/(100)</u>	<u>778</u>	<u>250/(67)</u>	<u>961</u>	<u>58/(13)</u>	<u>1006</u>

- (1) The numbers of additions and terminations do not include the outlets which were opened and closed during the same year.
(2) In August 2011, we entered into an agreement to sell all of our “Naturalizer” department store outlets in Shanghai to Dongguan B&H, the wholly owned subsidiary of our joint venture Hong Kong B&H, and we expect to complete the sale by January 2012. As of March 31, 2011, we had four “Naturalizer” department store outlets in Shanghai. For more information, see the section entitled “—Our Product Portfolio—Our licensed footwear brand” in this prospectus.

● *Independent Store Outlets*

We operate our independent store outlets at premises other than department stores. For our independent store outlets, we typically enter into lease agreements with the landlords, pursuant to which we make rental payments to the landlords but conduct our retail operations with our own employees independently from the landlords. As of March 31, 2011, we had nine independent store outlets throughout China.

Operational structure

For our retail business, we have a four-tiered management structure consisting of our retail headquarters, 10 regional divisions, 37 branch offices and 1,015 proprietary outlets as of March 31, 2011. In addition, the footwear of different brands are sold in separate retail outlets except that we have recently started selling our “FABIOLA” footwear in our C. banner outlets in connection with the initial launch of the “FABIOLA” brand in order to gradually develop the premium market for this new brand. However, we conduct centralized manufacturing of footwear of different brands to achieve the economies of scale.

Our retail headquarters, which is located in Nanjing, is primarily responsible for formulating our expansion plans each year and setting out the sales targets for our outlets and profits targets for our branch offices each year. Our retail headquarters creates ordering plans, organizes order-placing meetings for branch offices, manages stock replenishment, and sets forth product prices.

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Our regional divisions are responsible for implementing the sales plans and targets formulated by our retail headquarters in their respective geographic areas through branch offices located in such areas. Specifically, they conduct market research, carry our market expansion, and manage product sale and stock replenishment for their respective geographic areas. We currently have 10 regional divisions responsible for the product sales in the following 10 geographical areas, respectively: Northeastern China, Beijing Region, Tianjin Region, Northwestern China, Central China, Eastern China, Zhejiang Region, Shanghai Region, Southwestern China, and Southern China. For more details, see the table set out at the beginning of the section entitled “—Sales and Distribution” above.

Depending on the market size of the relevant geographic area, each of our regional divisions typically has three to four branch offices which directly manage the operations of our proprietary outlets. Our branch offices are also responsible for preparing proposals for opening new retail outlets, managing contracts with department stores and landlords, negotiating promotion terms with relevant parties, and managing product sales and stock replenishment for their proprietary outlets.

Our retail headquarters evaluates the performance of each tier of retail management as follows: (i) regional divisions are evaluated by profit indicators on a yearly basis, by inventory indicators on a seasonal basis for new products, and by inventory indicators on a yearly basis for previous season’s products; (ii) branch offices are evaluated on a yearly basis by profit indicators; and (iii) proprietary outlets are evaluated by revenue indicators on both monthly and yearly bases.

We closely monitor the women’s footwear market in China, including the performance of our competing brands, on a daily basis, through our product sales, public information and the observation and enquiries by our sales personnel at each proprietary outlet. On both monthly and yearly basis, we further analyze our own as well as our competitors’ performance across different regions and department stores, including average revenue growth per outlet, year-on-year growth, sales rankings, regional total sales, and market shares. Based on such market analysis, we may adjust our plans to open new outlets, refine our product, marketing and promotion strategies, and formulate appropriate employee incentive schemes.

Selection of proprietary outlets

We open our proprietary outlets primarily in first-to-third-tier cities in China. To ensure the successful opening of our new proprietary outlets, we place great emphasis on high-level communication with department stores, have implemented strict approval procedures for opening new outlets, and focus on the year-on-year growth of the outlets. In considering to establish a new proprietary outlet, we generally take into account the following factors:

- geographical area;
- available shop area;
- customer flow;
- impact of the new outlet on our nearby outlets;
- credibility of the department stores or other relevant parties;
- potential sales for the first year and potential growth;
- location of outlets in the department store; and
- commercial terms with department stores.

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In order to open a new proprietary outlet, our branch office first evaluates the prospect of the proposed outlet based on the above factors and conduct a detailed operational forecast for the first year after the proposed opening. The branch office then reports to its regional division with the proposed commercial terms and its evaluation and forecast for the proposed outlet. The general manager of the regional division, if satisfied with the proposal after reviewing and verifying the information submitted, will submit the proposal to our retail headquarters for further review. If confirmed by the general manager of our retail headquarters, the proposal will be submitted to our Chief Executive Officer for final approval.

Management of proprietary outlets

We divide our proprietary outlets into five categories in order to target different groups of customers: high-end stores, fashion stores, traditional stores, general stores and discount stores. The category is determined typically before we open the relevant outlet. We then decide the product mix we will sell in the outlets for each category. For the outlets in each category, we generally sell (i) a fixed proportion of new products we launch for the current season in the outlet's total products, and (ii) fixed proportions of fashion wear, business wear and casual wear lines of new products.

We have also categorized our department store outlets into A, B and C types according to the amount of revenues they generate monthly. Based on stores categorization, we have set out corresponding commercial terms as our basis to negotiate with department stores. In first-to-third-tier cities in China, A, B and C types of outlets refer to the outlets that generate monthly revenue, including value-added tax, in an amount of no less than RMB200,000, no less than RMB150,000 but less than RMB200,000, and less than RMB150,000, respectively. We have similar standards for our outlets in the other cities in China.

We also manage our proprietary outlets in the following aspects.

- *Brand Image Management*

All our proprietary outlets have a layout that complies with our prescribed standards, including distinctive color scheme and design. We have set out specific requirements for the layout of our promotion showcases and show windows to present our new products or selling points. We have also set out detailed requirements for the layout of our inside display stands to effectively present our primary products, secondary products, accessories and products on sale to our customers. In addition, we typically require the outlet's shop area to be no less than 45 square meters or the shop areas of our competitors in the same department store, whichever is larger, and the outlet's stocking area to be no less than 15 square meters. The sales personnel at these outlets, who are usually employed by us, wear our corporate uniforms to project a consistent corporate image.

- *Stock Management*

Our branch offices have warehouses dedicated for the proprietary outlets managed by such branch office. We decide on the stock amount for each proprietary outlet based on its target sales volume rather than the size of its stocking area to increase operational efficiency. We further decide on the number of SKUs for each outlet based on how many sizes for each SKU we should maintain for such outlet.

We generally replenish the stock for our proprietary outlets either on a daily basis or twice a week according to their sales volume and stocking capacities. In addition to the stock replenishment for our outlets, we always increase the sizes and numbers of popular SKUs that are in strong demand in the market.

- *Personnel Training*

Through our human resources department, we conduct various training programs for our sales personnel at our proprietary outlets depending on their experience and responsibilities. For example, trainings for our shopping guide include point-of-sale system operation, daily outlet maintenance, standard outlet management, sales skills and after-sale services. Trainings for our outlet managers include sales management, service management, outlet management, personnel management, inventory management, financial management, effective communication, time management and objectives management. We also conduct special trainings relating to seasonal new products, and monthly or quarterly special trainings.

- *Outlets Inspection*

Through our branch offices, regional divisions as well as retail headquarters, we conduct regular inspections of our proprietary outlets to understand their operations, enforce our standards, collect feedbacks to our policies, and solve problems on-site. The items subject to inspection include appearance of shopping guides, knowhow of sales, training, shop area and stocking area, promotion activities, point-of-sale systems, VIP member applications and outlet logs.

- *Employee Compensation*

The compensation for employees at our proprietary outlets are divided into base salaries, overtime salaries, sale commissions, target bonuses and additional ranking bonuses. Target bonuses and ranking bonuses are designed to encourage competition by our sales personnel with our major competitors by reference to sales targets and relative sales rankings.

Distribution of Products of Self-developed Brands Through Third-party Outlets

We wholesale products of our self-developed brands to authorized distributors who are independent third parties. Pursuant to our agreements with the authorized distributors, we have the obligation to arrange the transportation of the products, while the authorized distributors bear the transportation charges and the general risks of the products during the transportation. Also we are not obligated under such agreements to accept any return of the products by the authorized distributors, except due to quality problems of the products. We have not experienced significant returns of our products by the authorized distributors during the Track Record Period. As such, the revenue from wholesale to authorized distributors is recognized when the products are delivered to the authorized distributors, which is the time when the significant risks and rewards of ownership are transferred to the authorized distributors. The authorized distributors in turn retail such products through their own retail outlets in geographical areas agreed by us. As of March 31, 2011, we had 196 authorized distributors, who operated 344 third-party retail outlets across China. We derived approximately 6.6%, 9.6%, 9.7% and 11.2% of our total revenue from this sales channel for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

Operational structure

For our authorized distributors and third-party outlets, we have a two-tiered management structure consisting of a headquarters and nine regional divisions responsible for the following geographical areas, respectively: (i) Northeastern China, (ii) Beijing Region, (iii) Tianjin Region, (iv) Northwestern China, (v) Central China, (vi) Eastern China, (vii) Zhejiang Region, (viii) Southwestern China, and (ix) Southern China.

In each regional division, we have a general manager, necessary financial personnel and, depending upon the amount of revenue generated from the region, product managers and operation managers, to facilitate the authorized distributors' operations of their third-party outlets. We deliver our products directly to the third-party outlets.

We conduct evaluation of our authorized distributors at the end of our first year of cooperation. Each authorized distributor must meet a performance target in terms of minimum sales within a year. If we are satisfied with a distributor's performance, we will extend the distribution agreement for another year.

Selection of third-party outlets

We develop third-party outlets through authorized distributors primarily in cities other than first-to-third-tier cities in China, where we do not maintain proprietary outlets or where we believe distribution through third-party outlets will be more cost-effective as compared with setting up our own proprietary outlets. In selecting authorized distributors to open third-party outlets, we generally consider the following factors:

- their financial resources;
- locations of proposed third-party outlets;
- their understanding of, and passion for, fashion footwear; and
- their marketing capability, including their relationship with local community which could facilitate the operations of third-party outlets.

In the future, with continued economic development and increase of the consumers' spending power in these areas, we may consider opening proprietary outlets in such areas to replace the current distribution method on a case-by-case basis.

Management of authorized distributors and third-party outlets

Third-party outlets are operated pursuant to our agreements with the authorized distributors. Under such agreements, the authorized distributors are required to set up retail outlets in specified geographic areas and maintain the corporate image specified by us. Key aspects of our arrangements with our authorized distributors are set out below.

- *Brand Image Management.* Before any authorized distributor opens a third-party outlet, we will conduct evaluation over the proposed outlet in respect of its location, GFA and the authorized distributor's compliance with the relevant laws and regulations relating to the opening. We are in charge of standard image design for the outlets and will designate a qualified construction team for the fit-out. All our third-party outlets are required to have a layout that complies with the same standards for our proprietary outlets. In practice, the

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sales personnel at these outlets, who are employed by the authorized distributors are also required to wear our corporate uniforms to project a consistent brand image.

- *Commitment and Deposit.* In order to become our authorized distributor, the proposed authorized distributor must commit to open one or more third-party outlets in the designated geographic area. In addition, the authorized distributors typically pay a deposit of RMB10,000, from which we may deduct penalties in case they violate our distribution agreements.
- *Training.* Prior to the opening of a third-party outlet, we conduct trainings for the authorized distributor and its employees at the outlet on sales management, inventory management, product display, products of current season and financial management. We also provide from time to time trainings on customer service skills, outlet management and business operations.
- *Data Management.* In practice, we require third-party outlets to install point-of-sale systems to monitor their sales, goods and financial performance. Based on such data, we give suggestions on stock replenishment, product promotion, seasonal product changes and display adjustment to authorized distributors to facilitate their business operations.
- *Regular Inspection.* We have designated personnel from our regional divisions responsible for conducting formal inspections of third-party outlets. We also conduct inspections of third-party outlets in an informal manner as disguised customers to ensure the compliance of our authorized distributors with our various requirements.
- *No Agency or Partnership.* Pursuant to our agreements with the authorized distributors, we typically require each authorized distributor not to present itself as our partner, employee or representative, and not to enter into any agreement in our name or otherwise bind us to other agreements. An authorized distributor does not act, and is prohibited from acting, as our agent or on our behalf.
- *Competition and Intellectual Property Rights.* Pursuant to our agreements with the authorized distributors, each authorized distributor is typically prohibited from procuring and selling products which compete with the products we sell to such authorized distributor. We also generally require each authorized distributor not to sell any other products in the third-party outlets. Without our written consent, an authorized distributor is not allowed to use our trademarks or logos for purposes other than those agreed between us. We require each authorized distributor to keep our proprietary designs and technologies as well as our marketing and promotion strategies confidential.
- *Sale Restrictions and Requirements.* Each authorized distributor is required to sell our products only in its third-party outlets in the designated geographical area as agreed between us. We typically appoint only one authorized distributor for each designated geographical area at a county or equivalent level, in which we do not operate any proprietary outlets during the term of our agreement with the authorized distributor. However, if the authorized distributor fails to open the third-party outlets or achieve the sales targets as agreed between us, we are entitled to open proprietary outlets, or appoint another authorized distributor, in this geographical area.
- *Termination.* Our agreement with each authorized distributor typically has an initial term of one year and may be renewed by the authorized distributor for another year if it meets all our requirements during the initial term. We typically have the right to terminate the

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agreement if the authorized distributor breaches the agreement and fails to rectify such breaches within 10 days of our written notice. For certain material breaches, such as selling products other than ours in the third-party outlets or selling our products outside the third-party outlets or the designated geographical area, we are entitled to terminate the agreement immediately without notice to the authorized distributor.

In order to prevent accumulation of unnecessary inventory at any authorized distributor, we usually assist our authorized distributors in conducting analysis of their respective local markets and in their placement of purchase orders with us in terms of their reasonable amounts. In addition, we also provide authorized distributors with suggestions on their marketing strategies in order to increase their product sales. Specifically, in each of our regional divisions, we have designated personnel responsible for monitoring and supervising the operations of the third-party outlets in their corresponding regions. These personnel visit different third-party outlets twice or three times a month to identify any potential issues in their operations, including their inventory levels, product displays, marketing strategies and promotion plans. In addition, our personnel assess the reasonableness of the purchase orders placed by authorized distributors based on the size of the relevant third-party outlets and their historical sales data, and give our suggestions accordingly to prevent accumulation of inventory. Our personnel also provide the authorized distributors with other specific suggestions in order to improve the efficiency of the operations of their third-party outlets.

We have no other relationships with our authorized distributors except for our business relationship related to the wholesale of our products and the operation and opening of third-party outlets described above. The following table sets forth the total number of our authorized distributors as of December 31, 2008, 2009 and 2010 and March 31, 2011, and the number of additions or terminations of our authorized distributors during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011.

	January 1, 2008	December 31,						March 31, 2011	
		2008		2009		2010			
		Addition/ (Termination)	Total	Addition/ (Termination)	Total	Addition/ (Termination)	Total	Addition/ (Termination)	Total
Authorized distributors	51	33/(21)	63	107/(17)	153	66/(44)	175	21(0)	196

During the Track Record Period, certain of our agreements with authorized distributors were terminated primarily due to the following reasons. First, with the market growth in certain geographical areas for which we had previously appointed authorized distributors, we decided to open proprietary outlets as the market conditions in such areas matured to meet our criteria for us to do so. Accordingly, we did not renew or re-enter into agreements with the authorized distributors for such areas after the expiration of the existing agreements. Second, certain authorized distributors did not renew or re-enter into agreements with us due to their own reasons, such as change of business orientation. Third, we terminated certain agreements with authorized distributors as their management and operations failed to meet our requirements. None of our authorized distributors otherwise breached its agreement with us in any material respect during the Track Record Period.

Seasonality Effects

Our business is affected by seasonal fluctuations in demand for women's footwear, with sales for our women's footwear products generally higher during major holidays and festivals, as compared

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with the sales in other periods of a financial year. In addition, we typically generate more revenue from the fall and winter seasons of a year than from the spring and summer seasons primarily because the shoes we sell in fall and winter seasons generally have higher prices than the shoes we sell in spring and summer seasons and there are more holidays and festivals in fall and winter seasons. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance.

Weather pattern may also change the consumers' preferences. Usually, consumers tend to purchase lighter and thinner footwear products when the weather is relatively warm, and heavier and thicker footwear products when the weather is relatively cold. As such, if the weather pattern is different from what we have expected, we may not have suitable footwear products to meet consumers' demand. Accordingly, our revenue and inventory are affected by any changes in consumer behavior due to seasonality effects.

ORDER-PLACING MEETINGS

For each season, we hold order-placing meetings for our proprietary outlets and authorized distributors, respectively, where preliminary sample shoes are displayed at our research and development center in Foshan, Guangdong province. At such order-placing meetings, we collect orders from our retail regional divisions for our proprietary outlets and from our authorized distributors for production.

Managers from our retail regional divisions, branch offices and authorized distributors, after assessing the potential consumer response toward each new design, place orders in light of their respective local market share, sales targets and outlet expansion plans.

We may adjust the orders placed by our retail regional divisions with respect to the type and quantities in light of our overall market strategies, but will typically accept all authorized distributors' orders without adjustment. Approximately 30% of our preliminary sample shoes designed for each season will eventually be selected for mass production.

PRICING STRATEGIES

We set nationwide retail prices for each of our products as reference for both our proprietary outlets and third-party outlets. Depending on the levels of consumer spending and other market factors in different cities, our branch offices may raise retail prices of the products sold in our proprietary outlets by up to approximately 20% to 40%, subject to approval by our retail headquarters.

While our agreements with authorized distributors may provide for restrictions on retail prices of the products sold through third-party outlets, for various commercial reasons, we have not vigorously enforced such restrictions. As a result, our authorized distributors have adjusted the retail prices of our products according to their actual local market conditions. We believe, without vigorously enforcing restrictions on such retail prices, our authorized distributors will be in a better position to improve the sales through third-party outlets and, in turn, increase our wholesale to them. Our revenue generally will not be affected by the authorized distributors' retail pricing as our agreements do not require us to accept returns of our products sold to them. You may find additional disclosure on such return policy and practices relating to our wholesales under the section entitled “—Sales Return

Policy—Wholesale” below. Moreover, as each authorized distributor is limited in its retail of our products exclusively in the geographical area designated by us, the retail pricing of one authorized distributor generally will not affect the retail pricing of other authorized distributors or our proprietary outlets. During the Track Record Period up to the Latest Practicable Date, we had not received any complaints related to the retail pricing of our authorized distributors.

MARKETING AND PROMOTION

We target our marketing activities at the mid-to-premium women’s footwear market in China, focusing on direct interaction and communication with our customers and on improving our brand awareness. We primarily engage in the following marketing activities:

VIP Member Programs

In order to enhance customer loyalty, we have been promoting our VIP member program for each of our self-developed brands, “C.banner” and “EBLAN,” since 2010. Under the program, our customers may elect to become a VIP member and accumulate one point for each Renminbi yuan they spend on purchasing our products at a price no less than approximately 65% of the products’ initial retail prices. Our VIP members may use the accumulated points under the program within one or two years for their subsequent purchases of the same brand of footwear at the current conversion rate of one Renminbi yuan per ten points.

We provide our VIP members with promotional information in anticipation of major Chinese holidays. In addition, we organize regular promotional events solely for our VIP members, such as customized birthday gifts from us. As of July 31, 2011, we had 216,568 VIP members for our “C.banner” brand and 41,685 VIP members for our “EBLAN” brand. Our PRC legal counsel has advised that our VIP member program complies with PRC laws and regulations.

Department Store Promotions

Department stores in which our outlets are located may from time to time organize promotions for a certain time period with a discount for the merchandise of participating retailers. We usually participate in such promotions to benefit from the increased customers shopping and traffic during the promotion period. As our “C.banner” is a popular footwear brand, we have also been able to negotiate with the department stores to set reasonable discounts for our promotions.

Seasonal Sales and Promotional Events

We offer discounts from the retail price on selected merchandise near its season end. We also hold regular promotional events, which typically last three to five days, at or near our department store outlets and independent store outlets. At such events, we usually invite singers, actors and other celebrities to participate in order to enhance our brand image and our communication with customers. In addition, we cooperate with department stores to initiate various promotional campaigns to promote our products.

Outdoor Advertisements

We have engaged celebrities, such as Miss Gao Yuanyuan (高圓圓), a well-known actress in China, as our brand ambassador for “C.banner,” and Miss Shang Wenjie (尚雯婕), a popular singer in

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China, as our brand ambassador for “SUNDANCE,” to promote our products. We also use department store showcases and highway billboards displaying images of our brand ambassadors and products to advertise and enhance our brand image.

Product Catalogs or Brochures

We prepare product catalogs or brochures featuring a range of designs in our collections every season. Such catalogs and brochures are displayed at each of our proprietary outlets and third-party outlets as well as distributed to our VIP members.

PRODUCT RESEARCH, DESIGN AND DEVELOPMENT

We place a great emphasis on consistently offering comfortable and quality women’s footwear with a variety of styles in line with the latest fashion trends. To this end, we conduct research, design and development of footwear systematically at our own research and development center in Foshan, Guangdong province, focusing on the mid-to-premium women’s footwear market. In the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our research and development expenditures amounted to approximately RMB10.9 million, RMB15.6 million, RMB20.2 million and RMB5.3 million, respectively, representing approximately 1.0%, 1.2%, 1.3% and 1.1% of our total revenue for the corresponding periods.

For each of our self-developed brands, including “C.banner,” “EBLAN” and “FABIOLA” and “SUNDANCE,” we have a research, design and development team consisting of design department, development department and production department to create designs of a wide variety of products based on domestic and international fashion trend, distinctive features of the brand and market demand. Our design managers for our self-developed brands, on average, have more than seven years of experience in footwear design. In particular, our brand director for “C.banner,” who previously worked with an internationally renowned Italian designer, has 12 years of experience in footwear design. Our brand director for “EBLAN” also has 11 years of experience in footwear design.

Our new footwear designs are generally created and developed in accordance with our “business wear,” “fashion wear” and “casual wear” categories of merchandise. Our “formal wear” line of products for professional women use high-quality materials and offer classic designs. Our “fashion wear” line of products use trendy design elements and unconventional materials in line with the latest international fashion trend and are meant for fashion-conscious young women in general. Our “casual wear” line of products focus on the use of colors and are suitable for most women, with designs which are comfortable, easy-to-wear and suitable for various informal occasions.

We introduce approximately 400 to 500 SKUs into the market for each of our “C.banner” and “EBLAN” brands during each season. As a supplement to our own design capacity, we also outsource the design, together with the manufacturing, of some of the products of our self-developed brands to third parties.

Our Research and Development Center

Our research and development center is strategically located in Foshan, next to Guangzhou, which is the hub of China’s footwear industry with abundant supply of raw materials and a well developed industry chain. Such convenient location affords us easy access to the latest fashion intelligence and cutting-edge techniques for footwear manufacturing. The concentration of suppliers of

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leather and other shoe components in Guangdong province also facilitates product design at our research and development center.

With a GFA of approximately 15,000 square meters and 223 employees as of March 31, 2011, our research and development center has a current design capacity of approximately 4,800 to 6,400 SKUs for each of our “C.banner” and “EBLAN” brands per year.

In order to continuously improve our design capacities, we conduct various regular trainings for our brand directors, design managers and designers. Such trainings include internal design courses, internal training on management and corporate culture, field study in both domestic market and overseas markets, design courses provided by colleges and universities.

Market Research

We have adopted a systematic approach to consistently create a wide variety of products that keep up with contemporary international fashion trends and cater to the preferences of our target consumer groups in China. This approach is based on detailed product research involving the collection of market and fashion information as described below.

- *Tracking International Fashion Trends.* In order to keep abreast of the latest international fashion trends, our designers travel to Hong Kong and Europe regularly to attend trade exhibitions and conduct field studies. In particular, in March and September of each year, our designers attend the international exhibitions of new footwear collections by established brands and designers in Milan, Italy. In May and October, our designers also participate in trade shows for shoe-making machinery and footwear materials held in Bologna, Italy to interact with suppliers of raw materials, to source raw materials and to exchange ideas with footwear designers from other countries.
- *Monitoring Consumer Preferences in China.* In order to monitor the consumer preferences in China, we have selected six cities in China as indicator markets for domestic fashion trends. In addition, our designers regularly attend various trade shows in China to understand latest market developments. Our sales team also provides feedback to the designers in relation to the prevailing preferences of our customers, to enable them to better understand the demands of our targeted consumer groups. Our sales team also assists our designers in identifying popular product designs in prior years as references for future designs.
- *Collection of Information from Other Sources.* Our designers also research various professional websites and publications produced by world-renowned footwear retailers, manufacturers and industry publishers. Such researches often provide insights to our designers with respect to potential trends and preferences in other markets.

Through such research and investigation, we believe our designers are able to gain a comprehensive understanding of the international fashion trends and integrate such trends with the consumer preferences of the PRC market in creating new footwear designs.

Product Design

Based on detailed research of international fashion trends, domestic consumer preferences as well as information from other sources, our designers will discuss with our brand directors to decide on the seasonal themes with respect to the styles, colors, materials and other features of the footwear. Our

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designers will then create the preliminary designs for 60 to 80 sets of initial prototypes for each of our brands. We generally create about 18 to 20 preliminary sample shoes for each set of initial prototype every season. The preliminary sample shoes will then be tried on by models to test for proper fitting and wearing comfort.

Product Development

Our development and production departments work closely with our design department to determine the manufacturing process and the cost of producing each footwear design. We usually manufacture our footwear designs in batches. After the production of the initial batch, our design department, development department and production department will meet to further discuss issues relating to the initial batch, to rectify any problems discovered in the manufacturing process and to address quality defects, if any. The quantity to be produced for each footwear design in subsequent batches will be determined by consumer response, based on weekly sales records of the previous batch with the same design. This ensures that a production quantity is in line with the demand for each footwear design.

For each season, our initial batches of footwear produced generally account for approximately 50% to 60% of our total sales, while the remaining 40% to 50% are manufactured in subsequent batches according to orders for replenishment. For the production of our initial batches, it usually takes us approximately 45 to 50 days between receiving the orders from our retail regional divisions and authorized distributors and having the finished products for the initial batches ready for delivery. For more information about our order-placing meetings for each season, see the section entitled “—Order-placing Meetings” in this prospectus. For the production of our subsequent batches, it usually takes us approximately 20 to 25 days between receiving the subsequent replenishment orders and having the finished products for such subsequent batches ready for delivery. We are usually able to deliver products from our production facilities to proprietary outlets within one to eight days.

CONTRACT MANUFACTURING

In addition to manufacturing footwear of our self-developed brands, we also accept orders to manufacture a wide range of footwear with various designs for all seasons as OEM or ODM for international footwear companies primarily through footwear trading companies. As our contract manufacturing business is solely conducted for international footwear brands, such OEM or ODM products are usually exported to other countries for sale. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we had six, 10, six and four contract manufacturing customers, respectively, all of which were acting for international brands. These included seven brands from the United States, two brands from Australia and one brand from Canada.

As the purchase orders from our contract manufacturing customers have come to us from trading companies, we have accepted such orders on an order-by-order basis without long-term framework agreements. Under such purchase orders, our contract manufacturing customers will acquire all property rights in the footwear we manufacture for them, including the designs, artworks, drawings and technical specifications. Depending on the contract manufacturing arrangements, we may be required to keep confidential our contract manufacturing customers’ proprietary information and trade secrets, and our contract manufacturing customers may be entitled to inspect our production facilities and manufacturing process and we may also be required to indemnify the contract manufacturing customers for their damages arising from our product defects, infringement of third

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parties' intellectual property or breach of product warranties. Our contract manufacturing customers usually place orders three months in advance and we are able to ship finished products within 78 days after we receive the orders.

The price charged is based on a negotiated case-by-case basis and is affected by various factors, including each party's expected cost of raw materials and labor cost, price quote from other contract manufacturers and other market conditions. As our contract manufacturing business is limited in scale, we generally agree to take on contract manufacturing orders based on the expected gross margin. As a result, even during the global financial crisis in late 2008 and early 2009, our contract manufacturing business was able to maintain a gross margin at a relatively stable level in 2008 and 2009.

Similar to the other export-oriented companies in China, the appreciation of Renminbi against foreign currencies has had a negative effect on our gross margin for the contract manufacturing segment as we incur substantially all of our cost of sales in Renminbi while our contract manufacturing orders are priced in foreign currencies. However, as our contract manufacturing business is conducted by order and, as we are generally in a position to choose contract manufacturing orders based on their expected gross margin, we were largely able to maintain stable level of gross margin during the Track Record Period.

Our revenue from the contract manufacturing segment accounted for approximately 20.7%, 14.7%, 13.2% and 9.8% of our total revenue for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. We believe this business segment brings us advanced technologies and management experiences from overseas customers as well as continuous pressure on us to improve our management efficiency and product quality. On the other hand, as our contract manufacturing segment relies solely on orders from overseas, we are exposed to the risks associated with the global economic conditions and the fluctuation of exchange rates.

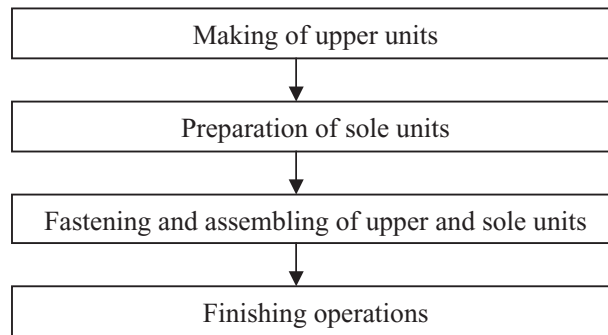
In order to continuously improve our overall production efficiency and optimize our customer structure, we intend to maintain our current scale of contract manufacturing business with six existing production lines. Our contract manufacturing business will continue to focus on customers that can bring us a higher gross margin.

OUR MANUFACTURING PROCESS

We manufacture approximately 50% to 60% of the footwear for our self-developed brands and outsource the rest to third-party manufacturers. We manufacture all of our contract manufacturing orders, although we outsource certain semi-finished products with the approval of our contract manufacturing customers. Our contract manufacturing customers typically have representatives stationed at our production facilities to monitor our manufacturing process for their orders.

Self-production

Our manufacturing process is illustrated in the diagram below:



Each member of our manufacturing team has been trained to play a certain role in our manufacturing process, which is divided into four main steps: (1) making of upper units; (2) preparation of sole units; (3) fastening and assembling of upper units and sole units; and (4) finishing operations.

- *Making of Upper Units.* Upper unit is the upper part of a shoe. To make upper units, shoe materials, usually leather, are first cut into various shapes by mechanical presses using pattern-cutting dies, which are specially made blocks of metal used for cutting shoe materials into desired shapes. Depending on the shoe design, different materials for the upper unit will be stitched together using mechanical sewing machines to form the finished upper unit. Logos or special patterns are then sewn onto the finished upper units by sewing machines.
- *Preparation of Sole Units.* Sole units include in-soles, mid-soles and out-soles. Out-sole, which is the bottom part of a shoe, is usually made of synthetic materials and environmental-friendly glue. The out-soles are cut, trimmed and polished into different sizes according to various size and style specifications. Mid-sole is a layer between the in-sole and the out-sole. In-sole is a layer between upper unit and mid-sole. In-soles and out-soles, which are usually made of fabric and foam, are cut and trimmed into different shapes by mechanical cutting presses.
- *Fastening and Assembling of Upper Units and Sole Units.* After upper units and sole units have been prepared, a finished in-sole will be stapled to a last, and a finished upper unit will be stitched to shape around the last. Depending on the design of the shoe, a shank, which is a piece of metal or plastic placed adjacent to the heel to shape and strengthen a shoe, will be stapled onto the in-sole before the mid-sole and out-sole are glued to the in-sole. The heel is then glued to the outsole, to form the finished sole unit.

The finished sole unit and the finished upper unit are then delivered to the pressing machines to ensure that the glue takes a firm hold. After that, these combined units are passed on to the cooling machine in order to fasten the various component parts. We conduct inspection at each stage of the gluing and fastening process to ensure that the different component parts are firmly fastened together.

- *Finishing Operations.* Finishing operations are carried out after the last is removed from the shoe, and typically include polishing, trimming and labeling. Afterward, the finished

shoes are given a final inspection by our quality control team before they are packed into boxes in accordance with the order specifications as provided by our respective regional divisions or our authorized distributors, in preparation for delivery.

Outsourcing

We outsource part of our products in order to more efficiently meet market demand, particularly for the manufacturing of our initial batches of footwear for each season. We currently outsource approximately 40% to 50% of the footwear of our self-developed brands. Our outsourcing typically occurs on a season-by-season basis in connection with our product offerings each season.

- *Selection Criteria.* We generally require that the sub-contractors accept a 60-day settlement period after product delivery, operate a full set of footwear manufacturing facility, and maintain a quality standard comparable to our own. If our assessment is satisfactory, we will then conduct a quality tracing exercise for approximately three months before we place orders with them.
- *Raw Material Sourcing.* As part of our quality control measures, we typically require the sub-contractors to purchase raw materials from our designated suppliers.
- *Quality Control.* We require sub-contractors to provide us with sample shoes for initial testing and final inspection of the products before mass production. The products manufactured by the sub-contractors must pass the inspection by our quality control personnel. We conduct evaluations on a quarterly basis to assess their qualification. We will suspend our working relationships with the sub-contractors if they are rated sub-standard for two consecutive quarters. The sub-contractors are liable for losses we incur for material product quality issues and are required to make repairs at their own expense.
- *Product Delivery.* The sub-contractors are typically responsible for delivering the products to the warehouses designated by us and assume the transportation costs. We may terminate the purchase orders or manufacturing agreements and further seek damages if the sub-contractors fail to make timely delivery of the products pursuant to such orders or agreements.
- *Design Protection.* We generally require our sub-contractors not to manufacture footwear for themselves or other customers with the same designs as those which they manufacture for us. Specifically, for the outsourced products with our own design, we require the sub-contractors not to manufacture products of the same design for their other customers within three years after they manufacture products for us; for the outsourced products designed by the sub-contractors, if our order reaches a certain size, we generally require that the design be used for our products only and may not be used for the sub-contractors' other customers for a specified period of time. If a sub-contractor violates the above design protection provisions, it is required to pay us damages calculated on the basis of our order price. We generally do not impose any design protection requirement for stand-alone small orders designed by our sub-contractors.
- *Pricing.* The price we pay to our sub-contractors is based on the cost of the raw materials plus a reasonable processing fee for the outsourced products. For the years ended

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December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our total purchases of outsourced products were approximately RMB256.0 million, RMB213.5 million, RMB356.5 million and RMB41.7 million, respectively. For the corresponding periods, the total purchase price we paid to our largest sub-contractor for the outsourced products was approximately RMB69.2 million, RMB57.4 million, RMB116.0 million and RMB15.1 million, respectively, representing approximately 27.0%, 26.9%, 32.5% and 36.1% of the total purchase price we paid to all of our sub-contractors, respectively. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, the total purchase price we paid to our five largest sub-contractors for the outsourced products was approximately RMB173.7 million, RMB136.7 million, RMB242.4 million and RMB34.1 million, respectively, representing approximately 67.9%, 64.0%, 68.0% and 81.7% of the total purchase price we paid to all of our sub-contractors, respectively.

- *Relationship with Sub-contractors.* During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we placed orders with 17, 20, 19 and 18 sub-contractors, respectively. These sub-contractors are footwear manufacturers located in Guangdong province. Among the 18 sub-contractors with which we placed orders in the three months ended March 31, 2011, we have maintained working relationships with eight of them for more than five years, five for more than one year but less than five years and five for less than one year. The pool of sub-contractors was slightly different each year as we made small adjustments taking into account factors such as the sub-contractors' capacity in manufacturing the products we need, and their record of product quality and timelines of product delivery. During the Track Record Period, none of our sub-contractors breached its agreement with us in any material respect.

With the expansion of our operations, we may expand the outsourcing amount of our products in the future in order to meet increasing demand and to control cost. However, as our cost of sales for self-manufactured products is, on average, lower than that for outsourced products, we intend to increase the proportion of the self-manufactured products to lower our overall cost. As a result, the outsourcing proportion of our products is expected to decrease in the long run.

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PRODUCTION FACILITIES

We have three production facilities located in Nanjing, Dongguan and Suining in China, with a total GFA of approximately 70,445 square meters. Our Suining production facility, which currently does not have full production lines, has been producing only upper units since its establishment to support the footwear production at our Dongguan and Nanjing facilities, each of which has six full production lines. The following table sets out a summary of certain key information about our Dongguan and Nanjing production facilities as of March 31, 2011, unless otherwise indicated:

	<u>Nanjing</u>	<u>Dongguan</u>	<u>Total</u>
GFA (square meters)	31,445	32,000	63,445
Number of production lines	6	6	12
Commencement date of production	1996	2001	—
Production capacity (pairs) ⁽¹⁾			
2008	2,100,000	2,700,000	4,800,000
2009	2,250,000	2,700,000	4,950,000
2010	2,700,000	2,700,000	5,400,000
2011 (1st quarter)	675,000	675,000	1,350,000
Actual production volume (pairs) ⁽²⁾			
2008	1,380,000	1,900,000	3,280,000
2009	1,600,000	1,720,000	3,320,000
2010	1,900,000	2,020,000	3,920,000
2011 (1st quarter)	467,000	461,000	928,000
Utilization rate ⁽³⁾			
2008	66%	70%	68%
2009	71	64	67
2010	70	75	73
2011 (1st quarter)	69%	68%	69%

- (1) Production capacity for footwear products of our production facilities during any time period refers to the maximum pairs of standard pumps such production facilities can produce during such period. The estimation of such maximum amount is based on the GFA of the workshops, the number of production lines, the number of production employees and other relevant conditions of the production facilities, assuming the production is carried on eight hours a day, six days a week and 50 weeks a year. Our Directors believe that production capacity as so defined is in line with the practice in the footwear industry.
- (2) Actual production volume refers to the total pairs of standard pumps, as converted from the various types of shoes we actually produced during the year. For such conversion, the pairs of shoes of different types which we actually produced during the year are multiplied by their respective weighing factors to calculate the standard pumps that we would have produced during the year. We determine such weighing factors based on our production experiences, taking into account various factors, primarily the working time required for producing a pair of specific type of shoes as compared with that required for producing a pair of standard pumps. Our Directors believe that actual production volume as so defined is in line with the practice in the footwear industry.
- (3) Utilization rate equals actual production volume divided by production capacity.

In the past 10 years, we have been continuously increasing the use of machinery to improve our production efficiency. We conduct regular maintenance of our machinery every week and have designated staff inspect the machinery every month. Our suppliers of production machinery conduct inspection of our machinery every year. We balance the benefit of automation and cost-effectiveness in considering whether to implement new machines.

Nanjing Production Facility

Our Nanjing production facility, which we own, had an aggregate site area of approximately 100,176 square meters with a total GFA of approximately 31,445 square meters as of March 31, 2011. As of the same date, the facility had six production lines with an annual production capacity of approximately 2.7 million pairs. We use our Nanjing production facility primarily to manufacture shoes for our self-developed brands.

Dongguan Production Facility

Our Dongguan production facility, which we lease, had a total GFA of approximately 32,000 square meters as of March 31, 2011. As of the same date, the facility had six production lines with an annual production capacity of approximately 2.7 million pairs. We use our Dongguan production facility primarily to manufacture shoes for contract manufacturing brands to be sold overseas, with approximately 4% to 5% of the production capacity used for our self-developed brands to be sold in China.

Suining Production Facility

Our Suining production facility, which we lease, had a total GFA of approximately 7,000 square meters as of March 31, 2011. The facility commenced production in 2010 and has been producing only upper units to support the footwear production at our Nanjing and Dongguan facilities. We intend to expand our Suining production facility with capital expenditure of approximately RMB118.2 million for purchase of land use rights and plant and production equipment by the end of 2013. We plan to finance such capital expenditure through the proceeds from the Global Offering and, if necessary, the funds generated from our operations. Our Suining production facility is expected to have two full production lines by the end of 2011, four by the end of 2012, and six by the end of 2013. Each of these production lines is expected to increase our annual production capacity by approximately 450,000 pairs. We intend to use these production lines to manufacture shoes for our self-developed brands.

We have decided to increase our production capacity primarily based on the following considerations. First, as we anticipate the market demand for our products will continue to increase, our existing production capacity is not expected to meet such increase in market demand. The mid-to-premium women's footwear in China has continued to demonstrate strong growth and is expected to grow at a CAGR of approximately 13.0% between 2010 and 2014 according to the Euromonitor Report, as disclosed in the section entitled "Industry Overview—Overview of the Mid-to-Premium Women's Footwear Market" in this prospectus. While we would like to benefit from such strong growth, the overall utilization rate of our production facilities in Nanjing and Dongguan was approximately 73% for 2010, which we believe has only limited room for further improvement due to various factors affecting the actual production, such as less-than-ideal workflow and idle time caused by preparation of raw materials. For example, due to the varying skill levels of our production employees, it may take a longer time than we expect for a product to be processed at any step of the manufacturing process, which will in turn affect the subsequent workflow. In addition, while we manufacture approximately 40% to 50% of our products according to orders for replenishment, we may not have enough raw materials in stock upon receipt of a replenishment order, which may lead to production idle time when we procure and prepare raw materials for production. Second, as our cost of sales for self-manufactured products is, on average, lower than that for outsourced products, we intend to increase the proportion of our self-manufactured products with self-developed brands to lower our cost in the long run. Third, as we plan to continue to develop new products for our existing brands and launch new brands into the market, we will need to increase our production capacity to support the expansion of our product portfolio.

As we expand our production capacity, we will continue to improve the utilization rates of our existing production facilities. We believe the current level of our utilization rates have limited room for further improvement primarily due to the seasonal nature of the women's footwear business and our business model, which generate an uneven workflow during each season. For each season, our initial

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batches of footwear generally account for approximately 50% to 60% of our total sales, while the remaining 40% to 50% are manufactured in subsequent batches according to orders for replenishment. As our initial batches of footwear are typically manufactured continuously within a relatively short period of time at the beginning of each season under the pressure to timely launch new products, our production facilities are generally fully utilized during such period. However, our subsequent batches of footwear in each season are manufactured on a discontinuous basis over the rest of season, depending upon actual market demand for our products. As a result, our production facilities are underutilized during this period if there is no strong market demand after we launch the initial batches to the market. Moreover, in case of unanticipated market demand for manufacturing subsequent batches, we may not have all the required raw materials ready for use and will need more time for preparation accordingly, which may also result in underutilization of our production facilities. As such, there are inherent restrictions in improving our overall utilization rates. In order to improve our utilization rates, we have been improving, and will continue to improve, our management of supply chain through, among other things, expanding the coverage of and upgrade our management information system. For more information on our management information system, see the section entitled “Business—Management Information System” in this prospectus.

We have chosen Suining to establish our third production facility because of the availability of skilled labor and relatively low labor cost in Suining. In particular, Suining is an inland town with a large amount of skilled labor, which we believe will provide us a relatively stable labor supply in a cost-effective manner. Our Suining production facility, which is expected to support the production for our self-developed brands, is currently focusing on the production of upper units, which requires skilled labor.

RAW MATERIALS

The main raw material used in the manufacturing of our women’s footwear is leather from the hide of a cow, goat or pig. Other raw materials used include fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. We source most of our raw materials from sources within China and only a small portion of our raw materials, mainly those required by our contract manufacturing customers, from overseas. In particular, we purchase approximately 80% to 85% of our raw materials from Guangzhou, where there is a well-developed raw material market for footwear.

OUR SUPPLIERS

We purchase raw materials in a centralized manner to increase our bargaining power. For our principal raw materials, we generally have two main suppliers and one supplemental supplier to ensure stable supply. We enter into yearly agreements with our main suppliers, which govern the terms of the purchase order we place during the year. Pursuant to such agreements, the suppliers will provide us with raw material samples, price quotes and delivery schedules each time we make an ordering request during the year, and the purchase prices, purchase quantities and delivery schedules will be finalized in each purchase order after negotiation. We require the suppliers to accommodate our quality inspection procedures during their manufacturing process and ensure the delivered products conform to the samples initially provided to us. The suppliers will be responsible for all damages we incur during the sale of finished footwear as a result of quality defects in the raw materials provided by such suppliers. As of the Latest Practicable Date, we had 112 major raw materials suppliers, among which we had maintained working relationships with 31 suppliers for no less than 10 years, 41 for more than three years but less than 10 years, and 40 for no more than three years, respectively. Our suppliers generally grant us a credit term of 45 to 60 days.

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For the three years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our five largest suppliers accounted for approximately 26.0%, 30.6%, 34.0% and 34.3% of our total purchases, respectively, and our largest supplier accounted for 14.2%, 11.3%, 16.0% and 16.1% of our total purchases, respectively. None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our share capital has any interest in any of these five largest suppliers.

We also purchase semi-finished and finished products from other footwear manufacturers for our production and distribution. For the footwear of our self-developed brands, we outsource the production of approximately 40% to 50% of the total distributed amount to third-party manufacturers. For more information on our management of outsourcing and quality control of outsourced products, see the section entitled “—Our Manufacturing Process—Outsourcing” in this prospectus.

OUR CUSTOMERS

We retail footwear through our proprietary outlets and wholesale footwear to our authorized distributors exclusively in China. We also accept orders to manufacture footwear as OEM or ODM for international footwear companies.

For the three years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our five largest customers accounted for approximately 13.2%, 11.7%, 13.4% and 10.1% of our total revenue, respectively, and our largest customer accounted for approximately 5.7%, 4.3%, 5.5% and 5.6% of our total revenue, respectively. For the three months ended March 31, 2011, our five largest customers consisted of four contract manufacturing customers and one authorized distributor. None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our share capital has any interest in any of these five largest customers.

INVENTORY MANAGEMENT

Our inventory comprises mainly of raw materials and finished footwear. Our inventory level is determined principally by our production requirements and the orders received by us. Our goal is to minimize our inventory turnover days.

We generally purchase leather according to actual footwear orders we receive. However, as the price of leather is subject to seasonal fluctuations, we try to stock up on those of commonly used colors, such as black, when the price of leather is relatively low during the year.

We continuously monitor our inventory of raw materials and try to use older stock of raw materials first. For raw materials which are unused for a period exceeding 12 months, we sell them at cost to other manufacturers, failing which we would make the appropriate provisions for them. As of December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, the outstanding amounts of provisions we made for such inventory were RMB1.4 million, RMB1.3 million, RMB1.3 million and 1.3 million, respectively. After reassessment, we believe that the provision is sufficiently provided and no further provision is required for those raw materials unused for a period of exceeding 12 months.

We closely monitor the sales of the finished footwear we manufacture every season. At the headquarters level, our logistics center is responsible for the overall physical inventory management across China. At the regional division level, designated personnel, who periodically report to our

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headquarters, are responsible for the physical inventory management and stock replenishment in their respective sales regions.

If the sales of certain designs do not meet our expectations, we give discounts to stimulate the sales. For finished footwear, our current policy for proprietary outlets is to endeavor to sell 80% or more of the “C.banner,” “EBLAN” and “Naturalizer” shoes and to sell 70% or more of the “FABIOLA” and “SUNDANCE” shoes within one year of their production. To implement the policy, our branch offices closely monitor the sales of the footwear we produce for each season and conduct various promotion activities, especially around season ends, in order to reach our sales target. Our footwear produced for winter and summer are primarily sold during the season for which they are produced, while our footwear produced for spring or fall may also be sold in the succeeding fall or spring season, respectively. We offer discounts from the retail price on selected merchandise near its season end. For shoes left unsold after the season ends, we offer progressively deeper discounts, if we consider necessary, in order to sell all the remaining shoes as soon as possible. We will further reallocate most of our out-of-season products to our discount stores, which are more focused on selling out-of-season products. For our categorization of proprietary outlets targeting different groups of customers, see the section entitled “—Sales and Distribution—Distribution of Products of Self-developed Brands and Licensed Brand Through Proprietary Outlets—Management of proprietary outlets” in this prospectus. After the third year of producing the shoes, all unsold shoes are required to be returned to our headquarters to be disposed of. During the time when we hold unsold shoes aging more than three years, which are to be disposed of, we make full provision for such shoes. In order to keep our inventory at a reasonable level, our financial personnel work together with our sales and logistics personnel pursuant to our inventory policy to ensure the effectiveness of our inventory management. During the Track Record Period, approximately 72% to 82% of our “C.banner,” “EBLAN” and “Naturalizer” shoes are sold within one year of their production. In order to prevent accumulation of unnecessary inventory at any authorized distributor, we also assist our authorized distributors in conducting analysis of their respective local markets and in their placement of purchase orders with us in reasonable amounts, as disclosed in the section entitled “—Sales and Distribution—Distribution of Products of Self-developed Brands Through Third-party Outlets—Management of authorized distributors and third-party outlets” in this prospectus.

For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, our average inventory turnover days for continuing operations were 199 days, 163 days, 200 days and 199 days, respectively, partially due to (i) our policy of maintaining a certain level of raw materials in our inventory to support our manufacturing of approximately 50% to 60% of the footwear of our self-developed brands; (ii) our policy of maintaining a certain level of finished footwear in our inventory to support our retail business operated through our proprietary outlets, which need to keep adequate level of stock depending on their respective sizes and sales; (iii) the relatively high level of inventory we maintained to support the expansion of our sales network; (iv) the seasonality of our business, which results in a relatively high balance of inventory at year end as we generally have a relatively high level of inventory at the end of each year comprising fall and winter footwear in anticipation of the sales peak during the Chinese New Year holiday season and our fall and winter footwear generally have higher unit cost than those of our spring and summer footwear; and (v) our diverse offering of footwear products, which requires us to maintain a relatively high inventory level to accommodate a broad range of product offerings. As of December 31, 2008, 2009 and 2010 and the three months ended March 31, our inventories accounted for approximately 53.4%, 34.5%, 49.8% and 45.9% of our total current assets. For more details, see the section entitled “Financial Information—Inventory Analysis” in this prospectus.

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LOGISTICS

Our finished products are managed by our logistics center with its two central warehouses located in Foshan and Nanjing, respectively. In addition, we also have local warehouses for our branch offices across China.

Our Foshan warehouse has a total GFA of 4,500 square meters and our Nanjing warehouse has a total GFA of 3,500 square meters. We plan to expand our Nanjing warehouse by building a new storage facility with a total GFA of approximately 10,000 square meters, which is expected to be completed in 2012.

In our warehouses, we regulate the humidity and temperature to ensure products are stored under appropriate conditions. We have designated staff track different raw materials and finished products, to conduct stock count twice a year and to systematically manage our inventory.

We generally ship products immediately upon completion of production. The insurance for the products in transportation is covered by the fees paid to the logistics companies either by us or by our customers. We typically ship products to our contract manufacturing customers via sea and are responsible for the transportation fees until the products are loaded onto the ship. Our authorized distributors are typically responsible for the transportation fees for the products delivered to them.

For our retail business, our finished products are first transported from our central warehouses to local warehouses, and then to individual outlets for sale. We have long-term relationships with seven logistics companies, among which we have maintained working relationships with four of them for more than five years and the other three for two to three years. These logistics companies typically undertake the transportation of our raw materials or finished products pursuant to our yearly agreements. Under these agreements, the logistics companies are responsible for any product loss incurred during transportation. If a logistics company causes damages to our products in an accumulated amount of more than RMB150,000 during the term of the agreement, or in an amount of more than RMB100,000 in any single incident, we are entitled to terminate the yearly agreement in addition to our right to seek damages against the logistics company. In addition, the logistics companies are required to keep our commercial secrets, such as our marketing plans, confidential and are prohibited from subcontracting the logistics services to third parties without our prior consent. For untimely delivery, the logistics companies are subject to liquidated damages in an amount of up to 100% of the transportation fees we have agreed to pay them. The fees we pay the logistics companies are typically calculated pursuant to a fee schedule, which vary depending on sizes of the items, distances for transportation and timing requirements for delivery. Such fees generally cover all the expenses to be incurred by the logistics companies, including insurance cost, tolls and any handling fees. We generally settle with the logistics companies every other month. During the Track Record Period, none of the logistics companies engaged by us had breached the agreements with us in any material respect.

MANAGEMENT INFORMATION SYSTEMS

We believe that management information system is fundamental to the efficient management and operation of our business and performs a key role in our success and future growth. Our management information system consists of business information management system, financial accounting and analysis system, human resources system, and internal communication system, which fully cover our headquarters, all subsidiaries, regional divisions, branch offices and retail outlets.

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Our business information management system integrates the functions of order placing, inventory management, stock replenishment, sales, customer relationship management, and data analysis. In particular, all our proprietary retail outlets are equipped with point-of-sale terminals connected with the relevant branch offices, regional divisions and our retail headquarters. By synchronizing data once every other day, our branch offices, regional divisions and retail headquarters are able to obtain up-to-date sales information from our proprietary outlets. We further analyze such information to identify local customer preferences and domestic fashion trends, based on which we will adjust our production plans, inventory levels, marketing strategies and footwear designs. Through the customer relationship management function of our business information management system, we record and analyze the sales to and personal data of our VIP members and improve our VIP program on an on-going basis.

Our financial accounting and analysis system and human resources system are connected with our business information management system through interfaces to facilitate our overall data analysis. Our internal communication is conducted through our information center management system, office automation system, video conferencing system, instant messaging system and email system.

We are in the process of expanding our management information system to cover the third-party outlets operated by authorized distributors in order to obtain more up-to-date sales information from the frontline of such market. We also intend to upgrade our current management information system into a business intelligence system, which will integrate the current separate systems into one centralized operation platform based on a uniform database to improve the efficiency of our data analysis.

EMPLOYEES

For information about our employees, see the section entitled “Directors, Senior Management and Staff” in this prospectus.

QUALITY CONTROL

We have implemented quality control measures throughout our manufacturing process. As we focus on the market for mid-to-premium women’s footwear, it is important that our customers are provided with products of superior quality. As of March 31, 2011, our quality control team had more than 39 members who are tasked with the examination of footwear products at each stage of the production to ensure that the quality is satisfactory. Members of our quality control team have been trained by the technical team to look out for quality control issues.

Raw Materials Inspection

We purchase our main raw materials only from reputable suppliers in China and strictly inspect the raw materials. In order to ensure the quality of raw materials, we have acquired various advanced inspection equipments. In addition, we have established a quality inspection team to examine all upper materials, sole materials and decorative materials to ensure only qualified materials enter production lines. Moreover, we periodically evaluate our suppliers to ensure that they are capable of meeting our quality standards.

Production Process Inspection

We have 30 dedicated personnel who inspect both semi-finished and finished products. Any products found to fail to meet the quality standard will be prevented to move to the next production

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step. Moreover, we have established a process supervision team which monitors our production process on a daily basis. Any production personnel found to have violated our process standard will receive corresponding penalties.

Finished Products Inspection:

We conduct random inspection of our finished footwear on a daily basis with various equipments. Our contract manufacturing customers also have quality inspectors stationed at our production facility to randomly inspect products on a daily basis. Every quarter, we will send our finished product samples to relevant authorities, which will issue an inspection report.

Control of Monitoring and Testing Equipment

All our monitoring and testing equipment and devices are controlled by our quality control department, which will allocate and install relevant equipment and devices to ensure the inspection is being conducted effectively and efficiently.

SALES RETURN POLICY

Under the PRC laws, we are required to accept the return of, exchange, or repair defective products. We have adopted a sales return policy in compliance with the relevant PRC laws.

Retail Sale

If quality problems governed by applicable laws surface during our customers' use of our products, our proprietary outlets will either accept product returns or exchange the defective products with new ones pursuant to the applicable laws. For other problems that surface during our customers' use of our products, we will provide repair services for a fee. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we accepted product returns in the total amount of 2,473 pairs, 2,745 pairs, 2,126 pairs and 522 pairs, respectively.

We have a dedicated after-sales department responsible for processing customers' complaints and safeguarding our brand image. Our after-sales team has been trained to address such complaints, including the verification of any alleged defects in the merchandise. Our customers may reach us through a hotline for product quality issues.

Wholesale

Generally, we do not accept return of our products sold to authorized distributors. As our standard commercial term, we pay the authorized distributors in an amount equal to 1% of the purchase price they pay to us as quality assurance money to cover any defective products which would otherwise entitle them to product returns or replacements. We are not entitled to any refund of such quality assurance money. However, if the defective products we sell to authorized distributors exceed 1% of the total purchase prices, we will make exchanges for the defective products in excess of the 1% amount.

Based on our market experience, including communications with our customers, we believe our payment of quality assurance money in the amount of 1% of the purchase price is in line with the practice in the footwear industry. By making such payment to authorized distributors, we are relieved

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from dealing with potential minor complaints for product quality issues, which allows us to better focus our resources on our core operations. During the Track Record Period, we did not have any material quality control problems related to our products and did not have to make any exchanges for defective products in excess of the 1% purchase price.

PROPERTIES

As of July 31, 2011, our production facilities, proprietary outlets, office buildings, residential units and other ancillary facilities had a total GFA of approximately 100,348 square meters. For further details about our properties, you may refer to Appendix IV entitled “Property Valuation Report” attached to this prospectus.

Owned Properties

As of July 31, 2011, we owned one parcel of land with a total site area of 100,176 square meters in Nanjing, Jiangsu province. We have obtained the land use rights certificate for such land.

As of July 31, 2011, we owned 11 buildings or units and one car parking space with a total GFA of approximately 32,348 square meters. We have obtained building ownership certificates to all such properties. In addition, we have a warehouse currently under construction, which is expected to have a total GFA of approximately 10,000 square meters upon completion in 2012.

Leased Properties

As of July 31, 2011, we leased 56 properties with a total GFA of approximately 68,258 square meters.

While not all of our lease agreements in China have been registered with the relevant PRC authorities, our PRC legal counsel has advised that the absence of such registration does not affect the validity and enforceability of such lease agreements in China. The relevant lease agreements are fully valid and effective and not subject to any legal restriction on enforcement. Although a PRC government departmental rule provides that the relevant parties that enter into a lease agreement without due registration with the proper local authorities may be subject to a penalty of no more than RMB10,000 if they fail to rectify their failure of registration within a specified time. Such PRC government departmental rule does not explicitly specify the responsible party for such registration, which could mean that our subsidiaries may end up being subject to such penalties. Given the relatively insignificant amount of such penalties, our Directors believe that it would not have any material adverse effect on our financial condition and results of operations.

Among these leased properties, 12 buildings or units with a total GFA of approximately 56,949 square meters have been leased from lessors who were unable to provide the relevant building ownership certificates. The lessors of 11 of these properties with a total GFA of 41,691 square meters have provided documents evidencing their rights that they have requisite titles or rights to lease the properties to us, including:

- The property leased for our Dongguan production facility with a total GFA of 32,000 square meters. The lessor of the property has obtained the underlying land use right certificates, the construction land planning permit and the fire department approval, and is currently in the process of applying for the relevant building ownership certificates, which are expected to be issued by the end of 2011. As such, our PRC legal counsel has advised that there is no legal restriction for the lessor to obtain such building ownership certificates.

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- The property leased for our Suining production facility with a total GFA of 7,000 square meters. Although the lessor of the property has not provided the relevant building ownership certificates, the lease of the property has been accepted for registration with the relevant local government authorities. As such, our PRC legal counsel has advised that our lease is not in violation of the relevant PRC laws.

However, the lessor of one of the above 12 properties has been unable to provide enough documents sufficiently evidencing its title or rights to lease the property to us, as follows:

- The property leased for our research and development center and one of our central warehouses in Foshan with a total GFA of 15,258 square meters. The property is built on a collectively-owned land that belongs to a village. The village committee has acknowledged our lease of the building from the lessor. The lessor is processing its application for the building ownership certificate with the relevant government authorities. We have leased the property since 2007. There have been no disputes with any third party with respect to our lease of the property. As advised by our PRC legal counsel, the lease contract of this property complies with the PRC Contract Law and is valid, binding and enforceable against the contracting parties.

We do not deem this property crucial to our operations as it is not used as our production facility and we believe our relocation from this property, if compelled, is expected to take a relatively short period of time at a limited expense without interrupting our manufacturing process or product sales. In particular, if we are compelled to relocate our operations from the property leased for our research and development center and one of our central warehouses in Foshan due to title defects, such relocation is expected to take approximately 10 days and cost approximately RMB3.7 million, which is not expected to have any material adverse effect on our revenue.

If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them, we may be forced to relocate our operations on the affected properties and incur additional costs associated with such relocation. With respect to our leased properties, except for Dongguan production facility, Suining production facility and Foshan research and development center, we are of the view that all these leased properties can, if necessary, be replaced by other comparable alternative premises without material adverse effect on our operations and material additional costs. The Indemnifiers have agreed to indemnify us for any potential losses and liabilities resulting from the title defects of our leased properties.

COMPETITION

The competition in the women's footwear industry in China has been intensifying in the past three years as numerous brands are vying for the attention of customers. The mid-to-premium women's footwear market in China is relatively consolidated with the top 10 brands (both casual footwear and formal footwear) comprising 59.6% of the total market. Belle International Holdings Ltd is the largest company which operates five of the top 10 brands, including the top three brands in the segment. According to the Euromonitor Report, we are the second largest company in the segment with 6.5% market share, and our "C.banner" is the fourth largest brand in the segment with 5.0% market share based on estimated retail sales of 2010. In recent years, we believe some local footwear retailers with better sales distribution networks could have emerged, either with footwear of their own brands or as agents of other footwear brands.

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To enter into the retail business of mid-to-premium women's footwear, a market participant will generally need to secure supply of finished footwear, develop or license mid-to-premium women's footwear brands, and establish a retail network. The participant may either outsource the manufacturing to third parties or construct its own production line to self-manufacture products. Similarly, it may either license mid-to-premium women's footwear brands from third parties or develop its own brands, which will require research and development capabilities. The retail network for mid-to-premium women's footwear in China is generally developed through department stores as its main distribution channel.

We primarily compete in the PRC women's footwear market with footwear manufacturers with national distribution networks, and some women's footwear companies of local brands, in terms of brand image, product design and quality, pricing and distribution network. As the targeted consumers are brand-oriented in the mid-to-premium women's footwear market, footwear companies pay significant attention to promote brand images through intensive marketing and advertising. As the second largest retailer of mid-to-premium women's formal and casual footwear in China in terms of estimated retail revenue for 2010, we believe we have successfully established the brand images for our "C.banner" and "EBLAN" footwear. For our new brands launched or to be launched into the market, we may face intensive competition with other brands.

Product design and quality is a crucial competitive factor in the women's footwear industry as the industry is highly susceptible to changes in fashion trends and high quality is the prerequisite to competition or market expansion. We are able to design approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands, relying on our systematic research, development and design capabilities. Also, through our contract manufacturing business, we have been able to appreciate our customers' designs and manufacturing methods.

Pricing strategy is another factor which affects the competition in the women's mid-to-premium footwear market. While deep discounts to retail prices may increase sales volume in the short run, it may have a negative impact on the brand's image and profitability in the long run. We generally follow the market on pricing strategies and do not compete by discounts.

For the mid-to-premium women's footwear market, the development of an extensive distribution network, especially distribution through department stores, is crucial for effective competition in the segment. We have established our distribution network through both our proprietary outlets primarily in first-to-third-tier cities and authorized distributors primarily in other cities with their own third-party outlets to retail our products. We believe we are in a better position to compete with most of our competitors through such a distribution model, which distinguishes the geographical markets according to their level of economic development and corresponding customer spending power. In addition, with our vertically integrated business model, we believe we are able to control our supply chain and compete in a more effective manner than most of our competitors.

INTELLECTUAL PROPERTY

We regard the goodwill associated with our "C.banner" and "EBLAN" brands as our valuable assets. We believe that our trademark, trade secrets and other intellectual property rights are critical to our success. For details of our intellectual property rights, please refer to the section entitled "Appendix VII—Statutory and General Information—B. Further Information about the Business of the Group—2. Intellectual Property Rights of the Group" attached to this prospectus.

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We own the trademarks related to our “C.banner,” “EBLAN,” “FABIOLA” and “SUNDANCE” brands, and also have pending trademark applications related to our “EBLAN,” “FABIOLA” and “SUNDANCE” brands.

During the Track Record Period and through the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights. Our market management personnel are constantly on the look-out for incidents of trademark infringement in the course of their routine inspection at various retail locations in the PRC cities. We will report all cases of infringement to the authorities and take the appropriate follow-up actions accordingly.

INSURANCE COVERAGE

We carry various insurance policies covering our properties, including inventories in our two central warehouses, motor vehicles and our investment real properties. Some of the department stores where our proprietary outlets are located also provide insurance coverage for our inventories at such proprietary outlets. We are not required under PRC laws to maintain, and we do not maintain, any product liability insurance.

For products of our self-developed brands or licensed brand, logistics companies generally carry insurance for the products in transit. For our contract manufacturing products, either we or our customers will carry insurance for the products in transit pursuant to our agreements.

We believe that our insurance coverage is in line with industry practice. During the Track Record Period and through the Latest Practicable Date, we had not made, or been the subject of, any material insurance claims.

GOVERNMENT REGULATIONS

As of the Latest Practicable Date, our business operations in China are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in China. We have obtained all the necessary licenses and permits for our business operations in China, and have complied with all relevant laws and regulations. A summary of the relevant PRC laws and regulations has been set out in Appendix V entitled “Summary of Principal Legal and Regulatory Provisions” to this prospectus.

ENVIRONMENTAL PROTECTION

We are subject to PRC environmental laws and regulations, which govern a broad range of environmental matters, including air pollution, noise, waste water and solid waste. We believe that our manufacturing process does not have any material adverse effect on the environment primarily because the process is labor-intensive and does not consume a large amount of energy or involve hazardous substances. In addition, due to the composition of our products, there is minimal air pollution, noise, waste water or solid waste generated from our manufacturing process.

We have implemented measures in the operation of our business to ensure our compliance with all applicable requirements under the PRC environmental laws and regulations. The general managers, vice general managers and production management of each of our production facilities are familiar with the relevant environmental requirements and are responsible for formulating and implementing our environmental protection measures. Specifically, we discharge waste gas generated from the spraying process during our production and discharge the waste gas using exhaust fans in our factories. The glue and spray paints used in our manufacturing processes comply with local regulatory standards.

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In addition, we have implemented external control to ensure all the raw materials we purchase comply with relevant PRC laws and regulations. We have also implemented negative-pressure air fan and ventilation system to purify the air in our workshops, and adopted automatic cementing machines to reduce indoor pollution at our production facilities. The waste water and solid wastes we generate are generally processed by the relevant municipal sewage and waste processing facilities.

We conduct annual environmental inspection to ensure that we comply with all relevant environmental standards. During the years ended December 31, 2008, 2009 and 2010, we incurred compliance costs related to environmental rules and regulations applicable to us of approximately RMB20,000 to RMB30,000 on an annual basis, which were paid to the relevant governmental authorities for environmental monitoring and inspection. We expect to incur a similar amount of annual compliance cost going forward.

Our PRC legal counsel has advised that we complied with all applicable PRC environmental laws and regulations during the Track Record Period up to the Latest Practicable Date.

SAFETY CONTROL

We are subject to the PRC laws and regulations on labor, safety and work-related incidents. In order to ensure that we provide a safe working environment, the design and construction of our production facilities and office buildings take into account smoke and dust removal to make sure the working space is not polluted. All of our employees working in our factories must undertake safety training and pass a safety test before commencing work. Such safety training includes work-related safety training and fire safety training. For certain working positions that are exposed to possible personal injuries, such as positions for cutting, heating or pressing, we provide our relevant employees with special training and protection measures before they commence work, and also purchase accidental injury insurance for them. We conduct safety inspections and hold safety inspection meetings on a monthly basis to eliminate potential safety hazards in our production process.

During the Track Record Period and through the Latest Practicable Date, we had complied with the PRC workplace safety regulatory requirements in all material respects and did not have any incidents or complaints which had materially and adversely affected our operations.

LEGAL PROCEEDINGS

Our Directors have confirmed that we have obtained all permits and licenses required for our business operations as described in this prospectus and, during the Track Record Period, had complied with all applicable laws and regulations in all material respects. In particular, none of our Company and Directors has committed any breach of the listing rules of SGX-ST since the listing of our Company on SGX-ST.

During the Track Record Period, none of our Company and Directors was a party to any litigation or arbitration proceedings which would have any material adverse effect on our financial condition or results of operations. As of the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our business, financial condition or results of operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalization Issue, High Score will hold approximately 36.59% of the then issued share capital of our Company (assuming the Over-allotment Option is not exercised). Since the entire issued share capital of High Score is owned by Mr. Chen Yixi, both High Score and Mr. Chen Yixi are our Controlling Shareholders. Other than their interests in our Group, as of the Latest Practicable Date, our Controlling Shareholders and their associates were also interested in entities principally engaging in apparel retail and distribution, real estate, property management and book retail chain businesses (the “**Excluded Businesses**”).

We are primarily engaged in the design, manufacture and sale of women’s footwear in China. Our Directors have confirmed that the Excluded Businesses (i) are not within the principal business scope of our Group; and (ii) the Excluded Businesses have their own operational management staff independent of our Group for their core operations. In light of the foregoing, our Directors are of the view that there is a clear delineation between our business and the Excluded Businesses and that the Excluded Businesses do not compete with our business.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders and our Directors has confirmed that it/he is neither engaged, nor interested, in any business which, directly or indirectly, competes or is likely to compete with our business.

To better safeguard our Group from any potential competition, each of the Covenantors has entered into the Deed of Non-competition with our Company to the effect that each of them, irrevocably and unconditionally, undertakes with our Company (for itself and for the benefit of each member of our Group) that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange, each of the relevant Covenantors or its associates (other than our Group) shall:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the business of design, manufacture and sale of footwear and other businesses as conducted by us or any of our subsidiaries as of the Listing Date and in the future (the “**Restricted Business**”);
- (b) not directly or indirectly take any action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers or personnel of our Group; and
- (c) keep our Board (including our independent non-executive Directors) informed of any matter of potential conflicts of interests between the Covenantors (including their associates) and our Group, in particular, a transaction between any of the Covenantors (including its associates) and our Group.

In addition, each of the Covenantors hereby irrevocably and unconditionally undertakes with our Company (for itself and for the benefit of each member of our Group) that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange,

- (a) if it (or its associates) plans to participate or engage in any new activities or new business which may directly or indirectly compete with the Restricted Business, it will give our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Company a first right of refusal to participate or engage in these new activities or new business and will not participate or engage in these activities unless with the prior written consent of our Company; and

- (b) if it (or its associates) becomes aware of a business opportunity which directly or indirectly competes, or may lead to competition, with the Restricted Business, it will notify our Company of such business opportunity immediately upon becoming aware of such opportunity. It is also obliged to use its best efforts to procure that such opportunity is first offered to our Group on terms and conditions no less favorable than those offered to it, any of its associates or any third party.

The Deed of Non-competition will become effective on the Listing Date and remain effective until the earlier of:

- (a) the Covenantors (together with their associates) are no longer a substantial shareholder (as defined in the Listing Rules) of our Company;
- (b) the Shares no longer listed on the Stock Exchange; or
- (c) our Group ceases to carry on the Restricted Business or the Restricted Business ceases to be a major business of our Group.

CORPORATE GOVERNANCE MEASURES

We will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review on an annual basis the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-competition;
- (b) the Covenantors undertake to provide to us all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking of the Covenantors under the Deed of Non-competition in our annual report; and
- (d) the Covenantors will make an annual statement on compliance with their undertaking under the Deed of Non-competition in our annual report.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders following the Listing:

Management Independence

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. One of our executive Directors is our Controlling Shareholder.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his fiduciary duties as a Director which require, amongst other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are of the view that our Group can be managed independently from the Controlling Shareholders after Listing.

Operational Independence

Our operations are independent of and not connected with any of our Controlling Shareholders. Our organization structure is made up of various departments and divisions, each with specific areas of responsibility. We have established various internal control procedures to facilitate the effective operation of our business. In addition, we have our own production lines and own sources of supplies and customers. We can operate independently through our procuring, marketing and sales networks.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. Our Directors confirm that all guarantees provided by our Controlling Shareholders to our Group will be released in full upon Listing. On this basis, our Directors believe that we are financially independent from our Controlling Shareholders.

NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has given non-disposal undertakings to the Stock Exchange and us pursuant to Rule 10.07 of the Listing Rules. For further details, please refer to the section entitled “Underwriting—Undertakings—Undertakings pursuant to the Listing Rules” in this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

The table below sets out information regarding the Company's Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Appointment</u>
Chen Yixi	44	Chairman and executive Director	April 30, 2002
Li Wei	44	Chief Executive Officer, President and executive Director	April 30, 2002
Zhao Wei	43	Vice President and executive director	February 2, 2004
Huo Li	44	Vice President and executive director	August 15, 2002
Xu Tingyu	45	Chief Financial Officer and executive director	March 1, 2008
Miao Bingwen	43	Non-executive Director	April 30, 2002
Xu Chengming	51	Independent non-executive Director	August 26, 2011
Li Xindan	45	Independent non-executive Director	August 26, 2011
Kwong Wai Sun Wilson	45	Independent non-executive Director	August 26, 2011

Executive Directors

Chen Yixi (陳奕熙), aged 44, is the Chairman and an executive Director of our Company. Mr. Chen founded Mayflower Footwear in 1995 and is a co-founder of our Group. Mr. Chen is responsible for charting our business strategy and has played a determining role in establishing the Group's presence in the PRC women's footwear industry. Mr. Chen was honored by the People's Government of Jiangsu Province and the People's Government of Nanjing as an Outstanding Entrepreneur of Non-State-owned Companies (優秀民營企業家) and is currently the Vice Chairman of Nanjing Federation of Industry & Commerce (南京市工商業聯合會) and Vice President of Nanjing Enterprise Directors Association (南京市企業家協會). Mr. Chen graduated from Nanjing Normal University with a Bachelor's Degree in News Propagation in 1988 and obtained a Master of Business Administration Degree from Cheung Kong Graduate School of Business in 2007. He served with the news publications department of Jiangsu Chinese Communist Party Council from 1988 to 1995 before co-founding Mayflower Footwear with other partners. Apart from being a director of the Board when our Group was listed on SGX-ST, Mr. Chen has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Li Wei (李偉), aged 44, is the Chief Executive Officer, the President and an executive Director of our Company. Mr. Li founded Mayflower Footwear in 1995 and is a co-founder of our Group. He has served as a director of our Group since 1995 and is responsible for overseeing the operations (including brand and product development), finance and human resource management of our Group. Mr. Li has over 15 years of experience in the PRC footwear industry. Much of our success, in particular, building up brand recognition of our first brand “千百度” (“Qianbaidu” in Chinese pinyin) in a few years since its introduction into the market in 1996 and our ability to maintain our market leading position, are attributable to Mr. Li's extensive operational experience in the footwear industry. Mr. Li graduated from Nanjing University with a Bachelor's Degree in Chemistry in 1989 and obtained an Executive Master of Business Administration Degree from China Europe International Business School in 2008. Mr. Li was the manager of the sales department of Zhenjiang Libao Footwear Co., Ltd. (鎮江立寶鞋業有限公司) before co-founding Mayflower Footwear with other partners. Apart from being a director of the Board when our Group was listed on SGX-ST, Mr. Li has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Zhao Wei (趙偉), aged 43, was appointed as an executive Director of our Company in 2004. Mr. Zhao is also our Vice President and is responsible for our expansion strategies and wholesale.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhao joined our Group in December 1995 as a sales manager. Mr. Zhao graduated from Jilin Agricultural University majoring in fishery science in 1990. He also obtained a Master of Business Administration Degree from Singapore Nanyang Technological University in 2008. Apart from being a director of the Board when our Group was listed on SGX-ST, Mr. Zhao has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Huo Li (霍力), aged 44, was appointed as an executive Director of our Company in 2001 and has been our Vice President and chief supervisor since 2008 for our International Investment Center, which is primarily responsible for evaluating opportunities of, and formulating plans for, mergers and acquisitions as well as international cooperation. Mr. Huo joined our Group as an investment manager in 2001 and is responsible for the external investments, international cooperation of our Group. In 1988, Mr. Huo graduated from Fudan University with a Bachelor's Degree in Economics. From 1988 to 2001, he held various positions in the Bank of China, including that of deputy general manager of the bank's Changzhou Branch. Apart from being a director of the Board when the Group was listed on SGX-ST, Mr. Huo has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Xu Tingyu (徐庭裕), aged 45, is an executive Director and the Chief Financial Officer of our Company. He received a certificate of completion in 2002 from Nanjing University after taking and passing the postgraduate courses for advanced study in business management with a concentration on financial accounting from September 2000 to June 2002 and is currently a non-practicing member of the PRC Certified Public Accountants Association. Mr. Xu began his career in the banking industry as a manager of Bank of China, Jiangsu Branch, from 1987 to 1999. In 2000, he joined China Orient Asset Management Company ("China Orient") (東方資產管理公司) as a senior supervisor of its Nanjing office. He was also assigned by China Orient to act as the chief financial officer of Nanjing Jinning Electronics Group Co., Ltd. (南京金寧電子集團有限公司). In November 2002, Mr. Xu joined our Group as the Chief Financial Officer of Mayflower (Nanjing) Industries Limited and subsequently as the internal auditor of our Company. Mr. Xu was appointed as the Chief Financial Officer and executive Director of our Company on April 1, 2007 and March 1, 2008, respectively. Apart from being a director of the Board when our Group was listed on SGX-ST, Mr. Xu has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Non-executive Director

Miao Bingwen (繆炳文), aged 43, is a non-executive Director of our Company. Mr. Miao is a co-founder who served as an executive Director of our Company from 1995 to 2007, overseeing the sales and business planning of our Group. With effect from March 1, 2007, Mr. Miao was re-designated as our non-executive Director. Mr. Miao obtained a Bachelor's Degree in Chemistry and a Master of Business Administration Degree from Nanjing University in 1988 and 2005, respectively. He worked in Nanjing University Technology Development Limited (南京大學科技開發公司) from 1988 to 1991 and served as the Nanjing market supervisor from 1991 to 1995, before co-founding Mayflower Footwear with other partners. Apart from being a director of the Board when our Group was listed on SGX-ST, Mr. Miao has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Independent Non-executive Directors

Xu Chengming (許承明), aged 51, is an independent non-executive Director of our Company. Mr. Xu is the vice president of Nanjing University of Finance and Economics, primarily responsible for the undergraduate teaching and international cooperation. In addition, Mr. Xu is currently the Vice Chairman of China Society of Quantitative Economics (中國數量經濟學會), the executive director of China World Economy (中國世界經濟學會) and the vice president of Jiangsu Institute of International Finance (江蘇國際金融學會). Mr. Xu graduated from the Anhui Institute of Education, currently known as Hefei Normal University, with a Bachelor's Degree in Mathematics in 1984 and from Shanghai Jiao Tong University with a Master's Degree in Mathematics in 1988. Mr. Xu further obtained his Doctor's Degree in Economics from Fudan University in 2001. Mr. Xu started his career in Nanjing University of Finance and Economics in 1994 as the dean assistant of Investment Economics and Statistics department and was promoted to the head officer of the Office of Academic Affairs in 1998, the head of Banking and Finance Department in 2000 and the dean of the School of Banking and Finance in 2003. Mr. Xu was an independent non-executive director in Nanjing Redsun Co., Ltd. (南京紅太陽股份有限公司), a company listed on the Shenzhen Stock Exchange, from 2006 to 2009. Save as disclosed above, Mr. Xu has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Li Xindan (李心丹), aged 45, is an independent non-executive Director of our Company. Mr. Li currently holds several positions with Nanjing University, including the dean and the Anzhong Chair Professor of the School of Management Science and Engineering of Nanjing University, the director of the Financial Engineering Research Center and the executive director of the Venture Capital Research and Development Center of the university. Mr. Li graduated from Fudan University in 1988 with a Bachelor's Degree in Management Science as well as a Bachelor's Degree in Economics. He further obtained a Doctor's Degree in Finance from Fudan University in 1999. Mr. Li joined the Southeast University as an assistant professor in 1988 and was promoted to an associate professor and a professor in 1993 and 1999, respectively. Then Mr. Li joined Nanjing University as a professor in 1999. Mr. Li is currently an independent non-executive director in NARI Technology Development Limited Company (國電南瑞科技股份有限公司), Jiangsu Holly Corporation (江蘇弘業股份有限公司) and Shanghai Lian Hua Fibre Corporation (上海聯華合纖股份有限公司). Within the past three years, he was also an independent non-executive director in Jiangsu Hongtu High Technology Co., Ltd. (江蘇宏圖高科技股份有限公司) and Y.U.D. Yangtze River Investment Industry Co., Ltd. (長發集團長江投資實業股份有限公司) until June 2010 and December 2010, respectively. All the above companies are listed on the Shanghai Stock Exchange. Save as disclosed above, Mr. Li has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Kwong Wai Sun Wilson (龐偉信), aged 45, is an independent non-executive Director of our Company. Mr. Kwong is the President of Gushan Environmental Energy Limited, a leading biodiesel and related products producer in China listed on the New York Stock Exchange, a position which he has held since 2008 after joining the company in 2006. Mr. Kwong graduated from Cambridge University, England with a Degree of Bachelor of Arts in 1987 and is currently an associate member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretary. Mr. Kwong, who previously worked at a number of investment banks in Hong Kong, has 12 years of experience in corporate finance and equity capital markets in Asia. From 2002 to 2003, Mr. Kwong was the head of equity capital markets for Cazenove Asia Limited. From 2004 to 2006, he was a managing director of

DIRECTORS, SENIOR MANAGEMENT AND STAFF

investment banking and head of Hong Kong and China equity capital market of CLSA Equity Capital Markets Limited. Saved as disclosed above, Mr. Kwong has not been a director of any other listed company in the three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The Group's senior management team, in addition to the Directors listed above, is as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Wan Xianghua	43	Chief Executive Assistant and General Manager of commodity center
Wu Weiming	40	Chief Executive Assistant and General Manager of retail management department

Biographies of each member of the senior management team are set out below:

Wan Xianghua (萬祥華), aged 43, is a Chief Executive Assistant of our Group. Mr. Wan joined our Group as a manufacturing manager in 1996, and is currently our Chief Executive Assistant as well as the General Manager of our commodity center, responsible for our product research, design and development and supply chain management. Mr. Wan has served as a committee member of the National Technical Committee on Footwear of Standardization Administration of China (中國制鞋標準化委員會) since 2008 and has been a professor specializing in footwear manufacturing at Guangling Institute of Yangzhou University (揚州廣陵學院) since 2010.

Wu Weiming (吳維明), aged 40, is a Chief Executive Assistant of our Group. Mr. Wu joined our Group in 2000, and is currently our Chief Executive Assistant as well as the General Manager of our retail management department, responsible for the retail operations of our Group. Prior to joining our Group, Mr. Wu had served with Shenzhen Zhen Xing Footwear Company (深圳珍興鞋業公司) since 1997 and was the general manager of East China Branch of the company when he left the company in 2000.

COMPANY SECRETARY

Ms. Mok Ming Wai (莫明慧), aged 40, was appointed as the company secretary of our Company on May 27, 2011. Ms. Mok is currently an associate director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Ms. Mok has over 15 years of professional and in-house experience in corporate secretarial field. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. She currently acts as the joint company secretary for Shanghai Pharmaceuticals Holding Co., Ltd. (Stock Code: 2607) and Huaneng Renewables Corporation Limited (Stock Code: 958), which are both listed on the Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD COMMITTEES

Audit Committee

An audit committee was established by our Company on August 26, 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control system. The audit committee comprises all Independent non-executive Directors, namely, Mr. Xu Chengming, Mr. Kwong Wai Sun Wilson and Mr. Li Xindan. Mr. Kwong Wai Sun Wilson is the chairman of the audit committee.

Remuneration Committee

A remuneration committee was established our the Company on August 26, 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee is chaired by Mr. Xu Tingyu, our executive Director and chief financial officer, and other members are Mr. Xu Chengming, Mr. Kwong Wai Sun Wilson and Mr. Li Xindan, who are all independent non-executive Directors.

Nomination Committee

A nomination committee was established by our Company on August 26, 2011 with written terms of reference. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and the senior management of our Group. The members of the nomination committee are Mr. Huo Li, our executive Director and vice president, Mr. Xu Chengming, Mr. Kwong Wai Sun Wilson and Mr. Li Xindan. Mr. Huo Li is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

During the Track Record Period, the aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of the Directors) and discretionary bonuses paid by our Group to the Directors for the years ended December 31, 2008, 2009 and 2010 and for the three months ended March 31, 2011 were approximately RMB16.4 million, RMB15.1 million, RMB21.2 million and RMB5.1 million, respectively.

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of the Directors has waived any emoluments.

Save as disclosed above, no other payments have been paid, or are payable, by our Group to the Directors during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration of the Directors payable in respect of the year ending December 31, 2011 is estimated to be approximately RMB19.9 million.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EMPLOYEES

As of March 31, 2011, we had a total of 9,243 employees. The table below shows the functional distribution of our employees as of March 31, 2011.

<u>Department</u>	<u>Number of employees</u>
Management	624
Administration and Finance	353
Marketing	89
Operation	731
Manufacturing	3,198
Retail Personnel	4,025
Research and Development	223
Total	<u>9,243</u>

We recognize the importance of maintaining good relationships with our employees. Therefore, we strive to create a harmonious, warm working and living environment for our employees. In addition, we offer ample opportunities for our employees to develop and grow within our Group by providing regular on-the-job trainings for our employees to enhance their technical skills as well as updating them on knowledge of the industry in general.

We have not, in the past, experienced any disruption of our operations due to labor disputes or strikes.

EMPLOYEES' BENEFITS PROVIDED BY US

We comply in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where we operate.

We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by us pursuant to the PRC rules and regulations and the existing policy requirements of the local government.

SHARE OPTION SCHEME

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for Shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high caliber executives and employees. The principal terms of the Share Option Scheme are summarized under the paragraph headed "Share Option Scheme" in Appendix VII to this prospectus.

COMPLIANCE ADVISER

We intend to appoint First Shanghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Group in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Group under Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year ending December 31, 2011, and such appointment may be subject to extension by mutual agreement.

CONNECTED TRANSACTIONS

EXEMPT CONTINUING CONNECTED TRANSACTION

Following the Listing, the following transaction will constitute an exempt continuing connected transaction for our Company pursuant to Rule 14A.33 of the Listing Rules and accordingly, will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements stipulated under the Listing Rules.

Lease Agreement with Hongguo Industry

Nanjing Mayflower has been leasing the premises of a total GFA of approximately 1,526.63 sq.m. located at 31st Floor, Nanjing International Trade Center, No. 18 Zhongshan East Road, Nanjing, the PRC from Hongguo Industry since January 2005 as its office and will continue to lease the same premises from Hongguo Industry in its ordinary course of business. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, Nanjing Mayflower paid a rental of RMB900,000, RMB500,000, RMB900,000 and RMB225,000 to Hongguo Industry for the lease.

To continue to lease the same premises from Hongguo Industry, on January 1, 2011, Nanjing Mayflower and Hongguo Industry entered into a lease agreement for a term of one year commencing from January 1, 2011 to December 31, 2011 at an annual rental of RMB900,000.

As Hongguo Industry is owned as to 37%, 33% and 30% by Mr. Chen Yixi, Mr. Li Wei and Mr. Miao Bingwen, our Directors, Hongguo Industry is an associate of our Directors and is therefore a connected person of our Company under Chapter 14A of the Listing Rules. The rental payable by Nanjing Mayflower to Hongguo Industry under the lease agreement was determined on an arm's length basis after making reference to the prevailing market rent at the time. Based on the terms of the lease agreement, the aggregate rent payable by Nanjing Mayflower to Hongguo Industry for the year ending December 31, 2011 will not exceed RMB900,000 (the "Lease Annual Cap").

Our Directors consider that the lease agreement and the Lease Annual Cap are fair and reasonable and in the interests of our Group and our Shareholders as a whole. DTZ has reviewed the rent payable pursuant to the lease agreement and confirmed that the terms of the lease agreement reflect the prevailing market condition in the PRC and that the rent payable by Nanjing Mayflower to Hongguo Industry reflects the prevailing market rates of comparable properties in the locality and is fair and reasonable. Since each of the percentage ratios (other than the profits ratio) for the lease agreement is less than 0.1%, the transactions under the lease agreement are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimus threshold under Rule 14A.33(3) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account of any Sale Share which may be sold upon exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares</u>	<u>Voting power (%) (approximate)</u>
High Score	Beneficial owner	731,770,000	36.59
Media Value	Beneficial owner	400,180,000	20.01
Sure Manage	Beneficial owner	368,050,000	18.40
Mr. Chen Yixi ⁽¹⁾	Interest of a controlled corporation	731,770,000	36.59
Mr. Li Wei ⁽²⁾	Interest of a controlled corporation	400,180,000	20.01
Mr. Miao Bingwen ⁽³⁾	Interest of a controlled corporation	368,050,000	18.40

- (1) The entire issued share capital of High Score is held by Mr. Chen Yixi. Therefore, Mr. Chen Yixi, who is also an executive Director, is deemed to be interested in the Shares held by High Score by virtue of the SFO.
- (2) The entire issued share capital of Media Value is held by Mr. Li Wei. Therefore, Mr. Li Wei, who is also an executive Director, is deemed to be interested in the Shares held by Media Value by virtue of the SFO.
- (3) The entire issued share capital of Sure Manage is held by Mr. Miao Bingwen. Therefore, Mr. Miao Bingwen, who is also a non-executive Director, is deemed to be interested in the Shares held by Sure Manage by virtue of the SFO.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account of any Sale Shares which may be sold upon exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The tables below set out our share capital issued and to be issued fully paid or credited as fully paid, as of the date of this prospectus and immediately after the completion of the Global Offering:

Our authorized share capital is as follows:

Authorised share capital

	<u>US\$</u>
20,000,000,000 Shares	300,000,000

Our share capital immediately following the Global Offering and the Capitalization Issue will be as follows:

Issued and to be issued, full paid or credited as fully paid upon completion of the Global Offering and the Capitalization Issue

<u>Shares</u>	<u>US\$</u>
396,868,200 Shares in issue as at the date of this prospectus	5,953,023
1,303,131,800 Shares to be issued under the Capitalization Issue	19,546,977
<u>300,000,000 Shares to be issued under the Global Offering</u>	<u>4,500,000</u>
<u>2,000,000,000</u>	<u>30,000,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional. It takes no account of any Shares, which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates of any Shares referred to below.

RANKING

The Offer Shares will rank pari passu with all Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlement under the Capitalization Issue.

GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to allot or issue and deal with unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the total nominal amount of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue; and
- (b) the total nominal amount of Shares repurchased by our Company pursuant to the mandate referred to in the paragraph headed “General mandate to repurchase Shares” below.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- at the expiration of the period within which our Company is required by its Bye-laws or any applicable laws of Bermuda to hold its next annual general meeting; or

SHARE CAPITAL

- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set out in the paragraph entitled “A. Further information about our Company and its subsidiaries—3. Resolutions in writing of all the Shareholders passed on August 26, 2011” in Appendix VII to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, the Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding Shares that may be allotted and issued pursuant to the Share Option Scheme).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which the Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules are set out in the paragraph headed “A. Further information about our Company and its subsidiaries—6. Repurchase of Shares by our Company” in Appendix VII to this prospectus.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- at the expiration of the period within which our Company is required by its Bye-laws or any applicable laws of Bermuda to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set out in the paragraph headed “A. Further information about our Company and its subsidiaries—3. Resolutions in writing of all the Shareholders passed on August 26, 2011” in Appendix VII to this prospectus.

SHARE OPTION SCHEME

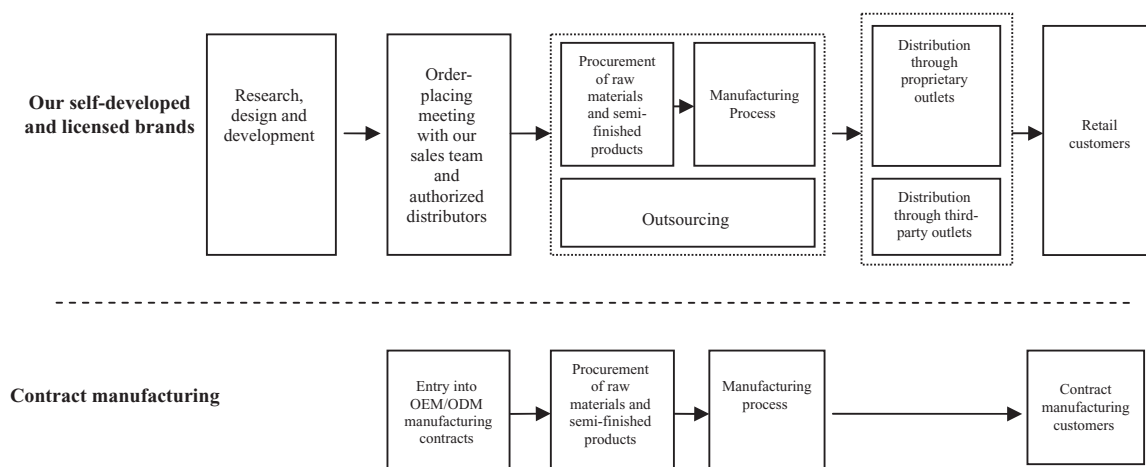
On August 26, 2011 we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the paragraph headed “D. Other Information—1. Share Option Scheme” in Appendix VII to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial information together with the accompanying notes set out in the Accountants' Report in Appendix I to this prospectus. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such risks and uncertainties include, without limitations, those discussed in the sections entitled "Forward-Looking Statements," "Risk Factors" and "Business" in this prospectus.

OVERVIEW

We are primarily engaged in the design, manufacture and sale of mid-to-premium women's footwear in China. We are the second largest retailer of mid-to-premium women's formal and casual footwear in China in terms of estimated retail revenue for the year ended December 31, 2010 according to the Euromonitor Report. We retail products of our self-developed and licensed brands through department store outlets and independent store outlets primarily in first-to-third-tier cities in China. We also wholesale products of our self-developed brands to authorized distributors, who in turn retail these products primarily in the other cities in China. In addition to manufacturing women's footwear of our self-developed and licensed brands, we also manufacture footwear, as OEM or ODM, for international footwear companies for export to overseas. We have established a vertically integrated business model to manage our key operational chains, including design and development, sourcing, manufacturing, marketing, distribution and sale of our products. We believe our control over such key functions provides us significant operational flexibility to quickly respond to changing market trends and customer tastes with suitable products, and enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women's footwear market. The following diagram illustrates our main business model:



We currently manufacture and sell a wide range of women's footwear with various designs for all seasons through two of our self-developed brands, "C.banner 千百度" and "EBLAN 伊伴," introducing approximately 400 to 500 SKUs into the market for each brand during each season. We also sell footwear through our licensed brand "Naturalizer." According to the Euromonitor Report, our brand "C.banner" is the fourth largest mid-to-premium women's formal and casual footwear brand in China as measured by its estimated 2010 retail revenue. We have launched one additional self-developed footwear brand, "FABIOLA 範歐納," in the first half of 2011 and launched another self-development footwear brand, "SUNDANCE 太陽舞," into the market in August 2011.

FINANCIAL INFORMATION

According to the Euromonitor Report, women's footwear accounted for approximately 51.8% of the entire PRC footwear market, women's mid-to-premium footwear accounted for approximately 27.8% of the entire women's footwear market in China, and formal and casual footwear accounted for approximately 30.5% and 55.8% of the entire women's mid-to-premium footwear market in China, respectively, all in terms of estimated retail sales value for the year ended December 31, 2010. For further information on market share and ranking, you may refer to the section entitled "Industry Overview—Mid-to-premium Women's Footwear Competitive Landscape" in this prospectus.

Extensive Distribution and Retail Network

Our extensive distribution and retail network consists of 1,015 proprietary outlets and 344 third-party outlets located in 31 provinces, autonomous regions and municipalities in China as of March 31, 2011. Among the 1,015 proprietary outlets, there are 1,006 outlets located in department stores across China and nine independent store outlets operated at premises other than department stores. Our proprietary outlets are primarily located in first-to-third-tier cities of China, where we believe consumers generally have stronger spending power and, therefore, are more inclined to purchase mid-to-premium women's footwear. In order to expand into the other regions in China in a cost-effective manner, we distribute footwear in such regions primarily through third-party outlets established by our authorized distributors. As of March 31, 2011, we had 196 authorized distributors, who operated 344 third-party retail outlets across China.

Strong Design Capacity and Reliable Manufacturing Capacity

For each of our self-developed brands, including "C.banner," "EBLAN," "FABIOLA" and "SUNDANCE," we have a research, design and development team to create designs of a wide variety of products based on domestic and international fashion trend, distinctive features of the brand and market demand. We currently have a design capacity of approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands.

We manufacture approximately 50% to 60% of the footwear for our self-developed brands each year and outsource the rest from third-party manufacturers. We typically enter into yearly agreements with our main suppliers of raw materials, such as leather, which govern the terms of the periodic purchase orders we place during the year. Our outsourcing of finished products typically occurs on a season-by-season basis in connection with our product offerings for each season. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we placed orders with 17, 20, 19 and 18 sub-contractor footwear manufacturers, respectively, all located in Guangdong province, China. For the risks relating to our outsourcing of finished products, see the section entitled "Risk Factors—Risks Relating to Our Business—Unfavorable changes in the price or quality, or interruptions to the supply, of raw materials or finished products we source from third parties will adversely affect our business" in this prospectus.

We also manufacture a wide range of footwear with various designs for all seasons as OEM or ODM of international brands primarily for export into other countries. Our direct contract manufacturing customers are primarily footwear trading companies for international footwear brands and we generally do not have direct contact with the headquarters of the companies which operate these brands. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we had six, 10, six and four contract manufacturing customers, respectively, acting for seven brands from the United States, two from Australia and one from Canada.

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Rapid Growth during Track Record Period

With the expansion of our distribution and sales network in the fast-growing women's footwear market in China, we have experienced rapid growth in financial and operational terms during the Track Record Period. Our revenue grew from RMB1,044.0 million in 2008 to RMB1,575.0 million in 2010, representing a CAGR of approximately 22.8%, and the number of our proprietary outlets and third-party outlets, in aggregate, grew from 928 as of December 31, 2008 to 1,289 as of December 31, 2010, representing a CAGR of approximately 17.9%. Comparing the three months ended March 31, 2010 with the three months ended March 31, 2011, our revenue grew by 24.5% from RMB373.5 million to RMB465.1 million, and the number of our proprietary outlets and third-party outlets, in aggregate, grew by 22.4% from 1,110 as of March 31, 2010 to 1,359 as of March 31, 2011. Our proprietary outlets achieved the same-store sales growth rate of approximately 17.7% from 2008 to 2009 and approximately 12.3% from 2009 to 2010.

Segment Information

Our revenue and growth heavily depend on our sales through department store outlets. Our revenue generated from department store outlets for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011 was approximately RMB753.2 million, RMB965.4 million, RMB1,206.8 million and RMB364.6 million, respectively, representing approximately 72.1%, 75.1%, 76.6% and 78.4%, of our total revenue for the respective periods. We enter into concessionaire agreements with department stores typically on a six-month to annual basis with respect to our retail spaces in department stores. We may be unable to secure such retail spaces for our department store outlets or on terms that we consider commercially reasonable, as we have disclosed in the section entitled "Risk Factors—Risks Relating to Our Business—We heavily rely on our department store outlets for our sales and we may be unable to secure retail space for our department store outlets or secure such spaces on commercially reasonable terms" in this prospectus.

The following table sets forth our revenue from (i) our retail and wholesale segments and (ii) our contract manufacturing segment, and provides their respective percentages of our total revenue from continuing operations for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2008		2009		2010		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Retail and wholesale										
Retail	758,457	72.7	972,100	75.7	1,214,566	77.1	299,475	80.2	367,214	79.0
Wholesale	69,393	6.6	123,744	9.6	152,350	9.7	25,059	6.7	52,293	11.2
Contract										
Manufacturing	216,109	20.7	189,079	14.7	208,047	13.2	49,011	13.1	45,589	9.8
Total revenue	<u>1,043,959</u>	<u>100.0</u>	<u>1,284,924</u>	<u>100.0</u>	<u>1,574,963</u>	<u>100.0</u>	<u>373,545</u>	<u>100.0</u>	<u>465,096</u>	<u>100.0</u>

With multiple brands targeting a broad customer base in the mid-to-premium women's footwear market, we believe that we are well positioned to continue to benefit from the fast-growing women's footwear industry in China and further strengthen our market position.

BASIS OF PRESENTATION

We have prepared our financial information in accordance with IFRS on historical cost basis except that certain properties are measured at fair value pursuant to IFRS. Historical cost is generally

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based on the fair value of the consideration given in exchange for assets. We have consistently applied such accounting policies throughout the Track Record Period. In addition, our financial information includes applicable disclosures required by the Listing Rules and the Companies Ordinance.

Our financial information incorporates the financial statements of our Company and entities controlled by our Company. Control is achieved where our Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Such entities consist of our subsidiaries.

The results of subsidiaries acquired or disposed of during the year or period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other entities of our Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Differences Between IFRS Financial Statements and Underlying Financial Information

Our Company was listed on the SGX-ST prior to May 6, 2010. We made regular public disclosures in compliance with the regulatory requirements of the SGX-ST and Singapore laws, including but not limit to, filing annual reports, quarterly reports and announcements of material events. Our consolidated financial information for the years ended and as of December 31, 2008 and 2009 (the “Underlying Financial Information”) had been prepared in accordance with Singapore Financial Reporting Standards and audited by our Singapore independent auditors, Deloitte & Touche LLP in accordance with Singapore Standards on Auditing. We prepared our consolidated financial information for the year ended and as of December 31, 2010 and three months ended and as of March 31, 2011 in accordance with IFRS. In contemplation of the Listing, we compiled our financial information during the Track Record Period, including that for the years ended and as of December 31, 2008 and 2009, in accordance with IFRS.

For the purpose of this Global Offering, you should read our discussion and analysis in this prospectus together with the accountants’ report set out in Appendix I to this prospectus and should not place any reliance on any of the Underlying Financial Information or any of our other public filings in Singapore. For information about our corporate history as a Singapore-listed company, please refer to the section entitled “History and Development—Delisting of the Company from the SGX-ST.”

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and our financial condition have been and will continue to be affected by a number of factors, including those set out below.

Levels of Per Capita Consumer Spending in China

Our results of operations are directly affected by the levels of per capita consumer spending in China, which are driven by per capita disposable income. Per capita disposable income is in turn affected by the economic growth in China. We have benefited from the rapid growth of the PRC economy, which achieved a CAGR in GDP of approximately 14.4% from RMB26,581 billion in 2007 to RMB39,799 billion in 2010. With the rapid economic growth, per capita annual disposable income

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of urban population in China grew from RMB13,786 in 2007 to RMB17,175 in 2009, representing a CAGR of approximately 11.6%, according to the Euromonitor Report. The per capita annual disposable income of female population has also experienced fast growth in recent years, rising from RMB8,362 in 2007 to RMB10,525 in 2009 representing a CAGR of approximately 12.2%, and is expected to continue to increase to RMB14,217 by 2012, according to the Euromonitor Report. As per capita disposable income of urban population and per capita annual disposable income of female population increase in China, so does the consumer spending, especially the spending on the consumption of branded fashion products such as women's footwear. From 2007 to 2010, the total retail sales of women's footwear in China grew from RMB91.0 billion to RMB119.1 billion, representing a CAGR of approximately 9.4%, according to the Euromonitor Report. We expect that our results of operations will continue to be affected by the levels of per capita consumer spending in China as a result of the changes in the growth of economy and per capita disposable income in China.

Expansion of Our Sales Network

Our performance and growth is affected by our ability to expand our network of proprietary outlets and increase our same-store sales. Our revenue has grown in tandem with the increase of our proprietary outlets during the Track Record Period. As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had 721, 785, 972 and 1,015 proprietary outlets, respectively. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our revenue generated from proprietary outlets was RMB758.5 million, RMB972.1 million, RMB1,214.6 million and RMB367.2 million, respectively. We achieved the same-store sales growth rate of approximately 17.7% from 2008 to 2009 and approximately 12.3% from 2009 to 2010.

We wholesale our products to authorized distributors, who in turn retail such products through their own retail outlets, i.e., third-party outlets, in China. As of December 31, 2008, 2009 and 2010 and March 31, 2011, our authorized distributors had 207, 260, 317 and 344 third-party outlets, respectively. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our revenue generated from our wholesale to authorized distributors were RMB69.4 million, RMB123.7 million, RMB152.4 million and RMB52.3 million, respectively.

Our sales network is crucial to our growth and success. On the one hand, we actively manage our proprietary outlets to increase the revenue per outlet; on the other hand, we closely monitor and evaluate the performance of our authorized distributors and establish long-term relationship with them where appropriate. Our results of operations will continue to be affected by our ability to maintain and expand our sales network through both proprietary outlets and authorized distributors.

Our Business Mix

Our business is organized into two segments: retail and wholesale of branded footwear and contract manufacturing of footwear, which have different gross profit margins. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our retail and wholesale segment had a gross profit margin of 62.4%, 55.2%, 67.7% and 66.4%, respectively. Our retail segment generally has a higher gross profit margin as compared with our contract manufacturing segment because, for the retail segment, we have our self-developed footwear brands except for one licensed brand and a higher level of vertical integration along the industrial chain. We expect the contribution of our retail and wholesale segment to our gross profits will continue to grow and intend to maintain our current scale of contract manufacturing segment. We have launched a new brand,

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“FABIOLA,” in the first half of 2011 and launched another new brand, “SUNDANCE,” in August 2011 in order to further strengthen our retail and wholesale business. If our business mix changes, our results of operations will be affected as a result.

Seasonality Effects

Our business is affected by seasonal fluctuations in demand for women’s footwear, with sales for our women’s footwear products generally higher during major holidays and festivals, as compared with the sales in other periods of a financial year. In addition, we typically generate more revenue from the fall and winter seasons of a year than from the spring and summer seasons primarily because the shoes we sell in fall and winter seasons generally have higher prices than the shoes we sell in spring and summer seasons and there are more holidays and festivals in fall and winter seasons. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance.

Weather pattern may also change the consumers’ preferences. Usually, consumers tend to purchase lighter and thinner footwear products when the weather is relatively warm, and heavier and thicker footwear products when the weather is relatively cold. As such, if the weather pattern is different from what we have expected, we may not have suitable footwear products to meet consumers’ demand. Accordingly, our revenue and inventory will be affected by any changes in consumer behavior due to seasonality effects.

Competition in the Women’s Footwear Industry

The women’s footwear industry in China is highly fragmented and competitive and such competition has been intensifying in the past three years. Some of the footwear manufacturers, similar to us, who also maintain a national distribution network, have chosen to expand their business by raising capital through initial public offerings. As the raw material costs and labor in China for shoe manufacturing is low, many local footwear retailers with better sales distribution have emerged. According to the Euromonitor Report, the top 10 of mid-to-premium women’s footwear brands account for 59.4% of the total estimated retail sales in 2010.

We primarily compete in the PRC women’s footwear market with footwear retailers with national distribution networks, and some others with local brands. According to the Euromonitor Report, we are the second largest retailer of women’s formal and casual footwear in China based on estimated retail sales in 2010, and our brand “C.banner” is ranked the fourth among women’s formal and casual footwear brands in China based on estimated retail sales in 2010 in the mid-to-premium segment. As we intend to expand our product portfolio and launch new products to broaden our customer base, we expect that our competition with our competitors will intensify. Our results of operations will continue to be affected by our ability to maintain our competitive advantages and effectively compete with other women’s footwear companies in China.

Cost of Raw Materials

It is crucial for us to obtain sufficient amount of raw materials required for our production of women’s footwear in a timely manner at competitive prices. The raw materials used in the manufacturing of our women’s footwear include leather, fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. For the years ended December 31, 2008, 2009, 2010 and the three months

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ended March 31, 2011, the cost of leather accounted for 36.4%, 45.7%, 43.1% and 30.6% of our total cost of production of footwear manufactured by ourselves, respectively, and our total cost of production of footwear manufactured by ourselves amounted to RMB394.1 million, RMB322.6 million, RMB387.9 million and RMB78.1 million, respectively. The cost of leather refers to the cost of the leather used in manufacturing semi-finished products and finished products during the relevant periods, which excludes (i) the cost of the leather that has already been incorporated into the semi-finished products at the beginning of the relevant periods and (ii) the cost of the leather included in our outsourced semi-finished products. For the years ended December 31, 2008, 2009, 2010 and the three months ended March 31, 2011, our cost of leather amounted to RMB143.3 million, RMB147.5 million, RMB167.0 million and RMB23.9 million, respectively.

We source most of our raw materials from China and import a small portion for contract manufacturing. The prices of our raw materials fluctuate depending on market conditions. In particular, the prices of leather, our main raw material, are subject to seasonal fluctuations and have been increasing in the past three years. Although we try to stock up, or enter into agreements to buy, leather when its price is relatively low during the year, such strategy may not be successful and we are unable to avoid the impact of the overall increase in leather prices. If we are unable to control the cost of our raw materials, our results of operations will be affected accordingly.

Concessionaire and Rental Fees

For our department store outlets, we pay concessionaire fees calculated as a percentage of our total retail sales amount to the department stores for the use of retail space. For our independent store outlets, we pay rentals for lease of the store spaces. Concessionaire and rental fees accounted for 22.0%, 19.6%, 23.2% and 21.8% of our total revenue for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. Any changes in the applicable concessionaire and rental fees in the future will affect our selling and distribution expenses and our profitability. In addition, as we plan to expand our proprietary outlets, we expect that our total concessionaire and rental fees will increase accordingly.

Taxation

Our net profit is affected by the income tax rates and tax exemptions applicable to us. The enterprise income tax generally applicable in China has been changed from 33% to 25% of taxable income since January 1, 2008.

However, our subsidiaries, Nanjing Mayflower and Nanjing Soft, both foreign-invested enterprises in China, were entitled to an exemption from the enterprise income tax for two years starting from their first profit-making year, followed by a 50% tax relief for the following three years. As a result, Nanjing Mayflower enjoyed the first tax exemption year in 2004 and the second in 2005, and a 50% tax relief for the three years ended December 31, 2008. Nanjing Soft enjoyed the first tax exemption year in 2006, and a 50% tax relief for the three years ended December 31, 2010. Our effective income tax rates were 15.8%, 26.4%, 28.2% and 26.5%, for 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. Any changes in the enterprise income tax rate applicable to us may have a significant impact on our net profits.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial information in conformity with IFRS requires us to adopt accounting policies and make estimates and assumptions that affect amounts reported in our financial information. In applying these accounting policies, we make subjective and complex judgments that frequently require estimates and assumption about matters that are inherently uncertain. The following sections discuss certain key accounting policies, estimates and assumptions applied in preparing our financial information.

Revenue Recognition

For the retail of branded footwear through proprietary outlets, revenue is recognized when the goods are sold to the customers in proprietary outlets, which we consider to be the time when the significant risks and rewards of ownership of the goods are transferred to the customers.

For the wholesale of branded footwear to authorized distributors, revenue is recognized when the goods are delivered to the distributors, which we consider to be the time when the significant risks and rewards of ownership of the goods are transferred to the distributors.

For the internet sales through website owned by third parties, revenue is recognized when the goods are delivered and the customer confirms receipt of the goods with the payment for the goods made through the website, which we consider to be the time when the significant risks and rewards of ownership of the goods are transferred to the customers.

Revenue is measured at the fair value of the consideration received or receivable from customers and authorized distributors after deduction of estimated customer returns, rebates, discounts, sales related taxes and other similar allowances.

Sales of goods that result in award credits being granted to customers under our VIP programs, a customer loyalty program, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits that are earned by the customers. The portion allocated to the award credits is deferred and recognized as revenue when the award credits are redeemed and our obligations have been fulfilled. The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for goods, relative to the total number expected to be redeemed. Our VIP programs were first launched in May 2010 with a term of one or two years. As such, no award credits expired or were confirmed to be not redeemed during the Track Record Period. We review the total number of award credits expected to be redeemed at the end of each annual reporting period, taking into account various factors including the number of award credits not redeemed by the customers upon expiration. In view of the short period of operation of our customer loyalty program, and lack of historical information regarding the proportion of award credits that would be redeemed during the valid period of the award credits, our Directors, in determining the total number of award credits expected to be redeemed, estimate that no customer will not redeem the award credits under our customer loyalty program and all of the award credits earned by the customers would be redeemed within one year. The amount of deferred revenue recognized is accordingly classified as current liability at the end of the reporting period. This estimate will be reviewed on an ongoing basis, and revision to the total number of award credits expected to be redeemed will be made if there is significant difference between the actual number of award credits redeemed and the expected number redeemed in the future.

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Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

We recognize depreciation of property, plant and equipment so as to write off the cost of assets, other than properties under construction, less their residual values over their useful lives, using the straight-line method. Our property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings:	4.5%
Machinery:	9%
Fixtures and equipment:	18%
Motor vehicles:	18%
Leasehold improvements:	18% or over the term of the lease, whichever is shorter.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. During the Track Record Period, we are satisfied that there was no change in the estimated useful lives of our property, plant and equipment from prior years.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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Inventories

Inventories comprise raw materials, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

For finished goods, our Directors estimate that the net realizable value of finished goods with an aging within one year exceeds the cost, as those inventories are in the season and the gross margin from sale of those inventories is sufficient to cover the cost to make the sale. As such, no provision is made. The net realizable value of finished goods with an aging over one year but within three years is estimated by reference to the estimated selling price of those inventories. For out-of-season inventories, we will offer more discount to customers to promote the sale of those inventories. With reduced selling prices, we will in turn reduce the estimated net realizable value to be lower than the cost. Therefore, such inventories are written down to their estimated net realizable values. For inventories with an aging of over three years, full provision will be made as the Directors estimate that there are no economic benefits expected to generate from these inventories. Work in progress are in relation to the in-the-season products, by reference to the net realizable value of those in-the-season finished goods, the Directors estimate that the provision is not necessary. Raw materials, which mainly consist of leather, are purchased based on the actual production orders, and could be used for production of many kinds of design of our products. Our raw materials with an aging of over one year are mainly those purchased for some specific designs of our products, and could not be used for other products. We will try to sell them to other manufacturers, as those inventories are still in good condition for other manufacturers. The net realizable value of those inventories is estimated based on the estimated selling price to other manufactures, and provision is made accordingly.

We regularly inspect and review our inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and realizable value. The identification of impairment of inventories requires the use of judgment and estimate of expected net realizable value. Where the estimated net realizable value is lower than the cost, a material impairment loss may arise.

When subsequent evaluations show the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, write-downs of inventories previously recognized are reversed.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets to determine whether there is any indication that those assets have sustained an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or a cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or the cash-generating unit, is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

At the end of each reporting period, we review the carrying amounts of our property, plant and equipment and prepaid lease payments to determine whether there is any indication that those assets have sustained an impairment loss. If any such indication exists, we carry out impairment reviews of our property, plant and equipment and prepaid lease payments. In making the judgment, we consider the future cash flows expected to arise from the cash-generating unit and suitable discount rates in order to calculate the present value.

Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash generating unit, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, or cash-generating unit, in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Impairment of Trade and Other Receivables

Trade and other receivables are carried at amortized cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. In making the judgment, we considered the procedures that have been in place to monitor this risk as a significant proportion of our working capital is devoted to trade and other receivables. In determining whether allowance for bad and doubtful debts is required, we take into consideration the aging status and the likelihood of collection. Specific allowance is only made for trade and other receivables that are unlikely to be collected. In this regard, we are satisfied that adequate allowance for doubtful debts has been made in light of our historical records.

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SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out our selected financial information for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2008 (RMB'000)	2009 (RMB'000)	2010 (RMB'000)	2010 (RMB'000) (unaudited)	2011 (RMB'000)
Continuing operations					
Revenue	1,043,959	1,284,924	1,574,963	373,545	465,096
Cost of sales	(479,357)	(633,733)	(602,671)	(164,040)	(176,103)
Gross profit	564,602	651,191	972,292	209,505	288,993
Other income and other gains and losses	7,811	10,787	9,076	2,798	4,174
Distribution and selling expenses	(378,787)	(468,034)	(652,993)	(143,314)	(178,695)
Administrative and general expenses	(55,605)	(64,883)	(84,771)	(25,527)	(20,837)
Finance costs	(613)	(1,015)	(903)	(780)	(185)
Share of losses of joint venture	(10,560)	(4,410)	(2,996)	(1,402)	(436)
Profit before tax	126,848	123,636	239,705	41,280	93,014
Income tax expense	(20,004)	(32,603)	(67,643)	(10,756)	(24,660)
Net profit for the year/period from continuing operations	106,844	91,033	172,062	30,524	68,354
Discontinued operations					
Loss for the year/period from discontinued operations	(419)	(11,402)	(2,207)	(471)	—
Net profit and total comprehensive income for the year/period attributable to owners of the Company	<u>106,425</u>	<u>79,631</u>	<u>169,855</u>	<u>30,053</u>	<u>68,354</u>

CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue from continuing operations represents the net value of goods sold, after value-added taxes, estimated customer returns, rebates, discounts, sales-related taxes and other similar allowances, after elimination of intra-group sales. We derive our revenue principally from the retail and wholesale, and contract manufacturing, of women's footwear.

Our retail revenue from continuing operations includes the concessionaire fees we pay to the department stores for our department store outlets, but excludes the amount of credits we grant to our customers pursuant to our VIP program based on the points they have accumulated. We account for such VIP credits as our deferred revenue on our balance sheets and will recognize them in our revenue when our VIP customers use the credits to purchase our goods or when such credits expire under the program. As of March 31, 2011, such deferred revenue was RMB10.7 million. For more details about our VIP program, please see the section entitled "Business—Marketing and Promotion—VIP Member Programs" in this prospectus.

Our wholesale revenue from continuing operations, which primarily includes the revenue received from our authorized distributors, also includes the revenue generated from our internet sales primarily through websites owned by third parties.

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Revenue breakdown by sales channels

The table below sets out our revenue from (i) our retail and wholesale segment, and (ii) our contract manufacturing segment, and provides their respective percentage of our total revenue from continuing operations for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2008		2009		2010		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Retail and Wholesale										
Retail										
C.banner	613,701	58.8	749,896	58.4	894,534	56.8	232,861	62.3	262,743	56.5
EBLAN	127,179	12.2	192,984	15.0	276,481	17.6	58,651	15.7	92,252	19.8
Naturalizer	17,577	1.7	29,221	2.3	43,551	2.8	7,962	2.1	12,218	2.6
Subtotal	758,457	72.7	972,100	75.7	1,214,566	77.1	299,475	80.2	367,214	79.0
Wholesale	69,393	6.6	123,744	9.6	152,350	9.7	25,059	6.7	52,293	11.2
Contract Manufacturing	216,109	20.7	189,079	14.7	208,047	13.2	49,011	13.1	45,589	9.8
Total revenue	<u>1,043,959</u>	<u>100.0</u>	<u>1,284,924</u>	<u>100.0</u>	<u>1,574,963</u>	<u>100.0</u>	<u>373,545</u>	<u>100.0</u>	<u>465,096</u>	<u>100.0</u>

In our retail and wholesale segment, retail of branded footwear is our main sales channel, contributing 72.7%, 75.7%, 77.1% and 79.0% of our total revenue from continuing operations for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. The increase in our revenue from retail segment during the Track Record Period was primarily due to the increase of the number of proprietary outlets and the increase of revenue generated from individual outlets. As of December 31, 2008, 2009, 2010 and the three months ended March 31, 2011, we had 721, 785, 972 and 1,015 proprietary outlets, respectively. We achieved the same-store sales growth rate of approximately 17.7% from 2008 to 2009 and approximately 12.3% from 2009 to 2010.

In our retail and wholesale segment, wholesale of branded footwear contributed 6.6%, 9.6%, 9.7% and 11.2% of our total revenue from continuing operations for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. The increase in our revenue from wholesale segment during the Track Record Period was primarily due to the increase of the number of third-party outlets in connection with our market expansion as well as what we consider the improved market recognition of our self-developed footwear brands. As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had 207, 260, 317 and 344 third-party outlets, respectively.

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During the Track Record Period, our revenue from the retail and wholesale segment generally grew in tandem with the expansion of our proprietary outlets and third-party outlets. The table below sets out a breakdown of the number of such outlets as of the dates indicated.

	<u>December 31,</u>			<u>March 31,</u>	
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2010</u>	<u>2011</u>
Proprietary Outlets					
C.banner	494	544	623	556	642
EBLAN	188	210	307	238	326
Naturalizer ⁽¹⁾	39	31	42	38	47
Subtotal	<u>721</u>	<u>785</u>	<u>972</u>	<u>832</u>	<u>1,015</u>
Third-party Outlets					
C.banner	160	194	230	209	252
EBLAN	46	65	87	69	92
Naturalizer	1	1	—	—	—
Subtotal	<u>207</u>	<u>260</u>	<u>317</u>	<u>278</u>	<u>344</u>
Total	<u><u>928</u></u>	<u><u>1,045</u></u>	<u><u>1,289</u></u>	<u><u>1,110</u></u>	<u><u>1,359</u></u>

(1) In August 2011, we entered into an agreement to sell all of our “Naturalizer” proprietary outlets in Shanghai to Dongguan B&H, the wholly owned subsidiary of our joint venture Hong Kong B&H, and we expect to complete the sale by January 2012. As of March 31, 2011, we had four “Naturalizer” proprietary outlets in Shanghai. For more information, see the section entitled “—Our Product Portfolio—Our licensed footwear brand” in this prospectus.

The table below sets out the average monthly revenue generated from our individual proprietary outlets for the periods indicated.

	<u>Year ended December 31,</u>			<u>Three months ended</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>March 31, 2011</u>
Average monthly revenue per proprietary outlet (RMB'000) ⁽¹⁾	97	108	115	123

(1) The revenue does not include value-added tax. Average monthly revenue per proprietary outlet equals the total revenue generated from all the proprietary outlets during the relevant period divided by the average number of proprietary outlets during such period and further divided by the number of months during such period. The average number of proprietary outlets during the relevant period equals the number of proprietary outlets at the beginning of such period plus the number of proprietary outlets at the end of such period divided by two.

Our average monthly wholesale revenue attributable to each third-party outlet is lower than our average monthly retail revenue per proprietary outlet. This is primarily because our average monthly wholesale revenue attributable to each third-party outlet is based on wholesale prices we offer to authorized distributors, which generally have a substantial discount as compared with the retail prices of the same products sold in our proprietary outlets. In addition, as our authorized distributors primarily operate third-party outlets in areas other than first-to-third-tier cities, they tend to purchase more products towards the lower ends of our product offerings, which have relatively lower prices accordingly.

Our contract manufacturing segment contributed 20.7%, 14.7%, 13.2% and 9.8% of our total revenue from continuing operations for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. The decrease as a percentage of our total revenue from contract manufacturing segment during the Track Record Period was primarily due to the faster revenue growth of our retail and wholesale segment. As we maintained the scale of our contract manufacturing segment and did not expand production lines, our revenue generated from contract manufacturing was relatively stable and its percentage of our total revenue decreased during the Track Record Period.

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Revenue breakdown by regions

The table below sets out our revenue from continuing operations derived from each of our sales regions, and provides their respective percentage of total revenue from continuing operations for the periods indicated. Our revenue from China was primarily generated from our retail and wholesale segment, while our revenue from the United States and other regions was primarily generated from our contract manufacturing segment.

	Year ended December 31,						Three months ended March 31,			
	2008		2009		2010		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
China	830,114	79.5	1,096,883	85.4	1,367,417	86.8	324,534	86.9	419,507	90.2
United States . . .	114,284	10.9	160,581	12.5	207,546	13.2	49,011	13.1	45,589	9.8
Others	99,561	9.5	27,460	2.1	—	—	—	—	—	—
Total revenue . . .	<u>1,043,959</u>	<u>100.0</u>	<u>1,284,924</u>	<u>100.0</u>	<u>1,574,963</u>	<u>100.0</u>	<u>373,545</u>	<u>100.0</u>	<u>465,096</u>	<u>100.0</u>

The table below sets out our retail revenue generated from our proprietary outlet by region for the year ended December 31, 2010 and the three months ended March 31, 2011.

Region	Year ended	Three months ended
	December 31, 2010	March 31, 2011
	(RMB'000)	(RMB'000)
Northeastern China	159,066	47,659
Beijing Region	73,339	20,624
Tianjin Region	99,955	30,666
Northwestern China	95,496	30,203
Central China	56,933	16,039
Eastern China	306,096	92,234
Zhejiang Region	117,763	35,263
Shanghai Region	97,231	30,317
Southwestern China	107,743	30,171
Southern China	100,944	34,037
	<u>1,214,566</u>	<u>367,214</u>

For purposes of this prospectus only:

- Northeastern China comprises Jilin, Liaoning and Heilongjiang provinces;
- Beijing Region comprises Beijing, Inner Mongolia autonomous region, and Zhangjiakou and Qinhuangdao cities of Hebei province;
- Tianjin Region comprises Tianjin, and Shandong and Hebei provinces (except Zhangjiakou and Qinhuangdao cities of Hebei province);
- Northwestern China comprises Shanxi, Shaanxi, Qinghai, Gansu and Henan provinces, and Xinjiang and Ningxia autonomous regions;
- Central China comprises Hunan and Hubei provinces;
- Eastern China comprises Jiangsu (excluding Wuxi and Suzhou cities), Anhui and Jiangxi provinces;
- Zhejiang Region comprises Zhejiang province, and Wuxi and Suzhou cities of Jiangsu province;

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- Shanghai Region comprises Shanghai;
- Southwestern China comprises Sichuan, Guizhou, and Yunan provinces, Chongqing, and Tibet autonomous region; and
- Southern China comprises Guangdong, Hainan and Fujian provinces and Guangxi autonomous region.

Cost of Sales

Our cost of sales primarily consists of raw material costs, direct labor costs, production costs, such as utilities, and outsourced products costs. The table below sets out a breakdown of our cost of sales from continuing operations by sales channels and their respective percentage of total cost of sales from continuing operations for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2008		2009		2010		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Retail and Wholesale . . .	311,097	64.9	490,614	77.4	441,743	73.3	125,319	76.4	141,024	80.1
Contract manufacturing	168,260	35.1	143,120	22.6	160,927	26.7	38,721	23.6	35,079	19.9
Total cost of sales	<u>479,357</u>	<u>100.0</u>	<u>633,733</u>	<u>100.0</u>	<u>602,671</u>	<u>100.0</u>	<u>164,040</u>	<u>100.0</u>	<u>176,103</u>	<u>100.0</u>

Other Income and Other Gains and Losses

We derive our other income and other gains and losses primarily from interest income on bank deposits, government grants, gain from changes in fair value of investment property, net foreign exchange gains and rental income.

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of concessionaire and rental fees for proprietary outlets, salaries for sales personnel (including commissions and bonuses), miscellaneous fees charged by department stores, outlet renovation expenses, advertisement fees, rental and property management fees for offices and transportation expenses.

The table below sets out the breakdowns of our distribution and selling expenses for the periods indicated.

	Year ended December 31,			Three months ended
	2008	2009	2010	March 31, 2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Concessionaire and rental fees for proprietary outlets	229,284	251,722	364,984	101,233
Salaries for sales personnel (including commissions and bonuses)	81,924	103,349	127,224	41,473
Miscellaneous fees charged by department stores	24,012	40,575	46,014	12,986
Outlet renovation expenses	9,603	16,142	34,084	8,174
Advertisement fees	6,938	11,053	19,599	2,482
Rental and property management fees for offices	5,453	11,332	12,912	3,380
Transportation expenses	6,437	8,617	12,344	1,958
Others	15,136	25,244	35,833	7,009
Total	<u>378,787</u>	<u>468,034</u>	<u>652,993</u>	<u>178,695</u>

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In particular, during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we paid salaries for sales personnel (including commissions and bonuses) of our retail business in the amount of RMB68.4 million, RMB89.0 million, RMB113.8 million and RMB35.1 million, respectively. The above salaries for sales personnel of our retail business primarily comprise two parts: (i) non-incentive basic salaries, which are not directly related to the sales performance of the relevant personnel or outlets, and (ii) commissions and bonuses, which depend on the sales performance of the relevant personnel or outlets or both as well as local market conditions. We pay the two parts of such salaries together each time we pay our sales personnel. Our sales personnel's commissions generally range from approximately 1.2% to 3.6% of their corresponding sales revenue (including value-added tax).

In order to effectively monitor and control our distribution and selling expenses, our headquarters has set forth the maximum levels of concessionaire fees for different geographical areas and different types of department stores, which are required to be followed by our regional divisions and branch offices during their negotiation with department stores. For the proposed concessionaire fees that exceed such maximum levels, special applications must be made to our headquarters for their approval. In addition, we formulate our standards for the basic salaries and commissions and bonus of our sales personnel at our headquarters level in a centralized way and strictly enforce such standards in order to manage and control such expenses. Moreover, the design, decoration and renovation of our outlets are conducted pursuant to our unified standards and the corresponding expenses are also managed in a centralized manner for better control of such expenses. We manage our other distribution and selling expenses through our yearly and monthly budget and monitor and control their implementations through our internal management procedures.

Administrative and General Expenses

Our administrative and general expenses primarily consist of salaries and bonuses for management and administrative personnel, depreciation and amortization, banking handling fees, auditing and consulting fees, travel expenses and office expenses.

Finance Costs

Our finance costs consist of interest on short-term bank loans.

Share of Losses of Joint Venture

Our share of losses of joint venture consists of our losses resulting from our 49% interest in Hong Kong B&H. For further details, see the section entitled "Business—Our Product Portfolio—Our licensed footwear brand" in this prospectus and Note 20 in the Accountants' Report included in Appendix I attached to this prospectus.

Income Tax Expenses

Our income tax expenses represent corporate income tax for the entities comprising our group, including PRC enterprise income tax, PRC withholding income tax and overseas income tax. Neither our Company nor our overseas subsidiaries have had assessable profits subject to local income tax since their incorporation.

The enterprise income tax generally applicable in China has been changed from 33% to 25% of taxable income since January 1, 2008. However, our subsidiaries Nanjing Mayflower and Nanjing

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Soft, being both foreign-invested enterprises in China, were entitled to an exemption from the enterprise income tax for two years starting from their first profit-making year, followed by a 50% tax relief for the following three years. As a result, Nanjing Mayflower enjoyed the first tax exemption year in 2004, and a 50% tax relief for the three years ended December 31, 2008. Nanjing Soft enjoyed the first tax exemption year in 2006, and a 50% tax relief for the three years ended December 31, 2010. The applicable income tax rates for our other PRC subsidiaries have been 25% since January 1, 2008.

PRC withholding income tax is applicable to dividends payable to investors that are non-PRC tax resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within China. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong shall be subject to the withholding tax at 5%.

Loss for the Year/Period from Discontinued Operations

In December 2010, we completed the disposal of a subsidiary, Jiangsu Unity, which carried out all of our retail and wholesale of international and domestic branded apparel operations pursuant to a sale agreement we entered on December 8, 2010. For further details, please refer to the section entitled “Reorganization—Detailed Reorganization Steps—Disposal of Jiangsu Unity” in this prospectus. The table below sets out selected financial information of Jiangsu Unity for the two years ended December 31, 2008 and 2009 and for the period from January 1, 2010 to December 8, 2010.

	Year ended December 31,		Period from January 1 to December 8,
	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	66,779	32,350	18,324
Cost of sales	(52,070)	(28,860)	(15,569)
Gross profit	14,709	3,490	2,755
Other income and other gains and losses	328	74	—
Distribution and selling expenses	(12,194)	(11,787)	(3,617)
Administrative and general expenses	(3,592)	(2,604)	(1,345)
Loss before tax	(749)	(10,827)	(2,207)
Income tax credit (expense)	330	(575)	—
Loss for the year/period	<u>(419)</u>	<u>(11,402)</u>	<u>(2,207)</u>

Dividends

We distributed dividends in the amount of RMB26.8 million, nil, RMB191.6 million and RMB64.4 million for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

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RESULTS OF OPERATIONS

Three Months Ended March 31, 2011 Compared with Three Months Ended March 31, 2010

Revenue. Our revenue from continuing operations increased by 24.5% to RMB465.1 million in the three months ended March 31, 2011 from RMB373.5 million in the three months ended March 31, 2010. This increase was primarily due to the business expansion of our retail and wholesale of branded footwear as well as the increase of footwear selling prices of our self-developed brands.

Retail. Revenue from our retail sales of footwear increased by 22.6% to RMB367.2 million in the three months ended March 31, 2011 from RMB299.5 million in the three months ended March 31, 2010. This increase was primarily due to the increase of the number of our proprietary outlets, the same-store sales growth of our proprietary outlets and, to a lesser extent, the increase of our retail prices. The number of our proprietary outlets increased by 22.0% from 832 as of March 31, 2010 to 1,015 as of March 31, 2011.

Wholesale. Revenue from our wholesale sales of footwear increased by 108.7% to RMB52.3 million in the three months ended March 31, 2011 from RMB25.1 million in the three months ended March 31, 2010. This increase was primarily due to the increase of our wholesale volume in connection with the expansion of third-party outlets network, and the increase of our wholesale prices. The number of third-party outlets increased by 23.7% from 278 as of March 31, 2010 to 344 as of March 31, 2011.

Contract manufacturing. Revenue from our contract manufacturing sales of footwear decreased by 7.0% to RMB45.6 million in the three months ended March 31, 2011 from RMB49.0 million in the three months ended March 31, 2010. This decrease was primarily due to a decrease in the volume of our contract manufacturing orders during the corresponding periods. However, our gross margin remained stable.

Cost of sales. Our cost of sales increased by 7.4% to RMB176.1 million in the three months ended March 31, 2011 from RMB164.0 million in the three months ended March 31, 2010. This increase was primarily due to an increase in revenue by 24.5% during the corresponding periods, partially offset by (i) a decrease in the cost of sales by 9.4% from RMB38.7 million in the three months ended March 31, 2010 to RMB35.1 million in the three months ended March 31, 2011 for our contract manufacturing segment in line with the decreased revenue in this segment, and (ii) a decrease in cost of sales as a result of the commencement of production at our Suining production facility in March 2010, which increased the proportion of our products manufactured by ourselves. The cost of sales of the footwear we manufacture is generally lower than that of the footwear we purchase from third-party manufacturers.

Gross profit. As a result of the foregoing, our gross profit from continuing operations increased by 37.9% to RMB289.0 million in the three months ended March 31, 2011 from RMB209.5 million in the three months ended March 31, 2010. The gross profit margin of continuing operations for the three months ended March 31, 2011 increased to 62.1% from 56.1% for the three months ended March 31, 2010 primarily due to (i) our higher average unit selling prices in the three months ended March 31, 2011, and (ii) the commencement of production at our new production facility at Suining in March 2010, which increased the proportion of our products manufactured by ourselves and, as a result, lowered our average unit cost of sales in the three months ended March 31, 2011.

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Other income and other gains and losses. Our other income and other gains and losses increased by 49.2% to RMB4.2 million in the three months ended March 31, 2011 from RMB2.8 million in the three months ended March 31, 2010. This increase was primarily due to an increase of RMB4.3 million in government grants, partially offset by a decrease of RMB1.4 million in interest income on bank deposits.

Distribution and selling expenses. Our distribution and selling expenses of continuing operations increased by 24.7% to RMB178.7 million in the three months ended March 31, 2011 from RMB143.3 million in the three months ended March 31, 2010. This increase was primarily due to (i) an increase of RMB20.2 million in concessionaire and rental fees, which is generally charged as a percentage of our revenue, as a result of the increase in our revenue, (ii) an increase of RMB11.6 million in staff salaries and benefits as a result of an increase in the number of sales staff in connection with our expansion, an increase in sales commissions and bonuses in line with the increase in our revenue, and an increase in staff salaries.

Administrative and general expenses. Our administrative and general expenses of continuing operations decreased by 18.4% to RMB20.8 million in the three months ended March 31, 2011 from RMB25.5 million in the three months ended March 31, 2010. The decrease was primarily due to the share option expenses in the amount of RMB7.5 million we recognized in the three months ended March 31, 2010. In the three months ended March 31, 2011, we did not incur such share option expenses, but recorded expenses in the amount of RMB4.1 million relating to the Global Offering.

Finance costs. Our finance costs of continuing operations decreased by 76.3% to RMB0.2 million in the three months ended March 31, 2011 from RMB0.8 million in the three months ended March 31, 2010. The decrease was primarily due to the interest incurred on our short-term bank loan in an amount of RMB40.9 million during the three months ended March 31, 2010. We repaid such short-term bank loan in late 2010.

Share of losses of joint venture. Our share of losses of joint venture decreased by 68.9% to RMB0.4 million in the three months ended March 31, 2011 from RMB1.4 million in the three months ended March 31, 2010. This decrease was primarily because the performance and results of operations of the joint venture, Hong Kong B&H, continued to improve in 2010 and the three months ended March 31, 2011.

Income tax expenses. Our income tax expenses of continuing operations increased by 129.3% to RMB24.7 million in the three months ended March 31, 2011 from RMB10.8 million in the three months ended March 31, 2010 in line with the increase of our income before tax. Our effective tax rate was 26.5% in the three months ended March 31, 2011, compared to 26.1% in the three months ended March 31, 2010.

Net profit for the year from continuing operations. As of the cumulative effect of the foregoing, our net profit for the year from continuing operations increased by 123.9% to RMB68.4 million in the three months ended March 31, 2011 from RMB30.5 million in the three months ended March 31, 2010. Our net profit margin of continuing operations increased from 8.2% in the three months ended March 31, 2010 to 14.7% in the three months ended March 31, 2011.

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Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Revenue. Our revenue from continuing operations increased by 22.6% to RMB1,575.0 million in 2010 from RMB1,284.9 million in 2009. This increase was primarily due to the business expansion of our retail and wholesale of branded footwear as well as the increase of footwear selling prices of our self-developed brands.

Retail. Revenue from our retail sales increased by 24.9% to RMB1,214.6 million in 2010 from RMB972.1 million in 2009. This increase was primarily due to the increase of the number of our proprietary outlets, the same-store sales growth of our proprietary outlets and the increase of our retail prices. The number of our proprietary outlets increased by 23.8% from 785 as of December 31, 2009 to 972 as of December 31, 2010. We achieved the same-store growth sales rate of 12.3% from 2009 to 2010.

Wholesale. Revenue from our wholesales increased by 23.1% to RMB152.4 million in 2010 from RMB123.7 million in 2009. This increase was primarily due to the increase of our wholesale volume in connection with the expansion of third-party outlets and the increase of our wholesale prices. The number of third-party outlets increased by 21.9% from 260 as of December 31, 2009 to 317 as of December 31, 2010.

Contract manufacturing. Revenue from our contract manufacturing operations increased by 10.0% to RMB208.0 million in 2010 from RMB189.1 million in 2009. This increase was primarily due to the increase in both contract manufacturing prices and volume.

Cost of sales. Our cost of sales of continuing operations decreased by 4.9% to RMB602.7 million in 2010 from RMB633.7 million in 2009. This decrease was primarily because (i) we took the advantage of the low raw material prices at the end of 2009 and entered into agreements to buy a significant amount of raw materials at the relatively low prices which were delivered and used in 2010, and (ii) our new production facility at Suining commenced production, which increased the proportion of our products manufactured by ourselves. The cost of sales of the footwear we manufacture is generally lower than that of the footwear we purchase from third-party manufacturers.

Gross profit. As a result of the foregoing, our gross profit from continuing operations increased by 49.3% to RMB972.3 million in 2010 from RMB651.2 million in 2009. The gross profit margin of continuing operations for 2010 increased to 61.7% from 50.7% for 2009 primarily due to (i) our higher average unit selling prices in 2010, (ii) the commencement of production at our new production facility at Suining, which increased the proportion of our products manufactured by ourselves and, as a result, lowered our average unit cost of sales in 2010; and (iii) our entry into agreements to buy a significant amount of raw materials at the relatively low prices at the end of 2009, which were delivered and used in 2010.

Other income and other gains and losses. Our other income and other gains and losses from continuing operations decreased by 15.9% to RMB9.1 million in 2010 from RMB10.8 million in 2009. This decrease was primarily due to a decrease of RMB1.2 million in government grants.

Distribution and selling expenses. Our distribution and selling expenses of continuing operations increased by 39.5% to RMB653.0 million in 2010 from RMB468.0 million in 2009. This increase was primarily due to (i) an increase of RMB113.3 million in concessionaire and rental fees, which is generally charged as a percentage of our revenue, as a result of the increase in our revenue

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and an increase in concessionaire fees charged by department stores, (ii) an increase of RMB23.9 million in staff salaries and benefits as a result of an increase in the number of sales staff, an increase in sales commissions and bonuses, and an increase in staff salaries, (iii) an increase of RMB17.9 million in outlets renovation costs and (iv) an increase of RMB8.5 million in advertisement fees, all in connection with our market expansion.

Administrative and general expenses. Our administrative and general expenses of continuing operations increased by 30.7% to RMB84.8 million in 2010 from RMB64.9 million in 2009. This increase was primarily due to an increase of RMB14.5 million in salaries and bonuses for management and administrative personnel.

Finance costs. Our finance costs of continuing operations decreased by 11.0% to RMB0.9 million in 2010 from RMB1.0 million in 2009. This decrease was primarily due to our repayment of our short-term bank loan in an amount of RMB40.9 million in 2010.

Share of losses of joint venture. Our share of losses of joint venture decreased by 32.1% to RMB3.0 million in 2010 from RMB4.4 million in 2009. This decrease was primarily because the performance and results of operations of the joint venture, Hong Kong B&H, continued to improve in 2010.

Income tax expenses. Our income tax expenses of continuing operations increased by 107.5% to RMB67.6 million in 2010 from RMB32.6 million in 2009 in line with the increase of our income before tax. Our effective tax rate increased from 26.4% in 2009 to 28.2% in 2010. The increase was mainly because the increase of our withholding tax provided for the undistributed profits of our PRC entities from 1.4 million in 2009 to 5.5 million in 2010, which accounted for 1.1% and 2.3% of our income before tax for the year of 2009 and 2010, respectively. Please refer to Note 10 of the Accountants' Report in Appendix I attached to this prospectus for more details.

Net profit for the year from continuing operations. As of the cumulative effect of the foregoing, our net profit for the year from continuing operations increased by 89.0% to RMB172.1 million in 2010 from RMB91.0 million in 2009. Our net profit margin of continuing operations increased from 7.1% in 2009 to 10.9% in 2010.

Loss for the year from discontinued operations. Our loss for the year from discontinued operations decreased by RMB9.2 million to RMB2.2 million in 2010 from RMB11.4 million in 2009 primarily because we had sold a large amount of inventories at discounts from our discontinued retail and wholesale of international and domestic branded apparel operations through Jiangsu Unity and closed a sizable number of retail outlets of the discontinued operations by the end of 2009, which resulted in a substantial decrease of our distribution and selling expenses related to the discontinued operations in 2010 as compared with 2009. In addition, we disposed of Jiangsu Unity on December 8, 2010.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Revenue. Our revenue from continuing operations increased by 23.1% to RMB1,284.9 million in 2009 from RMB1,044.0 million in 2008. This increase was primarily due to the business expansion of our retail and wholesale of branded footwear.

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Retail. Revenue from our retail sales increased by 28.2% to RMB972.1 million in 2009 from RMB758.5 million in 2008. This increase was primarily due to the increase of the number of our proprietary outlets and the same-store sales growth of our proprietary outlets. The number of our proprietary outlets increased by 8.9% from 721 as of December 31, 2008 to 785 as of December 31, 2009. We achieved the same-store sales growth rate of 17.7% from 2008 to 2009.

Wholesale. Revenue from our wholesales increased by 78.3% to RMB123.7 million in 2009 from RMB69.4 million in 2008. This increase was primarily due to the increase in our wholesale volume in connection with the expansion of third-party outlets, our wholesale prices and the same-store sales of third-party outlets. The number of third-party outlets increased by 25.6% from 207 as of December 31, 2008 to 260 as of December 31, 2009.

Contract manufacturing. Revenue from our contract manufacturing operations decreased by 12.5% to RMB189.1 million in 2009 from RMB216.1 million in 2008. This decrease was primarily due to a decrease in the overall prices of our contract manufacturing orders. However, our gross margin remained stable.

Cost of sales. Our cost of sales of continuing operations increased by 32.2% to RMB633.7 million in 2009 from RMB479.4 million in 2008. This increase was primarily due to our increase in revenue by 23.1% from 2008 to 2009 and our increase in promotional activities with discounts offered to our customers during 2009 in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. In addition, such increase was in part due to a write-off of inventory in 2009, during which we were unable to sell a considerable portion of the footwear we produced in 2008 given our product mix and the overall economic conditions.

Gross profit. As a result of the foregoing, our gross profit from continuing operations increased by 15.3% to RMB651.2 million in 2009 from RMB564.6 million in 2008. The gross profit margin of continuing operations for 2009 decreased to 50.7% from 54.1% for 2008 primarily due to the decrease of our average unit selling prices in retail business. After the fourth quarter of 2008, when the global financial crisis hit, our Directors decided to increase our balance of cash by lowering our inventory level in 2009 to avoid potential cash flow difficulties in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. Accordingly, we increased our promotional activities in 2009 with deeper and more frequent discounts offered to our customers, which led to the decrease in our gross margin from 2008 to 2009.

Other income and other gains and losses. Our other income and other gains and losses from continuing operations increased by 38.1% to RMB10.8 million in 2009 from RMB7.8 million in 2008. This increase was primarily due to an increase of approximately RMB1.5 million in the changes in fair value of investment property, and an increase of approximately RMB0.9 million in interest income on bank deposits.

Distribution and selling expenses. Our distribution and selling expenses of continuing operations increased by 23.6% to approximately RMB468.0 million in 2009 from approximately RMB378.8 million in 2008. This increase was primarily due to (i) an increase of RMB22.4 million in concessionaire and rental fees, which is generally charged as a percentage of our revenue, as a result of the increase in our revenue, (ii) an increase of RMB21.4 million in staff salaries and benefits as a result of an increase in the number of sales staff, an increase in commissions and bonuses, and an increase in staff salaries, and (iii) an increase of RMB6.5 million in renovation costs, all in connection with our market expansion.

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Administrative and general expenses. Our administrative and general expenses of continuing operations increased by 16.7% to RMB64.9 million in 2009 from RMB55.6 million in 2008. This increase was primarily due to an increase of RMB4.9 million in salaries and bonuses for management and administrative personnel.

Finance costs. Our finance costs of continuing operations increased by 65.6% to RMB1.0 million in 2009 from RMB0.6 million in 2008. This increase was primarily due to increased interest in the short-term loans we incurred in October 2008, which remained outstanding in 2009.

Share of losses of joint venture. Our share of losses of joint venture decreased by 58.2% to RMB4.4 million in 2009 from RMB10.6 million in 2008. This decrease was primarily because the performance and results of operations of the joint venture, B&H Hong Kong, improved in 2009 as compared with 2008.

Income tax expenses. Our income tax expenses increased by 63.0% to RMB32.6 million in 2009 from RMB20.0 million in 2008 in line with the increase of our income before tax. Our effective tax rate was 26.4% in 2009, compared to 15.8% in 2008. This increase was primarily due to a decrease in the PRC tax exemptions from RMB19.0 million in 2008 to RMB4.3 million in 2009 as a result of the expiration of a 50% reduction in tax granted to Nanjing Mayflower. The PRC tax exemptions resulted in our lower effective tax rates in 2008 and 2009.

Net profit for the year from continuing operations. As of the cumulative effect of the foregoing, our net profit for the year from continuing operations decreased by 14.8% to RMB91.0 million in 2009 from RMB106.8 million in 2008. Our net profit margin of continuing operations decreased from 10.2% in 2008 to 7.1% in 2009.

Loss for the year from discontinued operations. Our loss for the year from discontinued operations increased by RMB11.0 million to RMB11.4 million in 2009 from RMB0.4 million in 2008 primarily because, in 2009, certain number of key third-party apparel companies terminated their brand licenses to Jiangsu Unity, the entity through which we conducted our discontinued retail and wholesale of international and domestic branded apparel operations. As such brand licenses were crucial to our discontinued operations, our revenue from discontinued operations decreased substantially in 2009. In addition, we had to sell our inventory at reduced price in order to minimize our loss.

The discontinuation of our apparel operations was a result of changes in both our own business strategies and those of the apparel brand licensors. Starting in 2008, we have decided to focus on the development of our women's footwear business and not to further develop licensed apparel brands. Additionally, well-known international apparel brands have since become less attractive to the department stores in China as compared to the time when we initially engaged in the apparel operations. Our previous apparel brand licensors were also inclined to operate the brands by themselves. Accordingly, after our previous licenses expired pursuant to their respective terms, we did not seek licenses of other apparel brands.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital, capital expenditures, dividend payments to our Shareholders and other capital requirements primarily through a combination of equity investments from our Shareholders, our own operating cash inflow and bank borrowings. We

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expect to continue to fund our future capital expenditures, working capital and other cash requirements from cash generated from our operations, the net proceeds from the Global Offering, and when necessary, bank borrowings.

Cash Flow

The following table presents selected cash flow data from our consolidated cash flow statements for each of the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2008 (RMB'000)	2009 (RMB'000)	2010 (RMB'000)	2010 (RMB'000) (unaudited)	2011 (RMB'000)
Net cash generated from operating activities	33,592	200,490	109,341	54,673	35,195
Net cash generated from/(used in) investing activities	(1,990)	(37,487)	6,157	7,943	(4,373)
Net cash generated from/(used in) financing activities	14,172	—	(232,468)	—	—
Net increase/(decrease) in cash and cash equivalents	45,774	163,003	(116,970)	62,616	30,822
Cash and cash equivalents at the beginning of year/period	69,602	115,376	278,379	278,379	161,409
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash . . .	<u>115,376</u>	<u>278,379</u>	<u>161,409</u>	<u>340,995</u>	<u>192,231</u>

Cash flows from operating activities

Net cash inflow from operating activities for the three months ended March 31, 2011 was RMB35.2 million while our profit before income tax for the same period was RMB93.0 million. The difference of RMB57.8 million primarily reflected adjustments by income statement items with noncash items and non-operating cash effect of RMB6.0 million, income taxes paid of RMB36.8 million, and a cash outflow of RMB27.0 million due to an increase in working capital balances. The increase in working capital balances was primarily caused by: (i) a decrease of RMB78.0 million in trade payables due to our payment made in the three months ended March 31, 2011 for the raw materials, semi-finished and finished products we purchased during the fourth quarter of 2010, the amount of which was substantially higher than that we purchased during the first quarter of 2011; and (ii) a decrease of RMB16.8 million in other payables due to the payment of bonus for the year 2010 to our Directors in the three months ended March 31, 2011. The above factors were partially offset by (i) a decrease of RMB47.5 million in inventories due to the sale in the three months ended March 31, 2011 of a substantial amount of shoes we stocked at the end of 2010 for winter sales; and (ii) a decrease of RMB21.5 million in trade receivables due to the overall lower prices for the shoes we sold in March 2011, as compared with those for the shoes we sold in December 2010. In general, the shoes we sell in December, such as boots, have higher prices than the shoes we sell in March, such as pumps. Our working capital balances increased in the three months ended March 31, 2011 in connection with our continued expansion and revenue growth.

Net cash inflow from operating activities for the year ended December 31, 2010 was RMB109.3 million while our profit before income tax for the same period was RMB237.5 million. The difference of RMB128.2 million primarily reflected adjustments by income statement items with non-

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cash items and non-operating cash effect of RMB25.9 million, income taxes paid of RMB38.7 million, and a cash outflow of RMB114.5 million due to an increase in working capital balances. The increase in working capital balances was primarily caused by: (i) an increase of RMB156.0 million in inventories due to the increase in both our revenue and the number of our proprietary outlets and third-party outlets; (ii) an increase of RMB28.1 million in other receivables due to the increase in prepayments for outlets renovation and deposits paid to department stores; and (iii) an increase of RMB7.3 million in trade receivables due to our increased sales. The above factors were partially offset by an increase of RMB65.3 million in trade payables due to the increase in our purchase of raw materials, semi-finished and finished products. Our working capital balances increased in 2010 in connection with our continued expansion and revenue growth.

Net cash inflow from operating activities for the year ended December 31, 2009 was RMB200.5 million while our profit before income tax for the same period was RMB112.8 million. The difference of RMB87.7 million primarily reflected adjustments by income statement items with non-cash items and non-operating cash effect of RMB33.3 million, income taxes paid of RMB25.7 million, and a cash inflow of RMB81.1 million due to a decrease in working capital balances. The decrease in working capital balances was primarily caused by: (i) a decrease of RMB66.6 million in inventories because we reduced our inventory in 2009 in anticipation of the sustained effect of the global financial crisis on the PRC footwear market; (ii) an increase of RMB30.2 million in trade payables due to the increase in our purchase of raw materials, semi-finished and finished products; and (iii) an increase of RMB26.9 million in other payables primarily due to the increase in value-added tax payable and deposits from wholesale customers. The above factors were partially offset by an increase of RMB42.2 million in trade receivables due to increased sales in 2009, especially by the end of 2009. Our working capital balances decreased in 2009 as we reduced our inventory during the year in anticipation of a sustained effect of the global financial crisis on the PRC footwear market.

Net cash inflow from operating activities for the year ended December 31, 2008 was RMB33.6 million while our profit before income tax for the same period was RMB126.1 million. The difference of RMB92.5 million primarily reflected adjustments by income statement items with non-cash items and non-operating cash effect of RMB34.8 million, income taxes paid of RMB21.3 million, and a cash outflow of RMB105.4 million due to an increase in working capital balances. The increase in working capital balances was primarily caused by: (i) an increase of RMB115.0 million in inventories due to the increase in both our revenue and the number of our proprietary outlets and third-party outlets; and (ii) a decrease of RMB14.0 million in trade payables due to the decrease in the delivery of raw materials, semi-finished and finished products we purchased at the end of 2008. The above factors were partially offset by (i) a decrease of RMB24.3 million in other receivables due to the decrease in our advance payments to suppliers; and (ii) a decrease of RMB6.2 million in trade receivables primarily due to the decrease in the sales from our discontinued operations. Our working capital balances increased in 2008 in connection with our continued expansion and revenue growth.

Cash flows from investing activities

Net cash used in investing activities for the three months ended March 31, 2011 was RMB4.4 million, primarily as a result of our payment of RMB6.9 million for acquisition of property, plant and equipment, partially offset by a decrease of RMB2.0 million in pledged bank deposits as we made payments for raw materials, semi-finished and finished products through notes payables. For notes payables, we pledge the deposits in their full amount to the issuing banks as security.

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Net cash inflow from investing activities for the year ended December 31, 2010 was RMB6.2 million, primarily as a result of RMB34.4 million received from disposal of a subsidiary, Jiangsu Unity, partially offset by our payment of RMB23.2 million for acquisition of property, plant and equipment and further investment into our joint venture, Hong Kong B&H.

Net cash used in investing activities for the year ended December 31, 2009 was RMB37.5 million, primarily as a result of RMB26.9 million used in acquisition of our subsidiary, Nanjing Ruihe, net of cash acquired, and payments for acquisition of property, plant and equipment of RMB8.8 million, partially offset by proceeds from the disposal of property, plant and equipment of RMB0.9 million.

Net cash used in investing activities for the year ended December 31, 2008 was RMB2.0 million, primarily as a result of payments for acquisition of property, plant and equipment of RMB12.5 million and investment in our joint venture, Hong Kong B&H, of RMB3.4 million.

Cash flows from financing activities

There was no net cash movement in financing activities for the three months ended March 31, 2011, primarily as a result of a short-term bank loan we raised in the amount of RMB64.4 million, offset by our dividend payments in the amount of RMB64.4 million.

Net cash used in financing activities for the year ended December 31, 2010 was RMB232.5 million, primarily as a result of our dividend payments of RMB191.6 million and our repayment of a short-term bank loan of RMB40.9 million.

Net cash used for financing activities for the year ended December 31, 2009 was nil.

Net cash inflow from financing activities for the year ended December 31, 2008 was RMB14.2 million, primarily as a result of a short-term bank loan we raised of RMB41.0 million, partially offset by dividends paid of RMB26.8 million.

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Net Current Assets

The following table sets out details of our current assets and liabilities as of the dates indicated:

	December 31,			March 31,	July 31,
	2008	2009	2010	2011	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Current assets					
Inventories	343,805	270,290	410,263	360,386	409,213
Trade receivables	132,925	175,136	179,930	158,473	165,397
Other receivables and prepayments	27,062	29,679	38,360	41,537	34,513
Pledged bank deposits	24,793	29,728	33,784	31,783	15,522
Bank balances and cash	115,376	278,379	161,409	192,231	226,424
	643,961	783,212	823,746	784,410	851,069
Current liabilities					
Trade payables	87,955	132,095	197,161	119,185	125,777
Other payables	66,505	93,426	95,471	82,653	92,582
Income tax liabilities	8,357	15,337	46,435	35,368	13,138
Deferred revenue	—	—	8,581	10,741	13,906
Short-term bank loans	41,008	40,893	—	64,260	64,442
	203,825	281,751	347,648	312,207	309,845
Net current assets	440,136	501,461	476,098	472,203	541,224

Our net current assets decreased by 0.8% to RMB472.2 million as of March 31, 2011 from RMB476.1 million as of December 31, 2010. This decrease was primarily due to a decrease of RMB39.3 million in current assets, partially offset by a decrease of RMB35.4 million in current liabilities. The decrease in current assets mainly included a decrease of RMB49.9 million in inventories and a decrease of RMB21.5 million in trade receivables, partially offset by an increase of RMB30.8 million in bank balances and cash. The decrease in current liabilities mainly included a decrease of RMB78.0 million in trade payables, a decrease of RMB12.8 million in other payables primarily as result of the payment of bonus for 2010 to our Directors in the first quarter of 2011, and a decrease of RMB11.1 million in income tax liabilities, partially offset by an increase of RMB64.3 million in short-term bank loans.

Our net current assets decreased by 5.1% to RMB476.1 million as of December 31, 2010 from RMB501.5 million as of December 31, 2009. This decrease was primarily due to an increase of RMB65.9 million in current liabilities, partially offset by an increase of RMB40.5 million in current assets. The increase in current liabilities mainly included an increase of RMB65.1 million in trade payables, an increase of RMB31.1 million in income tax liabilities due to the increase in our profit before tax and an increase of RMB8.6 million in deferred revenue due to the increase in accumulated credits awarded to customers pursuant to our VIP programs, partially offset by a decrease of RMB40.9 million in short-term bank loans due to our repayment. The increase in current assets mainly included an increase of RMB140.0 million in inventories and an increase of RMB8.7 million in other receivables and prepayments, partially offset by a decrease of RMB117.0 million in bank balances and cash.

Our net current assets increased by 13.9% to RMB501.5 million as of December 31, 2009 from RMB440.1 million as of December 31, 2008. This increase was primarily due to an increase of RMB139.3 million in current assets, partially offset by an increase of RMB77.9 million in current

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liabilities. The increase in current assets mainly included an increase of RMB163.0 million in bank balances and cash and an increase of 42.2 million in trade receivables, partially offset by a decrease of RMB73.5 million in inventories. The increase in current liabilities mainly included an increase of RMB44.1 million in trade payables and an increase of RMB26.9 million in other payables.

Working Capital

Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations.

INVENTORY ANALYSIS

The following table sets out a summary of our inventory balance as of the respective balance sheet dates below as well as the average inventory turnover days for the periods indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials	18,567	19,919	27,589	38,320
Work in progress	10,782	6,447	9,575	7,298
Finished goods	337,458	276,511	403,938	347,889
Subtotal	366,807	302,877	441,102	393,507
Write down of inventories to net book value	(23,002)	(32,587)	(30,839)	(33,121)
Total	343,805	270,290	410,263	360,386
Inventory of continuing operations	315,580	249,140	410,263	360,386
Inventory of discontinued operations	28,225	21,150	—	—
Total	343,805	270,290	410,263	360,386
	Year ended December 31,			Three months ended
	2008	2009	2010	March 31, 2011
Average inventory turnover (days) for continuing operations ⁽¹⁾	199	163	200	199

(1) Average inventory equals inventory of continuing operations at the beginning of the year/period plus inventory of continuing operations at the year/end of the period divided by two. Average inventory turnover (days) for continuing operations equals average inventory divided by cost of sales and multiplied by 365 for a year and 91 days for a three-month period.

Our inventory consists of raw materials, work in progress and finished goods. The largest component is finished goods, which consists primarily of footwear products we manufactured and finished products we outsourced from sub-contractors. Finished goods accounted for a significant portion of our inventories because the nature of our retail business requires us to maintain a relatively high level of finished footwear products for sales and display and to avoid stock shortage. Our finished goods inventory amounted to RMB337.5 million, RMB276.5 million, RMB403.9 million and RMB347.9 million, respectively, as of December 31, 2008, 2009 and 2010 and March 31, 2011. The decrease of approximately 18.1% in finished goods inventory from 2008 to 2009 was primarily because we increased our promotional activities with discounts offered to our customers during 2009 in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. The increase of approximately 46.1% in finished goods inventory from 2009 to 2010 was primarily due to

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an increase in the number of our proprietary outlets in 2010, as well as the relatively low level of finished goods inventory at the end of 2009 caused by our promotions described above. The decrease of approximately 13.9% in finished goods inventory from December 31, 2010 to March 31, 2011 was primarily due to the difference in the mix of finished goods inventory. At the year end of 2010, our finished goods inventory included a higher proportion of fall and winter footwear than spring and summer footwear as compared with March 31, 2011, and fall and winter footwear generally have higher unit cost than spring and summer footwear.

Our raw materials inventory was RMB18.6 million, RMB19.9 million, RMB27.6 million and RMB38.3 million, respectively, as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively. Our raw materials inventory increased 38.5% from 2009 to 2010 primarily due to the increase of our production capacity as a result of the commencement of operation of our new Suining production facility, which increased the requirement of raw materials during our manufacturing process. Our raw materials inventory increased 38.9% from December 31, 2010 to March 31, 2011 primarily because we stocked a significant amount of raw materials at the end of March 2011 in preparation of the production of fall and winter footwear.

Our work in progress inventory was RMB10.8 million, RMB6.4 million, RMB9.6 million and RMB7.3 million as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively. The fluctuations of our work in progress inventory were primarily a result of (i) the variation of the mix of our spring, summer, fall and winter footwear, which have different value, during the manufacturing process, and (ii) the continuous changes of the production status of our work in process.

The significant decrease in our inventory balance for our continuing operations from RMB315.6 million as of December 31, 2008 to RMB249.1 million as of December 31, 2009 was primarily because we increased our promotional activities to reduce our inventory in 2009 in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. Our inventory balance for continuing operation increased from RMB249.1 million as of December 31, 2009 to RMB410.3 million as of December 31, 2010 primarily due to the increase of our sales attributable to the increase in the number of proprietary outlets and third-party outlets. Our inventory balance for continuing operation decreased from RMB410.3 million as of December 31, 2010 to RMB360.4 million as of March 31, 2011 primarily due to the sale in the three months ended March 31, 2011 of a substantial amount of shoes we stocked at the end of 2010 for winter sales. For the same reasons, our average inventory turnover days for continuing operations decreased to 163 days for 2009 from 199 days for 2008, then increased to 200 days for 2010. Our average inventory turnover for continuing operations remained stable at 199 days for the three months ended March 31, 2011.

Our relatively high inventory turnover days are partially due to (i) our policy of maintaining a certain level of raw materials in our inventory to support our manufacturing of approximately 50% to 60% of the footwear of our self-developed brands, (ii) our policy of maintaining a certain level of finished footwear in our inventory to support our retail business operated through our proprietary business, which need to keep adequate level of stock depending on their respective sizes and sales; (iii) the relatively high level of inventory we maintained to support the expansion of our sales network; (iv) the seasonality of our business, which results in a relatively high balance of inventory at year ends as we generally have a relatively high level of inventory at the end of each year comprising fall and winter footwear in anticipation of the sales peak during the Chinese New Year holiday season and our fall and winter footwear generally have higher unit cost than those of our spring and summer footwear; and (v) our diverse offering of footwear products, which requires us to maintain a relatively high

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inventory level to accommodate a broad range of product offerings. For more information about our inventory, including the risks relating to our inventory level, see the sections entitled “Business—Inventory Management,” “Financial Information—Inventory Analysis,” “Risk Factors—Risks Relating to Our Business—We are subject to inventory risk” and “—We may be unable to obtain adequate funding to implement our growth strategies” in this prospectus.

The table below sets forth our gross inventory by aging, inventory provision by aging and the aging of our inventory net balance at the end of the periods as indicated.

	December 31,									March 31,		
	2008			2009			2010			2011		
	Gross inventory by aging	Provision according to aging	Net balance	Gross inventory by aging	Provision according to aging	Net balance	Gross inventory by aging	Provision according to aging	Net balance	Gross inventory by aging	Provision according to aging	Net balance
Within 1 year												
(RMB'000) ...	291,211	—	291,211	207,636	—	207,636	366,709	—	366,709	320,192	—	320,192
1 to 2 years												
(RMB'000) ...	63,173	16,138	47,035	68,242	16,869	51,373	41,839	10,450	31,389	36,698	9,121	27,577
2 to 3 years												
(RMB'000) ...	11,119	5,560	5,559	22,562	11,281	11,281	24,330	12,165	12,165	24,770	12,153	12,617
Over 3 year												
(RMB'000) ...	1,304	1,304	—	4,437	4,437	—	8,224	8,224	—	11,847	11,847	—
Total												
(RMB'000) ...	<u>366,807</u>	<u>23,002</u>	<u>343,805</u>	<u>302,877</u>	<u>32,587</u>	<u>270,290</u>	<u>441,102</u>	<u>30,839</u>	<u>410,263</u>	<u>393,507</u>	<u>33,121</u>	<u>360,386</u>

Of the RMB360.4 million of inventories as of March 31, 2011, unaudited amounts of inventory of approximately RMB189.7 million were subsequently used or sold by July 31, 2011.

We continuously monitor our inventory of raw materials and try to use older stock of raw materials first. For raw materials which are unused for a period exceeding 12 months, we sell them at cost to other manufacturers, failing which we would make the appropriate provisions for them. We closely monitor the sales of the finished footwear we manufacture every season. At the headquarters level, our logistics center is responsible for the overall physical inventory management across China. At the regional division level, designated personnel, who periodically report to our headquarters, are responsible for the physical inventory management and stock replenishment in their respective sales regions. If the sales of certain designs do not meet our expectations, we give discounts in order to stimulate the sales of such designs. For finished footwear, our current policy for proprietary outlets is to endeavor to sell 80% or more of the “C.banner,” “EBLAN” and “Naturalizer” shoes and to sell 70% or more of the “FABIOLA” and “SUNDANCE” shoes within one year of their production. To implement the policy, our branch offices closely monitor the sales of the footwear we produce for each season and conduct various promotion activities, especially around season ends, in order to reach our sales target. Our footwear produced for winter and summer are primarily sold during the season for which they are produced, while our footwear produced for spring or fall may also be sold in the succeeding fall or spring season, respectively. We offer discounts from the retail price on selected merchandise near its season end. For shoes left unsold after the season ends, we offer progressively deeper discounts, if we consider necessary, in order to sell all the remaining shoes as soon as possible. After the third year of producing the shoes, all unsold shoes are required to be returned to our headquarters to be disposed of. During the time when we hold unsold shoes aging more than three years which are to be disposed of, we make full provision for such shoes. We will further reallocate most of our out-of-season products to our discount stores, which are more focused on selling out-of-season products. During the Track Record Period, approximately 72% to 82% of our “C.banner,”

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“EBLAN” and “Naturalizer” shoes are sold within one year of their production. In order to prevent accumulation of unnecessary inventory at any authorized distributor, we also assist our authorized distributors in conducting analysis of their respective local markets and in their placement of purchase orders with us in terms of their reasonable amounts, as disclosed in the section entitled “Business—Sales and Distribution—Distribution of Products of Self-developed Brands Through Third-party Outlets—Management of authorized distributors and third-party outlets” in this prospectus.

TRADE RECEIVABLES ANALYSIS

Turnover of Trade Receivables

The following table sets out a summary of our trade receivables balance as of the dates indicated as well as the average trade receivables turnover days for continuing operations for the periods indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total trade receivables	132,925	175,136	179,930	158,473
Trade receivables of continuing operations	122,488	170,474	179,930	158,473
Trade receivables of discontinued operations	10,437	4,662	—	—
Total	132,925	175,136	179,930	158,473
	Year ended December 31,			Three
	2008	2009	2010	months ended
				March 31,
				2011
Average trade receivables turnover (days) for continuing operations ⁽¹⁾	43	42	41	33

(1) Average trade receivables equals trade receivable of continuing operations at the beginning of the year/period plus trade receivables of continuing operations at the end of the year/period divided by two. Average trade receivables turnover (days) for continuing operations equals average trade receivables divided by revenue and multiplied by 365 for a year and 91 days for a three-month period.

Our trade receivables for continuing operations increased by 39.2% from RMB122.5 million as of December 31, 2008 to RMB170.5 million as of December 31, 2009, and further increased by 5.5% to RMB179.9 million in 2010. These increases were primarily due to the increase in our product sales year on year. Our trade receivables for continuing operations decreased by 11.9% from RMB179.9 million as of December 31, 2010 to RMB158.5 million as of March 31, 2011, primarily as a result of the overall lower prices for the shoes we sold in March 2011, as compared with those for the shoes we sold in December 2010. In general, the shoes we sell in December, such as boots, have higher prices than the shoes we sell in March, such as pumps. We generally receive our sales proceeds within 45 to 60 days from the time the sales are made.

The average trade receivables turnover days for continuing operations decreased primarily due to our enhanced management of trade receivables from 2008 to 2010. Our average trade receivables turnover days for continuing operations for the three months ended March 31, 2011 were 33 days, primarily due to (i) the decrease of our trade receivables for continuing operations from December 31, 2010 to March 31, 2011 as explained above, and (ii), to a lesser extent, our enhanced effort in the collection of trade receivables during this period.

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Aging Analysis of Trade Receivables

On average, we allow a credit period of 60 days to our trade customers. Trade receivables aged more than 60 days are generally considered past due. The following is an aging analysis of the trade receivables based on invoice dates as indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
0-60 days	125,107	167,353	177,688	153,084
61-180 days	5,868	7,180	1,191	5,348
180 days to 1 year	1,008	293	464	41
Over 1 year	942	310	587	—
Total	<u>132,925</u>	<u>175,136</u>	<u>179,930</u>	<u>158,473</u>

As of December 31, 2008, 2009, 2010 and March 31, 2011, 94.1%, 95.6%, 98.8% and 96.6% of our trade receivables were neither past due nor impaired.

Included in our trade receivables were a total carrying amount of RMB7.8 million, RMB7.8 million, RMB2.2 million and RMB5.4 million as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively, were due over 60 days primarily because the credit terms provided in our agreements with certain department stores exceeded 60 days. We did not provide an impairment loss for them as there had not been a significant change in credit quality and the amounts were still within the credit period.

As of March 31, 2011, the amount of our trade receivables aged up to 60 days, 61 and 180 days, 180 days and one year, and over one year was RMB153.1 million, RMB5.3 million, RMB41,000 and nil, respectively. Of the RMB158.5 million of accounts receivables as of March 31, 2011, unaudited amounts of trade receivables of approximately RMB158.1 million were subsequently settled by July 31, 2011.

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TRADE PAYABLES ANALYSIS

Turnover of Trade Payables

The following table sets out our trade payables balance as of the respective balance sheet dates below as well as the average trade payables turnover days for the periods indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Amount payable from purchases of goods from third party	61,532	99,566	158,904	83,034
Notes payable	24,793	29,728	33,784	31,783
Amounts due to joint venture	1,630	2,801	4,473	4,368
Total	87,955	132,095	197,161	119,185
Trade payables of continuing operations	86,251	131,611	197,161	119,185
Trade payables of continuing discontinued operations	1,704	484	—	—
Total	87,955	132,095	197,161	119,185

	Year ended December 31,			Three months ended
	2008	2009	2010	March 31, 2011
Average trade payables turnover (days) for continuing operations ⁽¹⁾	71	63	100	82

(1) Average trade payables equal trade payables of continuing operations at the beginning of the year/period plus trade payables of continuing operations at the end of the year/period divided by two. Average trade payable turnover (days) for continuing operations equals average trade payables divided by the cost of sales and multiplied by 365 for a year and 91 for a three-month period.

Our trade payables primarily consisted of amount payables from purchases of goods from third parties, notes payable and amounts due to the joint venture.

Our trade payables for continuing operations increased by 52.6% from RMB86.3 million as of December 31, 2008 to RMB131.6 million as of December 31, 2009, and further increased by 49.8% to RMB197.2 million as of December 31, 2010. These increases were primarily due to the increase in our purchase of raw materials and semi-finished and finished products. Our trade payables for continuing operations decreased by 39.5% from RMB197.2 million as of December 31, 2010 to RMB119.2 million as of March 31, 2011, primarily as a result of our payment made in the three months ended March 31, 2011 for the raw materials, semi-finished and finished products we purchased during the fourth quarter of 2010, the amount of which was substantially higher than that we purchased during the first quarter of 2011.

Our average trade payables turnover days for continuing operations decreased from 71 days for 2008 to 63 days for 2009 primarily because our cost of sales for 2009 significant increased in connection with our reduction of inventory in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. The increase of the average trade payables turnover days for continuing operations to 100 days for 2010 was primarily because we increased the use of notes payable with a settlement period of three or six months during 2010. Our average trade payables turnover days for continuing operations for the three months ended March 31, 2011 were 82 days, primarily due to the decrease of our trade payables for continuing operations from December 31, 2010 to March 31, 2011 as explained above.

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Aging Analysis of Trade Payables

With reference to the aging analysis below, approximately 92.2% of our trade payables as of December 31, 2010 were aged below 90 days.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
0-90 days	75,487	118,964	181,846	105,792
91-180 days	11,963	12,620	15,040	13,380
181-360 days	226	183	105	11
Over 360 days	279	328	170	2
Total	<u>87,955</u>	<u>132,095</u>	<u>197,161</u>	<u>119,185</u>

As of March 31, 2011, our trade payables aged up to 90 days and over 90 days were RMB105.8 million and RMB13.4 million, respectively. Of the RMB119.2 million of trade payables as of March 31, 2011, trade payables of approximately RMB119.0 million were subsequently settled by July 31, 2011.

ANALYSIS OF OTHER SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Other Receivables and Prepayments

The following table sets out our other receivables and prepayments as of the dates indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Advance payments to suppliers	16,161	4,816	7,189	11,320
Value-added tax receivable	2,742	7,259	2,839	6,747
Prepayments	6,511	15,494	22,500	18,254
Prepayments for listing-related expense	—	—	3,455	2,116
Prepaid lease payments	441	441	441	441
Due from joint venture	33	82	189	—
Others	1,174	1,587	1,747	2,659
Total	<u>27,062</u>	<u>29,679</u>	<u>38,360</u>	<u>41,537</u>

Other receivables and prepayments increased by RMB3.2 million from RMB38.4 million as of December 31, 2010 to RMB41.5 million as of March 31, 2011. This increase was primarily due to (i) an increase of RMB4.1 million in advance payments for purchases to suppliers to ensure stable supply of raw materials and finished products at reasonable costs and (ii) an increase of RMB3.9 million in value-added tax receivable, which was partially offset by a decrease of RMB4.2 million in prepayments as a result of our control over prepayments for our outlet renovation during this period.

Other receivables and prepayments increased by RMB8.7 million from RMB29.7 million in 2009 to RMB38.4 million in 2010. This increase was primarily due to the increase in the number of our proprietary outlets in 2010, which resulted in an increase of RMB7.0 million in the prepayments for outlets renovation, which was partially offset by a decrease of RMB4.4 million in value-added tax receivable.

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Other receivables and prepayments increased by RMB2.6 million from RMB27.1 million in 2008 to RMB29.7 million in 2009 primarily because (i) an increase of RMB9.0 million in prepayments for outlet renovation, and (ii) an increase of RMB4.5 million in value-added tax receivable in connection with our contract manufacturing export business, which was substantially offset by a decrease of RMB11.3 million in advance payments to suppliers. Our advance payments to suppliers as of December 31, 2008 were substantially higher than that as of December 31, 2009 mainly as a result of the impact of the global financial crisis that occurred in late 2008 and early 2009 and our suppliers required more advanced payments for purchases during the last quarter of 2008 than 2009.

Other Payables

The following table sets out our other payables as of the dates indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Accruals	3,610	6,240	6,968	6,121
Advances from customers	1,626	9,339	8,851	6,578
Payroll payable	26,339	27,791	37,063	19,240
Other tax liabilities	11,641	22,257	16,408	22,994
Deposit from wholesale customers	17,173	16,910	11,622	10,736
Payable for decoration	1,361	5,426	7,709	6,724
Payable for construction in progress	—	—	—	3,836
Others	4,755	5,463	6,850	6,424
Total	<u>66,505</u>	<u>93,426</u>	<u>95,471</u>	<u>82,653</u>

The significant increase in other payables of RMB26.9 million from RMB66.5 million in 2008 to RMB93.4 million in 2009 was mainly due to (i) an increase of RMB7.7 million in advances from customers as a result of the growth of our wholesale sales, which brought in more advances from our authorized distributors, and (ii) an increase of RMB10.6 million in other tax liabilities, which primarily comprised value-added taxes.

The decrease in other payables of RMB12.8 million from RMB95.5 million as of December 31, 2010 to RMB82.7 million as of March 31, 2011 was mainly due to a decrease of RMB17.8 million in payroll payable primarily as a result of the payment of bonus for 2010 to our Directors in the first quarter of 2011, which was partially offset by (i) an increase of RMB6.6 million in other tax liabilities, which primarily comprised value-added taxes, and (ii) an increase of RMB3.8 million in payable for construction in progress for our warehousing facilities.

INDEBTEDNESS

Short-term Bank Loans

The following table sets out an analysis of our short-term bank loans as of the dates indicated.

	December 31,			March 31,	July 31, 2011
	2008	2009	2010	2011	(RMB'000)
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Secured	—	—	—	64,260	64,442
Unsecured	41,008	40,893	—	—	—
	<u>41,008</u>	<u>40,893</u>	<u>—</u>	<u>64,260</u>	<u>64,442</u>

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The following table sets out an effective interest rate analysis of our bank borrowings as of the dates indicated.

	December 31,			March 31, 2011	July 31, 2011
	2008	2009	2010		
Weighted average interest rates (per annum) bank loans	5.85%	2.50%	—	4.259%	4.280%

The following table sets out a currency analysis of the carrying amounts of our bank loans as of the dates indicated.

	December 31,			March 31, 2011	July 31, 2011
	2008	2009	2010		
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Bank loans denominated in U.S. dollars	41,008	40,893	—	64,260	64,442

Some of our bank facilities are guaranteed by certain of our Directors. Such bank facilities amounted to nil, nil, RMB100.0 million, RMB165.6 million and RMB164.4 million as of December 31, 2008, 2009 and 2010 and March 31 and July 31, 2011, respectively. Such guarantees will be released upon the Listing.

In particular, on March 9, 2011, we entered into the Hongguo Loan Facility with DBS Bank Ltd., Hong Kong Branch, in an aggregate principal amount of up to US\$10 million. The Hongguo Loan Facility is guaranteed by, or secured by the assets of, our Controlling Shareholders, Mr. Li Wei, Media Value, Mr. Miao Bingwen and Sure Manage, together with a security interest over our assets. As of July 31, 2011, the balance of our borrowings pursuant to the Hongguo Loan Facility amounted to RMB64.4 million. We plan to use part of the proceeds from the Global Offering to repay part of the outstanding balance of the Hongguo Loan Facility with the remaining amount to be repaid with our internal funds, and all securities and guarantees relating to the Hongguo Loan Facility will be released upon Listing. Please refer to the section entitled “Use of Proceeds” in this prospectus. For other details of the Hongguo Loan Facility, see the section entitled “History and Development—Delisting of the Company from the SGX-ST” in this prospectus.

As of July 31, 2011, we had unutilized secured banking facilities in the total principal amount of RMB100 million.

Except as described above, as of July 31, 2011, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Contingent Liabilities

As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had no contingent liabilities.

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CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

We have funded our historical capital expenditures through cash flows generated from operating activities and bank borrowings. The following table sets forth a summary of our capital expenditures during the Track Record Period:

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of property, plant and equipment				
Production facilities	3,218	709	11,980	3,238
Proprietary outlets	4,671	3,620	8,046	2,408
Head offices and regional offices	4,659	4,472	3,181	5,138
	<u>12,548</u>	<u>8,801</u>	<u>23,207</u>	<u>10,784</u>
Purchase of investment properties	—	43,185	—	—
Purchase of intangible assets	1,061	887	407	59
Total	<u>13,609</u>	<u>52,873</u>	<u>23,614</u>	<u>10,843</u>

Our total capital expenditure increased by 288.5% from RMB13.6 million in 2008 to RMB52.9 million in 2009. This increase was primarily due to our acquisition of certain commercial real property for investment in an amount of RMB43.2 million. As we believed the price of the above commercial real property was relatively low at the time, which is a relatively small amount as compared with our annual revenue, we acquired the property for investment. In the future, we may use this property for our proprietary outlets depending upon circumstances and we have no intention to further enter into material property purchase transactions for investment.

Our total capital expenditure decreased by 55.3% from RMB52.9 million in 2009 to RMB23.6 million in 2010. This was primarily because we did not engage in any real property investment in 2010.

We expect to spend approximately RMB29.2 million, RMB82.5 million and RMB71.2 million on capital expenditures in the years ending December 31, 2011, 2012 and 2013, respectively, as follows:

	Year ending December 31,			
	2011	2012	2013	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Land and production facilities	20,000	64,290	47,000	131,290
Proprietary outlets	4,200	4,200	4,200	12,600
Head office and warehousing facilities	5,000	14,000	20,000	39,000
Total	<u>29,200</u>	<u>82,490</u>	<u>71,200</u>	<u>182,890</u>

Our planned capital expenditures primarily relate to the expansion and maintenance of our production facilities, improvement of our offices and warehousing facilities and expansion of our retail network. In order to increase our production capacity to meet the increase in market demand of our products, we plan to spend approximately RMB20.0 million, RMB64.3 million and RMB47.0 million in the years ending December 31, 2011, 2012 and 2013, respectively, for the expansion of our Suining production facility and the maintenance of Nanjing production facility, including purchase or construction of plants and acquisition of production equipment.

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In connection with the expansion of our retail network, we plan to spend approximately RMB4.2 million, RMB4.2 million and RMB4.2 million in the years ending December 31, 2011, 2012 and 2013, respectively, primarily for the purchases of related equipment, including computers, barcode scanners, telephones and other communication equipment. We also intend to improve our head office and warehousing facilities, including the warehousing facilities to be used for our internet sales, with capital expenditures of approximately RMB5.0 million, RMB14.0 million and RMB20.0 million in the years ending December 31, 2011, 2012 and 2013, respectively. We anticipate to finance our capital expenditures with proceeds from the Global Offering, our own funds, and if necessary, bank borrowings. We cannot assure you that any of such capital expenditures will proceed as planned.

In the future, we may need to raise additional funding for capital expenditures. However, our ability to obtain such funding is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in the jurisdictions in which we operate.

Capital Commitments

The following table sets out our outstanding capital commitments as of the dates indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Construction commitments				
Contracted but not provided for production facilities	—	—	10,085	6,149

Operating Lease Commitment

Operating lease payments represented rentals payable by us for our lease of factory space and retail outlets. Leases and rentals for the factory spaces and retail outlets are negotiated and fixed for terms ranging from 10 to 20 years and one to two years, respectively. The table below sets forth our outstanding commitments in respect of non-cancellable operating leases which fall due at the end of the periods as indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	5,894	10,293	11,225	14,083
In the second to fifth years inclusive	20,728	21,570	34,138	34,161
After five years	22,134	17,893	61,963	60,780
Total	<u>48,756</u>	<u>49,756</u>	<u>107,326</u>	<u>109,024</u>

The substantial increase of our operating lease commitments as of December 31, 2010 from previous years was primarily because we entered into a long-term lease for our Suining production facility. The long-term lease forms part of the cooperation between us and the Suining local government to establish our production facility in Suining. Pursuant to the investment cooperation agreement entered into by the Management Committee of Jiangsu Suining Economic Development Zone as the lessor, and us on May 24, 2010, we are required to invest US\$15.0 million within three years of the agreement date. We currently plan to use approximately RMB118.2 million of the proceeds from the Global Offering for purchase of land use rights and plant and production equipment for our Suining production facility. The lessor is required to construct and lease to us certain production facilities and related properties with a total GFA of approximately 25,000 square meters at an annual rental rate of RMB78 per square meter. We are required to lease such properties for a term of

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not less than 20 years after the construction of the production facilities are completed. We will be entitled to, after the first year of the lease term, purchase such properties and the land. Under the agreement, we will be entitled to preferential tax treatment from the local government for up to 10 years if our annual value-added tax and enterprise income tax exceed certain threshold.

RELATED PARTY TRANSACTIONS

It is the view of our Directors that each of the related party transactions set out in Note 38 in the Accountants' Report included in Appendix I attached to this prospectus was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties or terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any off-balance sheet transactions.

MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including the following:

Foreign Exchange Risk

The primary economic environment in which we operate is China and our functional currency is Renminbi. However, some of our sales and purchases are denominated in United States dollars, which exposes us to foreign currency risks. See the section entitled "Risk Factors—Risks Relating to China—PRC government restrictions on the convertibility of Renminbi may limit our ability to effectively utilize our revenues and funds and the ability of our PRC subsidiaries to obtain financing" in this prospectus. We have limited transactions which are conducted in Singapore dollars and Hong Kong dollars.

We currently do not have a foreign currency hedging policy, but the management monitors our foreign exchange exposure on an on-going basis and will consider hedging significant foreign currency exposure should the need arise.

The following table sets out our sensitivity to a 5% change in Renminbi against the relevant foreign currencies. The sensitivity rate of 5% represents our management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign-currencies-denominated monetary items and adjusts their translation at the end of reporting periods as indicated for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit for the year or period where the relevant foreign currencies strengthen 5% against Renminbi. For a 5% weakening of the relevant foreign currency against Renminbi, there would be an equal and opposite impact on the net profit for the periods indicated.

	Year ended December 31,			Three months ended March 31,
	2008 (RMB'000)	2009 (RMB'000)	2010 (RMB'000)	2001 (RMB'000)
U.S. dollar impact	1,705	(23)	1,723	(2,296)
Singapore dollar impact	12	14	138	126
H.K. dollar impact	2	9	708	217

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For further information, please see Note 5 to the Accountants' Report included in Appendix I to this prospectus.

Interest Rate Risk

Our fair value interest rate risk relates primarily to our fixed-rate bank deposits and fixed-rate bank borrowings. Our cash flow interest rate risk relates primarily to our variable-rate bank balances which carry prevailing market interest rates. However, such exposure relating to bank balances is minimal as the bank balances are all short term in nature. We have not entered into interest rate swaps to hedge against our exposure to changes in fair values of borrowings. Currently, we do not have an interest rate hedging policy. However, we monitor our interest rate exposure and will consider restructuring our credit facilities should the need arise.

For further information, please see Note 5 to the Accountants' Report included in Appendix I to this prospectus.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to us. We have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Before accepting any new customer, we assess the potential customer's credit quality and define our credit limits for such customer. We use publicly available financial information and our own trading records to rate our major customers. We only transact with customers that have good credit quality. Our exposure and the credit ratings of our counterparties are subject to our continuous monitoring. Credit exposure is controlled by the counterparty limits that are reviewed and approved by our management.

Our credit risk primarily relates to our trade and other receivables, bank balances and cash and pledged bank deposits. There is significant concentration of credit risk as our top five biggest customers account for approximately 24%, 19%, 10% and 9% of the carrying amounts of trade receivables as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We monitor the utilization of bank borrowings and ensure compliance with loan covenants. For further information, please see Note 5 to the Accountants' Report included in Appendix I to this prospectus.

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PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

We have prepared the following profit forecast for the year ending December 31, 2011 on the bases described in Appendix III to this prospectus. You should read the bases in Appendix III to this prospectus when you analyze our profit forecast for the year ending December 31, 2011.

Unaudited forecast of consolidated profit attributable to equity shareholders of our company for the year ending December 31, 2011 ⁽¹⁾	not less than RMB287.2 million (equivalent to approximately HK\$341.0 million)
Unaudited pro forma forecast basic earnings per Share ⁽²⁾	not less than RMB0.143 (equivalent to approximately HK\$0.170)

(1) The bases on which the above profit forecast for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this prospectus. The unaudited forecast of consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2011 has been prepared by the Directors on a basis consistent in all material respects with the accounting policies presently adopted by our group as set out in Note 3 of Section A of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the unaudited forecast of consolidated profit attributable to equity shareholders of our Company for the year ending December 31, 2011 assuming the Global Offering had been completed on January 1, 2011, and a total of 2,000,000,000 Shares were in issue and outstanding during the entire year.

DIVIDEND POLICY

Subject to our constitutional documents and the Companies Act, we may declare final dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by the Board. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we paid dividends in the amount of RMB26.8 million, nil, RMB191.6 million and RMB64.4 million, respectively.

Future dividend payments will depend upon the availability of dividends we receive from our operating subsidiaries in China. 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 IFRS. PRC laws also require foreign-invested enterprises, such as our operating subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries have entered into or may enter into in the future.

Subject to the above factors, our expected dividend policy is that not less than approximately 20% of our profits available for distribution will be recommended for distribution in each financial year. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests as of July 31, 2011 and is of the opinion that the capital value of our property interests in aggregate amounted to RMB135.4 million as of July 31, 2011. Please refer to the property valuation report in appendix IV to this prospectus for details of our property interests as of July 31, 2011.

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The reconciliation of the net book value of our properties as derived from our audited financial statements as of March 31, 2011 to the property valuation report in Appendix IV is set forth below:

	<u>(RMB'000)</u>
Net book value of properties of our group as of March 31, 2011 as set out in the accountants report in Appendix I to this prospectus—Investment properties, buildings, land use right and construction in progress	108,076
Add: Addition during the period from April 1, 2011 to July 31, 2011 (unaudited)	1,830
Less: Disposals during the period from April 1, 2011 to July 31, 2011 (unaudited)	—
Less: Depreciation and amortization of properties during the period from April 1, 2011 to July 31, 2011 (unaudited)	876
	<u>109,030</u>
Net book value of properties of our group as of July 31, 2011	109,030
Valuation surplus	<u>37,370</u>
Valuation of properties as of July 31, 2011 as set out in the property valuation report in Appendix IV to this prospectus	<u>146,400</u>

DISTRIBUTABLE RESERVES

As of March 31, 2011, our Group had reserves available for distribution to our Shareholders of RMB 513.1 million.

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering and the Capitalization Issue on our consolidated net tangible assets as of March 31, 2011 as if they had taken place on March 31, 2011.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of March 31, 2011 or any future date following the Global Offering. It is prepared based on our consolidated net assets as of March 31, 2011 as set out in the accountants' report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of consolidated net tangible assets does not form part of the accountants' report as set out in Appendix I to this prospectus.

	Audited Consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2011 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$2.30 per Share	644,217	530,005	1,174,222	0.59	0.70
Based on an Offer Price of HK\$3.24 per Share	644,217	758,014	1,402,231	0.70	0.83

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2011 are based on audited consolidated net assets of the Group attributable to owners of the Company as of March 31, 2011 of RMB645,999,000 as set out in Appendix I to this prospectus after deducting intangible assets of the Group of RMB1,782,000.
- (2) The estimated net proceeds from the Global Offering are based on 300,000,000 shares to be issued under the Global Offering and the Offer Price of HK\$2.30 and HK\$3.24 per share, being the lower end and higher end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately RMB5.8 million listing-related expense which has been accounted for prior to March 31, 2011) payable by the Company in connection with the Global Offering. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the rate of HK\$1.00 to RMB0.8423.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 2,000,000,000 shares in issue immediately following the completion of the Global Offering. No consideration has been given to any Shares which may be issued pursuant to the Share Option Scheme. By comparing the valuation of our property interest as set out in Appendix IV to this prospectus, the net valuation surplus is approximately RMB37.4 million as compared to the carrying amounts of the Group's property interest as at July 31, 2011, which has not been included in the above consolidated net tangible assets of the Group attributable to owners of the Company. The valuation surplus of those property interests, which is stated at historical cost less accumulated depreciation or amortization, will not be incorporated in our consolidated financial statements. If the valuation surplus was to be included in our consolidated financial statements, an additional depreciation charge of approximately RMB1.0 million per annum would be incurred.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects of our Company since March 31, 2011.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section entitled “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds of the Global Offering we expect to receive (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and the maximum amount of discretionary incentive fee which we may pay to the Joint Global Coordinators) are estimated to be approximately HK\$757.7 million, assuming an Offer Price of HK\$2.77 per Offer Share, being the mid-point of the stated Offer Price range of HK\$2.30 to HK\$3.24 per Offer Share. At our sole discretion, we may or may not pay the discretionary incentive fee to the Joint Global Coordinators in an amount of up to 1.5% of the gross proceeds we receive from the Global Offering. We presently plan to use these net proceeds as follows:

- approximately 40% or HK\$303.1 million, for expansion of our retail network. We plan to use these proceeds to open new proprietary outlets of our self-developed brands in the next three years. Specifically, we intend to add a net number of approximately 200 to 280 proprietary outlets of our self-developed brands (excluding “Naturalizer” outlets), which are primarily department store outlets, in each of the years ending December 31, 2011, 2012 and 2013. In line with our previous practice and experience, the establishment of a medium-size proprietary outlet typically costs in aggregate approximately RMB400,000. For more information on our plan to open proprietary outlets by region in 2011, see the section entitled “Business—Our Business Strategies—Expand distribution and retail network” in this prospectus. For the six months ended June 30, 2011, we had opened 138 new proprietary outlets (with 39 existing proprietary outlets terminated during the same period);
- approximately 25% or HK\$189.4 million, for expansion and maintenance of our production facilities as well as construction of offices and warehousing facilities. This includes capital expenditures up to the end of 2013 in the amount of approximately RMB118.2 million for purchase of land use rights and plant and production equipment for our Suining production facility, approximately RMB10.1 million for the maintenance of our Nanjing production facility, and approximately RMB34.0 million for the construction of offices and warehousing facilities;
- approximately 20% or HK\$151.5 million, for selective acquisition of footwear businesses;
- approximately 10% or HK\$75.8 million, for repayment of a portion of the balance under the Hongguo Loan Facility; and
- approximately 5% or HK\$37.9 million, for the expansion of our online sales through the internet in the next three years, including investment in computer software and hardware, establishment of warehousing facilities, recruitment of experienced technical and sales personnel for online business, and working capital related to the inventories for online business.

If the Offer Price is fixed at HK\$3.24, being the high end of the stated Offer Price range, our net proceeds will be increased by approximately HK\$135.3 million. Our Directors currently intend to use such additional proceeds to increase our use of proceeds proportionately as earmarked except that,

FUTURE PLANS AND USE OF PROCEEDS

for the proceeds initially earmarked for repayment of the balance under the Hongguo Loan Facility, the remaining proceeds after full repayment of the Hongguo Loan Facility will be used for working capital and other general corporate purposes.

If the Offer Price is fixed at HK\$2.30, being the low end of the stated Offer Price range, our net proceeds will instead be decreased by approximately HK\$135.3 million. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

We estimate the net proceeds of the Global Offering to the Selling Shareholder to be approximately HK\$531.8 million (assuming the same mid-point of the proposed Offer Price range and no exercise of the Over-allotment Option), after deducting the underwriting fees payable by the Selling Shareholder in relation to the Global Offering and the maximum amount of discretionary incentive fee which the Selling Shareholder may pay to the Joint Global Coordinators. At the Selling Shareholder's sole discretion, it may or may not pay the discretionary incentive fee to the Joint Global Coordinators in an amount of up to 1.5% of the gross proceeds it receives from the Global Offering. The Selling Shareholder will be responsible for the underwriting fees for the Sale Shares, and the expenses incurred in relation to the Global Offering will be borne by us. We will not receive any proceeds from the sale of the Sale Shares in the Global Offering, including the Over-allotment Option.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into the following cornerstone agreements with two cornerstone investors (collectively, the “Cornerstone Investors”) who in aggregate have agreed to subscribe for up to US\$25.0 million of our Shares at the Offer Price (the “Cornerstone Placing”). Assuming an Offer Price of HK\$2.77 (being the mid-point of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed by the Cornerstone Investors will be approximately 70,171,000 (assuming an exchange rate of HK\$7.7750 to US\$1.00), which represents approximately 3.5% of the Shares in issue immediately following completion of the Global Offering and approximately 14.0% of the total number of Offer Shares, taking no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the Share Option Scheme.

Details of the Cornerstone Placing are set out below:

<u>Investor</u>	<u>Date of agreement</u>	<u>Investment amount (US\$)</u>	<u>Number of Offer Shares⁽¹⁾</u>	<u>Percentage of total number of Shares in issue</u>	<u>Percentage of total number of the Offer Shares⁽²⁾</u>
Golden Eagle International Trading Limited (“Golden Eagle”)	September 2, 2011	20,000,000	56,137,000	2.8%	11.2%
Easeland Enterprises Limited (“Easeland”)	September 5, 2011	5,000,000	14,034,000	0.7%	2.8%

(1) Based on the Offer Price of HK\$2.77 (being the mid-point of the indicative Offer Price range).

(2) No consideration has been given to the Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options that may be granted under the Share Option Scheme.

Golden Eagle is a company incorporated in Hong Kong and its principal activity is investment holding. It is a wholly owned subsidiary of Golden Eagle Retail Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 3308). Golden Eagle Retail Group Limited is principally engaged in the development and operation of a stylish premium department store chain in China.

Easeland is a company established in Hong Kong on July 31, 2000 for the purposes of making investments in Asia. Its investments tend towards cash securities, listed exchange products and investments supported by underlying, real assets with a focus on emerging markets, such as China, in sectors that are driven by a confluence of domestic consumption and population size. Easeland is a private, unlisted company dedicated in financial investment. At present, Easeland is ultimately held by three individuals each holding approximately 33.33% of the issued share capital of Easeland. These three individuals have been engaging in the profession of the financial industry and the construction and road-building industries. The source of funding of Easeland is from these shareholders’ personal wealth accumulated over the years in their respective professions.

Each of the Cornerstone Investors is an Independent Third Party and neither of them will be a substantial shareholder (as defined in the Listing Rules) of our Company upon Listing and during the six-month lock-up period as described below. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement in respect of the Hong Kong Public Offering to be issued by our Company on or around September 22, 2011.

CORNERSTONE INVESTORS

The Cornerstone Placing forms part of the International Offering. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone agreement. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investors do not have and will not have representatives on our Board. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any adjustment of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering” in this prospectus.

Each of the Cornerstone Investors has covenanted with and undertaken to us and the Joint Global Coordinators that unless it has obtained prior written consent of each of the Company and the Joint Global Coordinators to do otherwise, it will not at any time during the period of six months following the Listing Date dispose of any Shares subscribed for pursuant to the cornerstone agreement or any investment in any company or entity holding any of the Shares. The Cornerstone Investors may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to any wholly owned direct or indirect subsidiary of the relevant Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

After the expiry of the aforesaid lock-up period, each of the Cornerstone Investors will be free to dispose of any Shares provided that it ensures that any such disposal will not create a disorderly or false market and is otherwise in compliance with the Companies Ordinance, the SFO and the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Bookrunners

Citigroup Global Markets Asia Limited

DBS Asia Capital Limited

Joint Lead Managers

Citigroup Global Markets Asia Limited

DBS Asia Capital Limited

ABCI Securities Company Limited

Co-Lead Manager

Guangdong Securities Limited

Co-Managers

Head & Shoulders Securities Limited

Kim Eng Securities (Hong Kong) Limited

Yuanta Securities (Hong Kong) Company Limited

UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 50,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

One of the conditions is that the Offer Price must be agreed between us, the Selling Shareholder and the Joint Global Coordinators, on behalf of the Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us, the Selling Shareholder and the Joint Global Coordinators, on behalf of the Underwriters, the Global Offering will not proceed.

UNDERWRITING

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Bermuda, the United States, Canada, any member of the European Union, Japan, Singapore or any other relevant jurisdiction (each a “Relevant Jurisdiction”); or
 - (b) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against the currency of any of the United States, the European Union, the United Kingdom or Japan), in or affecting any Relevant Jurisdiction; or
 - (c) any change or development in the conditions of local, national or international equity securities or other financial markets; or
 - (d) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
 - (e) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction; or
 - (f) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (g) any change or development or prospective material adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction materially adversely affecting an investment in the Shares;
- (h) any executive Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (i) the commencement by any regulatory body of any public action against any executive Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
- (j) a material contravention by any member of our Group of the Companies Ordinance or companies law of Bermuda or the Hong Kong Listing Rules; or
- (k) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Hong Kong Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Global Coordinators, adverse to the marketing for or implementation of the Global Offering; or
- (l) any change or development involving a material adverse change of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (m) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;

and which, in any such case and in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters),

- (1) is or may or will be or is likely to be materially adverse to, or prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of our Company and its subsidiaries taken as a whole; or
- (2) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (3) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

UNDERWRITING

- (ii) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters:
- (a) that any statement (other than statements relating to the Joint Global Coordinators or the Hong Kong Underwriters) contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not fair and honest and based on reasonable assumptions; or
 - (b) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
 - (c) any of the warranties given by our Company in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any material respect; or
 - (d) any event, act or omission which gives or may give rise to any material liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or
 - (e) any material breach of any of the obligations of our Company under the Hong Kong Underwriting Agreement; or
 - (f) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of our Company and its subsidiaries taken as a whole; or
 - (g) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries; or
 - (h) any of the Reporting Accountants, DTZ Debenham Tie Leung Limited as the property valuer in relation to the Global Offering, Appleby as the legal advisers of our Company on Bermuda law and GFE Law Office as the legal advisers of our Company on PRC law has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
 - (i) approval for the listing of an permission to deal in the Shares on the Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (j) our Company withdraws this prospectus and the Application Forms or the Global Offering;

then the Joint Global Coordinators may, in its sole discretion and upon giving notice to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERWRITING

UNDERTAKINGS

Undertakings pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and us that, except pursuant to the stock borrowing agreement dated September 9, 2011, it shall not and shall procure that the relevant registered holder(s) of the Shares will not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of those Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “Second Six-Month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (a) above if, immediately, following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances it would cease to be our controlling shareholder (as defined in the Listing Rules).

Each of the Controlling Shareholders has undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares or other securities of our Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) when it receives any indications, either verbal or written from any pledgee or chargee of any Share or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement

UNDERWRITING

published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) or any share option schemes of any members of our Group, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date and unless permitted by the Stock Exchange, the Company will not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) (subject to the requirements set out in the Listing Rules):

- (a) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, assign or otherwise transfer or dispose of, or repurchase either directly or indirectly, conditionally or unconditionally, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein) (the “Held Interests”);
- (b) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests;
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (a) or (b) above, whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Held Interests, in cash or otherwise.

Our Company has further undertaken with each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that our Company shall not effect any purchase of Shares, or agree to do so, which may reduce the holding of Shares in the “public hands” (as such expression means under the Listing Rules) below the relevant prescribed minimum percentage as is set out and calculated in accordance with the Listing Rules or such lower percentage as may be approved by the Stock Exchange from time to time without having the prior written consent of the Joint Global Coordinators.

Undertakings by the Covenantors

Each of the Covenantors has undertaken to each of the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the stock borrowing agreement dated September 9, 2011 or the share option scheme approved pursuant to the written resolutions of the

UNDERWRITING

shareholders of the Company dated August 26, 2011, he/it will not and will procure that none of his/its Associates or companies controlled by it or any nominee or trustee holding in trust for it will:

- (a) at any time after the date of the Hong Kong Underwriting Agreement and until the expiry of the First Six-month Period: (a) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, assign or otherwise transfer or dispose of, or repurchase, either directly or indirectly, conditionally or unconditionally, any of its Held Interests; (b) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (a) or (b) above whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Held Interests, in cash or otherwise;
- (b) without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the applicable laws (including the Hong Kong Listing Rules), at any time during the Second Six-Month Period: (a) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, assign or otherwise transfer or dispose of, or repurchase, either directly or indirectly, conditionally or unconditionally, any of its Held Interests; (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in limb (a) or (b) above whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of such Held Interests, in cash or otherwise; and
- (c) in the event of a disposal by him of any of its Held Interests during the Second Six-Month Period, he or it will take all steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

Each of the Covenantors has further undertaken with the Joint Global Coordinators, the Joint Sponsors, each of the Hong Kong Underwriters and the Company that, in the event that the Joint Global Coordinators give written consent, within the period commencing on the date of this prospectus and ending on the date which is 12 months after the Listing Date, it will immediately inform the Company, the Joint Global Coordinators and the Joint Sponsors of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by it, together with the number of Shares or other securities of our Company so pledged or charged and the purpose for which such pledge or charge is to be created; and
- (b) any indication received by it, either verbal or written, from the pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of the Shares or other securities of our Company so pledged or charged will be disposed of.

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We have agreed and undertaken to each of the Joint Global Coordinators, the Joint Sponsors and each of the Hong Kong Underwriters that upon receiving such information in writing from any of the Covenantors it shall immediately notify the Stock Exchange and make a public disclosure in relation to such information by way of announcement.

Indemnity

We have agreed to indemnify each of the Joint Global Coordinators, the Joint Sponsors and the relevant Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, it is expected that our Company, amongst others, will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions, severally and not jointly, agree to procure subscribers for or purchasers for, or failing which to subscribe for or purchase themselves, their respective applicable proportions of the International Offer Shares being offered pursuant to the International Offering which are not taken up under the International Offering.

The Selling Shareholder is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate of 75,000,000 additional Sale Shares representing approximately 15 per cent. of the initial Offer Shares, at the same price per Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

Total Commission and Expenses

The Hong Kong Underwriters will receive an underwriting fee of 2.5 per cent. on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company and the Selling Shareholder, as the case may be will pay an underwriting fee at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, we may, in our sole discretion, pay the Joint Global Coordinators an additional incentive fee of up to 1.5 per cent. of the gross proceeds from the Global Offering.

Assuming an Offer Price of HK\$2.77 per Share (being the mid-point of the indicative Offer Price range of HK\$2.30 to HK\$3.24 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to approximately HK\$73.3 million in total payable by our Company.

UNDERWRITING

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of our Group.

Sponsors' Independence

Each of Citi and DBS satisfies the independence criteria applicable to sponsors set out Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 50,000,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section entitled “The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of 450,000,000 International Offer Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S (including to professional and institutional investors within Hong Kong) and in the United States to QIBs in reliance on Rule 144A.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25 per cent. of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 28.75 per cent. of the enlarged issued share capital immediately after completion of the Global Offering, the Capitalization Issue and the exercise of the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

Our Company is initially offering 50,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 2.5% of our Company’s issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section entitled “Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into 2 pools for allocation purposes: pool A and pool B. The Offer Shares in pool A (will consist of 25,000,000 Shares and) will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, and Stock Exchange trading fee payable) or less. The Offer Shares in pool B (will consist of 25,000,000 Shares and) will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 25,000,000 Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between (i) the Hong Kong Public Offering and (ii) the International Offering is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 150,000,000 Offer Shares (in the case of (i)), 200,000,000 Offer Shares (in the case of (ii)) and 250,000,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deems appropriate. In addition, the Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the relevant application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.24 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section entitled “Pricing of the Global Offering” below, is less than the maximum price of HK\$3.24 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled “How to Apply For Hong Kong Offer Shares.”

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

Subject to reallocation as described above and the Over-allotment Option, the International Offering will consist of an aggregate of 450,000,000 Offer Shares.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section entitled “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholder is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our

STRUCTURE OF THE GLOBAL OFFERING

Company to allot and issue up to 75,000,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.75% of our Company's enlarged share capital immediately following the completion of the Capitalization Issue and the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Saturday, September 17, 2011, and in any event on or before Wednesday, September 21, 2011, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.24 per Share and is expected to be not less than HK\$2.30 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post and the Hong Kong Economic Times notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, our Company and the Selling Shareholder, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the profit forecast for the year ending December 31, 2011 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn**

STRUCTURE OF THE GLOBAL OFFERING

once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the Offer Price range is so reduced. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Bookrunners, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$622.3 million, assuming an Offer Price per Share of HK\$2.30, or approximately HK\$893.0 million, assuming an Offer Price per Share of HK\$3.24. Since the Over-allotment Option is to be granted by our Selling Shareholder, we will not receive any proceeds from the sale of Offer Shares upon the exercise of the Over-allotment Option.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, September 22, 2011 in the South China Morning Post and the Hong Kong Economic Times.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to slow and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any duly authorized person acting for it may, to the extent permitted by law, over-allocate or effect transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any duly authorized person acting for it to do this. Such stabilization, if commenced, will be conducted at the discretion of the Stabilizing Manager or any duly authorized person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Stabilizing Manager or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above;
 - (A) (1) over-allocate the Offer Shares; or
 - (2) sell or agree to sell the Offer Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Offer Shares in order to close out any position established under paragraph (A) above;
- (C) sell or agree to sell any of the Offer Shares acquired by it in the course of the stabilizing action referred to in paragraphs (i) above in order to liquidate any position that has been established by such action; or
- (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager or any duly authorized person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any duly authorized person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on which trading of the Offer Shares commences on the Stock Exchange and ends on the earlier of the thirtieth day after (i) the last day for lodging of applications under the Hong Kong Public Offering or (ii) the commencement of trading of the Offer Shares. The stabilization period is expected to expire on October 16, 2011. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases affected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 75,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilizing Manager may borrow up to 75,000,000 shares from the Controlling Shareholder, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under a stock borrowing agreement.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled "Underwriting."

STRUCTURE OF THE GLOBAL OFFERING

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, September 23, 2011, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, September 23, 2011.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Friday, September 23, 2011.

If, for any reason, the Offer Price is not agreed among our Company, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post and the Hong Kong Economic Times on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled “How to Apply for Hong Kong Offer Shares.” In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Thursday, September 22, 2011 but will only become valid certificates of title at 8:00 a.m. on Friday, September 23, 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled “Underwriting—Grounds for Termination” has not been exercised.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a WHITE or YELLOW Application Form, if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not within the United States (within the meaning of Regulation S) or are a person described in paragraph h(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors or those who have obtained approval from competent regulatory authorities).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service (www.eipo.com.hk), in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, who must state his or her representative capacity.

If your application is made by a person duly authorized under a power of attorney, our Company, the Joint Global Coordinators, the Underwriters and their respective agents and nominees, each severally as our Company's agent(s), may accept your application at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

The total number of joint applicants may not exceed four.

We, the Joint Global Coordinators, or the designated **White Form eIPO** Service Provider (where applicable), or our or their respective agents and nominees, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Save under the circumstances permitted under the Listing Rules, the Hong Kong Offer Shares are not available to existing beneficial owners of Shares, or Directors or chief executive(s) of our Company or any of its subsidiaries, or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of the Company or its subsidiaries or persons who will become connected persons immediately upon completion of the Global Offering or are within the United States (within the meaning of Regulation S) (other than a person described in paragraph h(3) of Rule 902 of Regulation S) or persons who do not have a Hong Kong address.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Offer Shares under the International Offering, but may not do both.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** Application Form—use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name;
- instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of www.eipo.com.hk. Use **White Form eIPO** if you want the Hong Kong Offer Shares to be registered in your name;
- using a **YELLOW** Application Form—use a **YELLOW** application form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account;
- instead of using a **YELLOW** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

3. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on September 12, 2011 until 12:00 noon on September 16, 2011:

Any of the following addresses of the Hong Kong Underwriters:

Citigroup Global Markets Asia Limited 50th Floor, Citibank Tower
Citibank Plaza, 3 Garden Road
Central, Hong Kong

DBS Asia Capital Limited 17th Floor, The Center
99 Queen's Road Central
Hong Kong

or any one of the following branches of:

(i) DBS Bank (Hong Kong) Limited

	Branch	Address
Hong Kong Island	Head Office	G/F, The Center 99 Queen's Road Central
	United Centre Branch	Shops 1015-1018 1/F, United Centre 95 Queensway, Admiralty

HOW TO APPLY FOR HONG KONG OFFER SHARES

	Branch	Address
Kowloon	Tsimshatsui Branch	G/F, 22–24 Cameron Road Tsimshatsui
	Yue Man Square Branch	Shop 3-5 & G/F, Mido Mansion 51–63 Yue Man Square Kwun Tong
	Amoy Plaza Branch	G45-48, Amoy Plaza 77 Ngau Tau Kok Road Ngau Tau Kok
New Territories	Yuen Long Branch	G/F, 1-5 Tai Tong Road, Yuen Long

(ii) Bank of China (Hong Kong) Limited

	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza Wong Tai Sin
	Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok
New Territories	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Castle Peak Road (Tsuen Wan) Branch	201–207 Castle Peak Road, Tsuen Wan

(iii) Bank of Communications Co., Ltd. Hong Kong Branch

	Branch	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road, Quarry Bay
	Hennessy Road Sub-Branch	G/F., Bank of Communications Bldg. 368 Hennessy Road
Kowloon	Mongkok Sub-Branch	Shops A & B, G/F. Hua Chiao Commercial Centre 678 Nathan Road
New Territories	Tai Po Sub-Branch	Shop No.1, G/F., Wing Fai Plaza 29-35 Ting Kok Road, Tai Po
	Ma On Shan Sub-Branch	Shop Nos. 3038A & 3054–56, Level 3 Sunshine City Plaza

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on September 12, 2011 until 12:00 noon on September 16, 2011 from:

- (1) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) your stockbroker, who may have such Application Forms and this prospectus available.

4. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

Each application must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out in the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out in the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name. This name must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be in your name. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be payable to "**Bank of Communications (Nominee) Co. Ltd.—Hongguo Intl Public Offer**";
- be crossed "Account payee only"; and
- not be post-dated.

Your application will be rejected if your cheque:

- does not meet all these requirements; or
- is dishonored on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the banker's cashier order must be the same as the name of the first-named applicant;
- be payable to "**Bank of Communications (Nominee) Co. Ltd.—Hongguo Intl Public Offer**";

HOW TO APPLY FOR HONG KONG OFFER SHARES

- be crossed “Account payee only”;
- be in Hong Kong dollars; and
- not be post-dated.

Your application will be rejected if your banker’s cashier order:

- does not meet all these requirements; or
- is dishonored on its first presentation.

Lodge the Application Form in one of the collection boxes by the time and at one of the locations set out in the paragraph headed “When May Applications Be Made”.

In order for an application made on a **YELLOW** Application Form to be valid:

you, as the applicant(s), must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- (a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) If the application is made by an individual CCASS Investor Participant:

- (a) the Application Form must contain the CCASS Investor Participant’s name and Hong Kong identity card number; and
- (b) the CCASS Investor Participant’s participant I.D. must be inserted in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

- (a) the Application Form must contain the names and Hong Kong identity card numbers of the joint CCASS Investor Participants; and
- (b) the CCASS Investor’s participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

- (a) the Application Form must contain the CCASS Investor Participant’s company name and Hong Kong Business Registration number; and
- (b) the CCASS Investor’s participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made by a person duly authorized under a power of attorney, the Company, the Joint Global Coordinators, the Underwriters and their respective agents and nominees,

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each severally as our agent(s), may accept your application at their discretion, subject to any conditions they think fit, including production of evidence of the authority of your attorney.

We and the Joint Global Coordinators, in the capacity as our agents, or their agents or nominees, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

5. HOW TO APPLY USING WHITE FORM eIPO

General

- (i) If you are an individual, you may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria as set forth in the paragraph headed “—Who can apply for Hong Kong Offer Shares”. If you apply through **White Form eIPO**, the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **White Form eIPO** service are set forth on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to the Company.
- (iii) If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorized the designated **White Form eIPO** Service Provider to apply on the terms and conditions set forth in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.
- (iv) In addition to the terms and conditions set forth in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set forth on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (v) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our registrars.
- (vi) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (vii) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference

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numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

- (viii) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form. Please see the paragraph headed “—How Many Applications May You Make” below.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Hongguo International Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang—Hong Kong Forest” project initiated by Friends of the Earth (HK).

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the section headed “—Refund of Application Monies” shall be made pursuant to the arrangements described in the section headed “—If your Application for Hong Kong Offer Shares is Successful (in Whole or in Part)—(c) If you apply through White Form eIPO”.

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Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted **electronic application instructions** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

6. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its Hong Kong Share Registrar.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of

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1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either:

- (i) submit a **WHITE** or **YELLOW** Application Form; or
- (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on September 16, 2011.

7. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares if and only if:

You are a **nominee**, in which case you may give electronic application instructions to HKSCC via CCASS (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for **each** beneficial owner (or, in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed and will be rejected.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference

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numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

For further information, please see the section headed “—Multiple Applications”.

8. WHEN MAY APPLICATIONS BE MADE

(a) Applications using WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on September 16, 2011, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed “—Effect of Bad Weather on the Opening of the Application Lists” below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of DBS (Hong Kong) Limited, Bank of China (Hong Kong) Limited and Bank of Communications Co., Ltd. Hong Kong Branch (see the paragraph headed “—Where to collect the Application Forms” above) at the specified times on the following dates:

September 12, 2011—9:00 a.m. to 5:00 p.m.

September 14, 2011—9:00 a.m. to 5:00 p.m.

September 15, 2011—9:00 a.m. to 5:00 p.m.

September 16, 2011—9:00 a.m. to 12:00 noon

(b) White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on September 12, 2011 until 11:30 a.m. on September 16, 2011 or such later time as described under the sub-paragraph headed “—Effect of Bad Weather on the Opening of the Application Lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on September 16, 2011, the last application day, or, if the

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application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set forth in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on September 16, 2011, or such later time as described under the sub-paragraph headed “—Effect of Bad Weather on the Opening of the Application Lists” below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

(c) Electronic Application Instructions to HKSCC via CCASS

Those who are not CCASS Investor Participants can instruct their brokers or custodians who are CCASS Clearing Participants or CCASS Custodian Participants to give electronic applications to HKSCC via CCASS terminals to apply for Hong Kong Offer Shares on their behalf.

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

September 12, 2011—9:00 a.m. to 8:30 p.m. (note)

September 14, 2011—8:00 a.m. to 8:30 p.m. (note)

September 15, 2011—8:00 a.m. to 8:30 p.m. (note)

September 16, 2011—8:00 a.m. (note) to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on September 12, 2011 until 12:00 noon on September 16, 2011 (24 hours daily, except the last application day).

(d) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on September 16, 2011 except as provided in the sub-paragraph headed “—Effect of Bad Weather on the Opening of the Application Lists” below.

No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until the closing of the application lists. No allotment of any of the Shares will be made after October 12, 2011.

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(e) Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on September 16, 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

Business Day means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$3.24 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK\$3,272.66. The Application Forms have tables showing the exact amount payable for numbers of Shares up to 25,000,000 Shares. Your application must be for a minimum of 1,000 Shares. Applications must be in one of the numbers set out in the tables in the Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the amount payable upon application for the Shares by one cheque or one banker’s cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange (as the case may be) and the SFC transaction levy and Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

10. PUBLICATION OF RESULTS

Our Company expects to release and announce the Offer Price on September 22, 2011, and expects to release and announce the level of indications of interest in the International Offering, level of applications in the Hong Kong Public Offering and basis of allotment under the Hong Kong Public Offering on September 22, 2011 in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on our website at www.hongguo.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk. The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be made available at the times and date and in the manner specified below:

- on our website at www.hongguo.com and the website of the Stock Exchange at www.hkexnews.hk on September 22, 2011;
- on our Hong Kong Public Offering results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on September 22, 2011 to 12:00 midnight on September 28, 2011. The user of our Hong Kong Public Offering results of allocations website at www.iporesults.com.hk will be required to key in the

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Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their application has been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from September 22, 2011 to September 25, 2011; and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from September 22, 2011 to September 24, 2011 at all the receiving bank branches and sub-branches at the address set out in the paragraph headed “—Where to Collect the Application Forms”.

11. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

Refund cheques for surplus application monies (if any) under **WHITE** or **YELLOW** Application Forms and Share certificates for successful applicants under **WHITE** Application Forms and **White Form eIPO** will be posted and/or available for collection (as the case may be) on September 22, 2011.

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised.

Further information on arrangements for the dispatch/collection of share certificates and refunds of application monies is set out in the section headed—If your Application for Hong Kong Offer Shares is successful (in whole or in part) and—Refund of Application Monies”.

12. COMMENCEMENT OF DEALINGS IN THE OFFER SHARES

Dealings in the Offer Shares are expected to commence on September 23, 2011.

The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 1028.

13. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

14. EFFECT OF MAKING AN APPLICATION

- (a) You should note that by completing and submitting the Application Form, among other things:
- (i) you **agree** with our Company, and each shareholder of our Company, and our Company agrees with each of its shareholders, to observe and comply with the Companies Act, the Companies Ordinance, the Memorandum of Association and the Bye-laws;
 - (ii) you **agree** with our Company and each shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
 - (iii) you **confirm** that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to the prospectus;
 - (iv) you **agree** that our Company, the Directors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Underwriters and any of their respective directors, officers, employees, agents or advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in the prospectus and any supplement thereto (and only then to the extent such liability is held to exist by a court with competent jurisdiction);
 - (v) you **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allocated (including conditionally or provisionally) any Offer Shares under the International Offering nor otherwise participated in the International Offering;
 - (vi) you **agree** to disclose to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Share Registrar, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
 - (vii) **instruct** and **authorize** our Company and/or the Joint Global Coordinators (or their respective agents or nominees), as agents of our Company, to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name(s) (for applicants on a **WHITE** Application Form) or in the name of HKSCC Nominees (for applicants on a **YELLOW** Application Form), as required by the Memorandum of Association and the Bye-laws and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;
 - (viii) **undertake** to sign all documents and to do all things necessary to enable you (for applicants on a **WHITE** Application Form) or the name of HKSCC Nominees (for

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applicants on a **YELLOW** Application Form) to be registered as the holder of the Hong Kong Offer Shares to be allotted to you, and as required by the Memorandum of Association and the Bye-laws and otherwise to give effect to the arrangements described in this prospectus and the Application Forms;

- (ix) **warrant** the truth and accuracy of the information contained in your Application Form;
 - (x) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will infringe any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
 - (xi) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
 - (xii) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
 - (xiii) **represent, warrant** and **undertake** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you and any person for whose account or benefit you are acquiring the Hong Kong Offer Shares are outside the United States (as defined in Regulation S under the US Securities Act) or a person described in paragraph h(3) of Rule 902 of Regulation S under the U.S. Securities Act when completing the Application Form;
 - (xiv) **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to you under the application; and
 - (xv) **agree** that the processing of your application, including the dispatch of refund cheque(s) (if any), may be done by any of our Company's receiving bankers and is not restricted to the bank at which your application was lodged.
- (b) If you apply by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:
- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
 - instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the Offer Price per Offer Share initially paid on application, refund of the application monies, in each case including

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brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account;

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes** and **agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and has not received or been placed or allocated (including conditionally or provisionally) any Offer Shares under the International Offering nor otherwise participated in the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - **understands** that the above declaration will be relied upon by our Company, our Directors and the Joint Global Coordinators in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
 - **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

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- **confirms** that that person has read the terms and conditions and application procedures set forth in this prospectus and agrees to be bound by them;
- **confirms** that that person has received a copy of this prospectus and has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
- **agrees** that the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Underwriters and any of their respective directors, officers, employees, agents or advisors and any other parties involved in the Global Offering are liable only for the information and representations contained in the prospectus and any supplement to the prospectus (and only then to the extents such liability is held to exist by a court with competent jurisdiction);
- **agrees** to disclose that person's personal data to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Share Registrar, the receiving bankers and/or their respective advisers and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable on or before October 11, 2011, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before September 16, 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before October 11, 2011, if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees Limited is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering made available by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- **agrees** with our Company, for ourselves and for the benefit of each of our shareholders (and so that we will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and

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on behalf of each of our shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Memorandum of Association and the Bye-laws; and

- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

(c) If you apply by using the **White Form eIPO** service to apply for the Hong Kong Offer Shares, you shall be deemed to have accepted the following conditions:

That you, the applicant:

- **applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk subject to the Memorandum of Association and the Bye-laws of our Company;
- **undertakes** and **agrees** to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** and **warrants** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the **White Form eIPO** Service Provider under the **White Form eIPO** service to benefit the applicant or the person for whose benefit the applicant is applying;
- **undertakes, confirms, warrant** and **declare** that the applicant and the person for whose benefit the applicant is applying have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, and have not received or been placed or allotted (including conditionally and/or provisionally) any Offer Shares under the International Offering, nor otherwise participated in the International Offering;
- **understands** that this declaration and representation will be relied upon by our Company in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;
- **authorizes** our Company to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set forth in this prospectus) to send any share certificates by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** application except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus;
- **request** that any e-Refund payment instructions will be dispatched to the application payment bank account, if the applicant paid the application monies from a single bank account;
- **request** that any refund cheque will be dispatched to the address specified in application instructions to the designated **White Form eIPO** Service Provider by

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ordinary post and at applicant's own risk, if the applicant used multi-bank accounts to pay the application monies;

- **has read** the terms and conditions and application procedures set forth on the **White Form eIPO** designated website at www.eipo.com.hk and this prospectus and agrees to be bound by them;
- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant is applying are non-U.S. person(s) outside the United States (as defined in Regulation S under the US Securities Act) when completing and submitting the Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the US Securities Act or the allotment of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- **agrees** that such application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

In addition, by completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorize** the Company, the Joint Global Coordinators as agents for the Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Memorandum of Association and the Bye-laws and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk;
- **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set forth in any supplement to this prospectus;
- **agree** that the Company, our Directors and any person who has authorized this prospectus are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you cannot rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) **warrant** that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider via the **White Form eIPO** service (www.eipo.com.hk);
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated

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White Form eIPO Service Provider via the **White Form eIPO** service (www.eipo.com.hk), and that you are duly authorized to submit the application as that other person's agent;

- **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, and have not received or been placed or allocated (including conditionally or provisionally) any Offer Shares under the International Offering or otherwise participated in the International Offering;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **agree** to disclose to the Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the share registrars, the receiving bankers and/or their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- **agree** with the Company and each Shareholder of our Company, and our Company agrees with each of its Shareholders, to observe and comply with the Companies Act, the Companies Ordinance, the Memorandum of Association and the Bye-laws;
- **agree** with our Company and each Shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- **represent, warrant and undertake** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you and any person for whose account or benefit you are acquiring the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of rule 902 of Regulation S;
- **confirm** that you have read the terms and conditions and application procedures set forth in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk and agree to be bound by them;
- **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of our Company, the Joint Global Coordinators and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** designated website at www.eipo.com.hk.

Our Company, the Joint Global Coordinators, the Underwriters and their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

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15. MULTIPLE APPLICATIONS

- (a) It will be a term and condition of all applications that by completing and delivering an Application Form, you (and if you are joint applicants, each of you jointly and severally):
- (if the application is made for your own benefit) **warrant** that the application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
 - (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that the application is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person's agent.
- (b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
 - apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
 - apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service for more than 25,000,000 Shares, being 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering"; or
 - have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.
- (c) **All** of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:
- the principal business of that company is dealing in securities; and

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- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

16. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set forth in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may not be revoked on or before October 12, 2011 unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before September 16, 2011, except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

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If your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of our Company, the Joint Global Coordinators or the designated White Form eIPO** Service Provider (where applicable) or their agents and nominees to reject or accept your application:

Our Company, the Joint Global Coordinators (as agents for our Company) or the designated **White Form eIPO** Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

Our Company and the Joint Global Coordinators, in their capacity as our Company's agents, and our agents and nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
 - within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.
- **You will not receive any allotment if:**
 - you make multiple applications or are suspected of making multiple applications;
 - you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering. By filling in any of the Application Forms or applying by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, you agree not to apply for the Hong Kong Offer Shares as well as Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received the Hong Kong Offer Shares in the Hong Kong Public Offering;

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- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set forth in the designated website at www.eipo.com.hk;
- your payment is not made correctly;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- our Company or the Joint Global Coordinators believe that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the Hong Kong Public Offering for subscription (that is 25,000,000 Offer Shares);
- the Underwriting Agreements do not become unconditional; or
- the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Shares under the Hong Kong Public Offering or indicate an interest for Shares under the International Offering, but may not do both.

17. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.24 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary document of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) for applications on **WHITE** Application Forms or by giving **electronic application instructions** through the **White Form eIPO** service: (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of the Hong Kong Offer Shares successfully applied for, if the application is partially successful. For wholly successful and partially successful applications on **YELLOW** Application Forms: Share certificates for the Shares successfully applied for will be deposited into CCASS as described below; and/or

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- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price per Share paid on application in the event that the Offer Price is less than the Offer Price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the initial price per Offer Share paid on application (if any) under **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** through the **White Form eIPO** service; and Share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **electronic application instructions** through the **White Form eIPO** service are expected to be posted on or before September 22, 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting—Hong Kong Public Offering—Grounds for Termination” has not been exercised.

(a) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on September 22, 2011 or such other date as notified by us in the newspapers as the date of collection/dispatch of e-Refund payment instructions/refund cheques/Share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of

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collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address as specified on your Application Form on September 22, 2011, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on September 22, 2011 by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on September 22, 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the above section headed "—Publication of Results" on September 22, 2011. You should check the announcement made by our Company and report any discrepancies to HKSCC before 5:00 p.m. on September 22, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time

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to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

(c) If you apply through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on September 22, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on September 22, 2011, by ordinary post and at your own risk.

For applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account, if the applicant's application is wholly or partially unsuccessful and/or the final Offer Price is lower than the maximum Offer Price initially paid on the applicant's application, e-Refund payment instructions (if any) will be dispatched to the application payment account on or before September 22, 2011.

For applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts, if the applicant's application is wholly or partially unsuccessful and/or the final Offer Price is lower than the maximum Offer Price initially paid on the applicant's application, refund cheque(s) will be sent to the address specified in the applicant's application instructions to the designated **White Form eIPO** Service Provider on or before September 22, 2011, by ordinary post and at the applicant's own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set forth above in the section above headed “—How to Apply Using White Form eIPO—Additional Information”.

(d) If you apply by giving electronic application instructions to HKSCC:

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

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Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents or evidence of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on September 22, 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to make available the Offer Price on September 22, 2011 and to make available the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner described in the section headed “—Publication of Results” and to publish the basis of allotment of the Hong Kong Offer Shares in the newspapers on September 22, 2011. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on September 22, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on September 22, 2011. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Offer Price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on September 22, 2011. No interest will be paid thereon.

18. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reasons, our Company will refund your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and

HOW TO APPLY FOR HONG KONG OFFER SHARES

Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of refund cheques will be retained for our benefit.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$3.24 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. Please see the above section headed “—Dispatch/Collection of Share Certificates and Refund Monies”.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Global Coordinators, cheques for applications for certain small denominations of the Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on September 22, 2011 in accordance with the various arrangements as described in this section.

19. PERSONAL DATA

The section of the Application Form entitled “Personal Data” applies to any personal data held by our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

20. SECTION 40 OF THE COMPANIES ORDINANCE

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.



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Deloitte Touche Tohmatsu
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88 Queensway
Hong Kong

September 12, 2011

The Directors
Hongguo International Holdings Limited
Citigroup Global Markets Asia Limited
DBS Asia Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Hongguo International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2010 and three months ended March 31, 2011 (the “Track Record Period”), for inclusion in the prospectus of the Company dated September 12, 2011 (the “Prospectus”) in connection with the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on April 26, 2002 as MF International Holdings Limited. On January 22, 2003, the Company changed its name to Hongguo International Holdings Limited. The Company was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) in June 2003. On January 18, 2010, Info Giant Investments Limited (“Info Giant”), a company incorporated in the British Virgin Islands (“BVI”) and in which certain directors of the Company have beneficial interests, made a voluntary conditional cash offer (the “Privatization Offer”) for all the issued ordinary shares in the Company. The Privatization Offer was closed on March 22, 2010, and a majority of the shareholders, representing over 97% of the then issued ordinary shares of the Company, accepted the Privatization Offer. Subsequently, Info Giant exercised its right of compulsory acquisition to acquire all the remaining shares held by shareholders who had not accepted the Privatization Offer (the “Compulsory Acquisition”). The Compulsory Acquisition was completed on May 5, 2010 and the Company was delisted from the SGX-ST (the “Delisting”) on May 6, 2010. On March 9, 2011, High Score Holdings Limited (“High Score”), Media Value Holdings Limited (“Media Value”) and Sure Manage Investments Limited (“Sure Manage”) acquired 217,523,461, 93,422,774 and 85,921,965 of the Company’s shares from Info Giant, representing 54.81%, 23.54% and 21.65% of the Company’s then issued ordinary shares respectively. High Score, Media Value and Sure Manage are incorporated in the BVI and in which certain directors of the Company have beneficial interests. The Company is an investment holding company and the Group is principally engaged in the manufacture and sale of branded fashion footwear.

All companies now comprising the Group have adopted December 31 as their financial year end date.

The Company has direct and indirect interests in the following subsidiaries during the Track Record Period and at the date of this report:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group					Principal activities
			As at December 31,			At March 31, 2011	At the date of this report	
			2008	2009	2010			
Held by the Company								
Best Invent Holdings Limited (“Best Invent”)	BVI May 3, 2002	United States Dollar (“USD”) 2	100%	100%	100%	100%	100%	Investment holding
Best Value Profits Limited (“Best Value”)	BVI September 26, 2001	USD 2	100%	100%	100%	100%	100%	Investment holding and marketing and sales agent
Allied Great International Holdings Limited 匯英國際集團有限公司 (“Allied Great”)	Hong Kong November 21, 2007	Hong Kong Dollar (“HKD”) 1	100%	100%	100%	100%	100%	Investment holding
China Ease Enterprise Limited 華誼企業有限公司 (“China Ease”)	Hong Kong October 31, 2007	HKD 1	100%	100%	100%	100%	100%	Investment holding
Held by subsidiaries of the Company								
Mayflower (Nanjing) Enterprise Company Limited 美麗華企業(南京)有限公司 (“Nanjing Mayflower”)	The People’s Republic of China (the “PRC”) March 3, 2004	USD 18,000,000	100%	100%	100%	100%	100%	Retail sale of branded fashion footwear
Dongguan Mayflower Footwear Corporation Limited 東莞美麗華鞋業有限公司 (“Dongguan Mayflower”)	PRC July 30, 2002	USD 1,000,000	100%	100%	100%	100%	100%	Contract manufacture and sale of branded fashion footwear
Nanjing Soft Garment & Footwear Co., Ltd. 南京舒服特服飾鞋業有限公司 (“Nanjing Soft”)	PRC December 15, 2005	USD 10,000,000	100%	100%	100%	100%	100%	Manufacture and sale of branded fashion footwear and related materials
Suining Shufute Shoes Co., Ltd. 睢寧舒服特鞋業有限公司 (“Suining Shufute”)	PRC January 28, 2010	USD 5,000,000	—	—	100%	100%	100%	Manufacture and sale of branded fashion footwear and related materials
Nanjing Ruihe Trade Co., Ltd. 南京瑞和商貿有限公司 (“Nanjing Ruihe”) (note (1))	PRC June 18, 2009	Renminbi (“RMB”) 20,000,000	—	100%	100%	100%	100%	Property investment
Jiangsu Unity Corporation Co., Limited 江蘇團結企業有限公司 (“Jiangsu Unity”) (note (2))	PRC May 11, 2004	RMB 26,000,000	100%	100%	—	—	—	Retail and wholesale of international and domestic branded apparel
Dongguan Mayflower Industries Limited 東莞美麗華實業有限公司 (“Dongguan Industries”) (note (3))	PRC October 8, 2005	USD 1,000,000	—	—	—	—	—	Contract manufacture and sale of branded fashion footwear

Notes:

- (1) Nanjing Ruihe was acquired on October 26, 2009. Detail of the acquisition is set out in Note 34.
- (2) Jiangsu Unity was disposed of on December 8, 2010. Detail of the disposal is set out in Note 35.
- (3) Dongguan Industries was liquidated on August 1, 2008.

The statutory financial statements of the Company for the two years ended December 31, 2009 were prepared in accordance with the Singapore Financial Reporting Standards. No audited financial statements have been prepared for the Company for the year ended December 31, 2010, as there are no statutory requirements in the respective jurisdiction to do so subsequent to the Delisting. The statutory financial statements of Allied Great and China Ease were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The statutory financial statements of Nanjing Mayflower, Dongguan Mayflower, Nanjing Soft and Suining Shufute were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by the following certified public accountants registered in their respective jurisdictions, as appropriate:

<u>Name of Group entity</u>	<u>Financial year</u>	<u>Name of statutory auditor</u>
The Company	For the two years ended December 31, 2009	Deloitte & Touche LLP, Singapore
Allied Great	For the three years ended December 31, 2010	PROCON CPA Limited, Certified Public Accountants
China Ease	For the three years ended December 31, 2010	PROCON CPA Limited, Certified Public Accountants
Nanjing Mayflower	For the year ended December 31, 2008	江蘇達鼎會計師事務所有限公司 Jiangsu Dading Certified Public Accountants Co., Ltd.
	For the two years ended December 31, 2010	江蘇利安達興業會計師事務所有限公司 Jiangsu Reanda XingYe Certified Public Accountants Co., Ltd.
Dongguan Mayflower	For the year ended December 31, 2008	東莞市東誠會計師事務所有限公司 Dongguan Dongcheng CPA Co., Ltd.
	For the two years ended December 31, 2010	廣東中誠安泰會計師事務所有限公司 Guangdong CCAT Certified Public Accountants Co., Ltd.
Nanjing Soft	For the year ended December 31, 2008	江蘇達鼎會計師事務所有限公司 Jiangsu Dading Certified Public Accountants Co., Ltd.
	For the two years ended December 31, 2010	江蘇利安達興業會計師事務所有限公司 Jiangsu Reanda XingYe Certified Public Accountants Co., Ltd.
Suining Shufute	For the period from January 28, 2010 (date of establishment) to December 31, 2010	睢寧縣正興聯合會計師事務所 Suining Zhengxing CPA Co., Ltd.

Best Invent and Best Value incorporated in the BVI do not prepare any audited financial statements, as there are no statutory requirements in the respective jurisdiction to do so.

There is no requirement for Nanjing Ruihe and Jiangsu Unity to prepare the statutory financial statements since their respective dates of establishment.

No audited financial statements have been prepared for Dongguan Industries, as it was liquidated on August 1, 2008.

The directors of the Company have prepared the consolidated financial statements of the Group for each of the two years ended December 31, 2009 in accordance with Singapore Financial Reporting Standards and the consolidated financial statements of the Group for the year ended December 31, 2010 and for the three months ended March 31, 2011 in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (the “IASB”) (the “Underlying Financial Statements”). The Underlying Financial Statements of the Group for each of the two years ended December 31, 2009 were audited by Deloitte & Touche LLP, Singapore, in accordance with Singapore Standards on Auditing. We have conducted audit procedures on the consolidated financial statements of the Group for each of the two years ended December 31, 2009 in accordance with International Standards on Auditing. For the purpose of this report, we have undertaken independent audit of the consolidated financial statements of the Group for the year ended December 31, 2010 and for the three months ended March 31, 2011 in accordance with International Standards on Auditing.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared in accordance with the accounting policies set out in Note 3 which are in conformity with IFRSs, and from the Underlying Financial Statements, after making necessary adjustments as we considered appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2008, December 31, 2009, December 31, 2010 and March 31, 2011, and of the consolidated results and consolidated cash flows of the Group for each of the three years ended December 31, 2010 and for the three months ended March 31, 2011.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the three months ended March 31, 2010 together with the notes thereon (the “March 2010 Financial Information”) have been extracted from the Group’s unaudited consolidated financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the March 2010 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the March 2010 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the March 2010 Financial Information. Based on

our review, nothing has come to our attention that causes us to believe that the March 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	NOTES	Year ended December 31,			Three months ended March 31,	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations						
Revenue	6	1,043,959	1,284,924	1,574,963	373,545	465,096
Cost of sales		(479,357)	(633,733)	(602,671)	(164,040)	(176,103)
Gross profit		564,602	651,191	972,292	209,505	288,993
Other income and other gains and losses	7	7,811	10,787	9,076	2,798	4,174
Distribution and selling expenses		(378,787)	(468,034)	(652,993)	(143,314)	(178,695)
Administrative and general expenses		(55,605)	(64,883)	(84,771)	(25,527)	(20,837)
Finance costs	8	(613)	(1,015)	(903)	(780)	(185)
Share of losses of joint ventures	20	(10,560)	(4,410)	(2,996)	(1,402)	(436)
Profit before tax	9	126,848	123,636	239,705	41,280	93,014
Income tax expense	10	(20,004)	(32,603)	(67,643)	(10,756)	(24,660)
Net profit for the year/period from continuing operations		106,844	91,033	172,062	30,524	68,354
Discontinued operations						
Loss for the year/period from discontinued operations	11	(419)	(11,402)	(2,207)	(471)	—
Net profit and total comprehensive income for the year/period attributable to owners of the Company						
		<u>106,425</u>	<u>79,631</u>	<u>169,855</u>	<u>30,053</u>	<u>68,354</u>
		RMB cents	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share						
From continuing and discontinued operations						
Basic	14	<u>6.26</u>	<u>4.68</u>	<u>9.99</u>	<u>1.77</u>	<u>4.02</u>
From continuing operations						
Basic	14	<u>6.28</u>	<u>5.35</u>	<u>10.12</u>	<u>1.80</u>	<u>4.02</u>

A. FINANCIAL INFORMATION—(continued)

Consolidated Statements of Financial Position

	NOTES	As at December 31,			As at
		2008	2009	2010	March 31,
		RMB'000	RMB'000	RMB'000	2011
					RMB'000
Non-current assets					
Property, plant and equipment	15	89,000	78,777	86,277	93,315
Prepaid lease payments	16	16,454	16,070	15,686	15,590
Investment properties	17	—	44,640	46,069	46,069
Goodwill	18	2,000	—	—	—
Intangible assets	19	1,373	1,870	1,814	1,782
Interest in joint ventures	20	12,771	5,720	5,804	5,489
Deferred tax assets	21	5,494	6,758	10,200	11,964
Long-term deposit		8,999	6,731	7,197	7,316
		<u>136,091</u>	<u>160,566</u>	<u>173,047</u>	<u>181,525</u>
Current assets					
Inventories	22	343,805	270,290	410,263	360,386
Trade receivables	23	132,925	175,136	179,930	158,473
Other receivables and prepayments	24	27,062	29,679	38,360	41,537
Pledged bank deposits	25	24,793	29,728	33,784	31,783
Bank balances and cash	26	115,376	278,379	161,409	192,231
		<u>643,961</u>	<u>783,212</u>	<u>823,746</u>	<u>784,410</u>
Current liabilities					
Trade payables	27	87,955	132,095	197,161	119,185
Other payables	28	66,505	93,426	95,471	82,653
Income tax liabilities		8,357	15,337	46,435	35,368
Deferred revenue	29	—	—	8,581	10,741
Short-term bank loans	30	41,008	40,893	—	64,260
		<u>203,825</u>	<u>281,751</u>	<u>347,648</u>	<u>312,207</u>
Net current assets		<u>440,136</u>	<u>501,461</u>	<u>476,098</u>	<u>472,203</u>
Total assets less current liabilities		<u>576,227</u>	<u>662,027</u>	<u>649,145</u>	<u>653,728</u>
Non-current liability					
Deferred tax liabilities	21	1,652	5,723	7,059	7,729
		<u>574,575</u>	<u>656,304</u>	<u>642,086</u>	<u>645,999</u>
Capital and reserves					
Share capital	31	49,271	49,271	49,271	49,271
Reserves		525,304	607,033	592,815	596,728
Total equity attributable to owners of the Company		<u>574,575</u>	<u>656,304</u>	<u>642,086</u>	<u>645,999</u>

A. FINANCIAL INFORMATION—(continued)

Statements of Financial Position of the Company

	NOTES	As at December 31,			As at
		2008	2009	2010	March 31,
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Other receivables and prepayments	24	75,419	46,624	149,615	149,615
Investments in subsidiaries	41	2,372	4,112	10,038	10,038
		<u>77,791</u>	<u>50,736</u>	<u>159,653</u>	<u>159,653</u>
Current assets					
Other receivables and prepayments	24	148,803	214,096	132,941	68,234
Bank balances and cash		42,282	753	13,057	8,347
		<u>191,085</u>	<u>214,849</u>	<u>145,998</u>	<u>76,581</u>
Current liabilities					
Other payables	28	29,188	39,584	79,402	5,803
Short-term bank loans	30	41,008	40,893	—	64,260
		<u>70,196</u>	<u>80,477</u>	<u>79,402</u>	<u>70,063</u>
Net current assets		<u>120,889</u>	<u>134,372</u>	<u>66,596</u>	<u>6,518</u>
Total assets less current liabilities		<u>198,680</u>	<u>185,108</u>	<u>226,249</u>	<u>166,171</u>
Capital and reserves					
Share capital	31	49,271	49,271	49,271	49,271
Reserves	42	149,409	135,837	176,978	116,900
Total equity attributable to owners of the Company . . .		<u>198,680</u>	<u>185,108</u>	<u>226,249</u>	<u>166,171</u>

A. FINANCIAL INFORMATION—(continued)

Consolidated Statements of Changes in Equity

	Equity attributable to owners of the Company					
	Share capital	Share premium	PRC Statutory reserve	Share option reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000 (Note 32)	RMB'000	RMB'000	RMB'000
At January 1, 2008	49,271	98,093	43,796	—	302,850	494,010
Net profit and total comprehensive income for the year	—	—	—	—	106,425	106,425
Recognition of equity-settled share based payments (Note 33)	—	—	—	976	—	976
Transfer	—	—	12,947	—	(12,947)	—
Dividend paid (Note 13)	—	—	—	—	(26,836)	(26,836)
At December 31, 2008	49,271	98,093	56,743	976	369,492	574,575
Net profit and total comprehensive income for the year	—	—	—	—	79,631	79,631
Recognition of equity-settled share based payments (Note 33)	—	—	—	2,098	—	2,098
Transfer	—	—	11,947	—	(11,947)	—
At December 31, 2009	49,271	98,093	68,690	3,074	437,176	656,304
Net profit and total comprehensive income for the year	—	—	—	—	169,855	169,855
Recognition of equity-settled share based payments (Note 33)	—	—	—	7,502	—	7,502
Transfer on cancellation of equity-settled share based payments (Note 33)	—	—	—	(10,576)	10,576	—
Transfer on disposal of a subsidiary	—	—	(2,423)	—	2,423	—
Transfer	—	—	17,372	—	(17,372)	—
Dividend paid (Note 13)	—	—	—	—	(191,575)	(191,575)
At December 31, 2010	49,271	98,093	83,639	—	411,083	642,086
Net profit and total comprehensive income for the period	—	—	—	—	68,354	68,354
Dividend paid (Note 13)	—	—	—	—	(64,441)	(64,441)
At March 31, 2011	49,271	98,093	83,639	—	414,996	645,999
For the three months ended March 31, 2010 (unaudited)						
At January 1, 2010	49,271	98,093	68,690	3,074	437,176	656,304
Net profit and total comprehensive income for the period	—	—	—	—	30,053	30,053
Recognition of equity-settled share based payments (Note 33)	—	—	—	7,502	—	7,502
At March 31, 2010	49,271	98,093	68,690	10,576	467,229	693,859

A. FINANCIAL INFORMATION—(continued)

Consolidated Statements of Cash Flows

	NOTES	Year ended December 31,			Three months ended March 31,	
		2008	2009	2010	2010	2011
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit before tax		126,099	112,809	237,498	40,809	93,014
Adjustments for:						
Share of losses of joint ventures		10,560	4,410	2,996	1,402	436
Finance costs recognized in profit or loss		613	1,015	903	780	185
Net loss on disposal of property, plant and equipment		127	490	—	—	—
Depreciation of property, plant and equipment		13,324	17,603	14,873	3,299	3,442
Amortization of intangible assets		423	390	355	87	91
Amortization of prepaid lease payments		549	384	384	96	96
Impairment of goodwill		2,500	2,000	—	—	—
Allowance for inventory obsolescence		7,913	9,585	3,030	2,417	2,282
Expense recognized in respect of equity-settled share-based payments		976	2,098	7,502	7,502	—
Interest income		(2,193)	(3,109)	(2,682)	(1,686)	(329)
Exchange adjustment for bank borrowings		—	(115)	—	—	(181)
Loss on disposal of a subsidiary		—	—	6	—	—
Gain on fair value changes of investment properties		—	(1,455)	(1,429)	—	—
Operating cash flows before movements in working capital		160,891	146,105	263,436	54,706	99,036
(Increase) decrease in inventories		(114,974)	66,571	(156,022)	46,419	47,474
Decrease (increase) in trade receivables		6,178	(42,211)	(7,266)	24,196	21,457
Decrease (increase) in other receivables		24,346	(2,617)	(28,144)	(4,256)	(3,177)
(Decrease) increase in trade payables		(14,049)	30,197	65,334	(54,600)	(77,976)
(Decrease) increase in other payables		(5,095)	26,921	3,442	(4,089)	(16,839)
(Increase) decrease in long-term deposit		(1,771)	2,268	(466)	632	(119)
Increase in deferred revenue		—	—	8,581	—	2,160
Cash generated from operations		55,526	227,234	148,895	63,008	72,016
Interest paid		(613)	(1,015)	(903)	(780)	—
Income taxes paid		(21,321)	(25,729)	(38,651)	(7,555)	(36,821)
Net cash from operating activities		33,592	200,490	109,341	54,673	35,195
Investing activities						
Payments for acquisition of property, plant and equipment		(12,548)	(8,801)	(23,207)	(4,010)	(6,948)
Payments for acquisition of intangible assets		(1,061)	(887)	(407)	—	(59)
Acquisition of a subsidiary, net of cash acquired	34	—	(26,904)	—	—	—
Investment in joint venture		(3,351)	—	(3,584)	—	—
Proceeds from disposal of property, plant and equipment		—	931	310	—	304
Disposal of a subsidiary	35	—	—	34,419	—	—
Interest received		2,193	3,109	2,682	1,686	329
Decrease (increase) in pledged bank deposits		12,777	(4,935)	(4,056)	10,267	2,001
Net cash (used in) from investing activities		(1,990)	(37,487)	6,157	7,943	(4,373)
Financing activities						
Short-term bank loans raised		41,008	—	—	—	64,441
Repayment of short-term bank loans		—	—	(40,893)	—	—
Dividends paid		(26,836)	—	(191,575)	—	(64,441)
Net cash from (used in) financing activities		14,172	—	(232,468)	—	—
Net increase (decrease) in cash and cash equivalents		45,774	163,003	(116,970)	62,616	30,822
Cash and cash equivalents at beginning of year/period		69,602	115,376	278,379	278,379	161,409
Cash and cash equivalents at end of year/period, represented by						
Bank balances and cash		115,376	278,379	161,409	340,995	192,231

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information****1. CORPORATION INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

The Company was incorporated in Bermuda with its registered office at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The Company is an investment holding company. The principal activities of the Group are manufacture and sale of branded fashion footwear. The parent and ultimate parent of the Company is High Score.

The Financial Information is presented in RMB, the functional currency of the Company and its subsidiaries.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has applied a number of new and revised International Accounting Standards ("IASs"), IFRSs, amendments and related Interpretations (hereafter referred to as "new IFRSs") which are effective on January 1, 2011 issued by the IASB and the IFRS Interpretations Committee (formerly known as International Financial Reporting Interpretations Committee) of the IASB.

IFRS 3 (2008) *Business Combinations* has been applied prospectively to business combinations for which the acquisition date is on or after January 1, 2010. IFRS 3 (2004) *Business Combinations* has been applied to business combinations for which the acquisition date is before January 1, 2010.

Other new IFRSs have been applied consistently throughout the Track Record Period.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters ¹
IFRS 7 (Amendment)	Disclosure—Transfers of Financial Assets ¹
IFRS 9	Financial Instruments ²
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interest in Other Entities ²
IFRS 13	Fair Value Measurement ²
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets ⁴
IAS 19 (Revised 2011)	Employee Benefits ²
IAS 27 (Revised 2011)	Separate Financial Statements ²
IAS 28 (Revised 2011)	Investment in Associates and Joint Ventures ²

1 Effective for annual periods beginning on or after July 1, 2011

2 Effective for annual periods beginning on or after January 1, 2013

3 Effective for annual periods beginning on or after July 1, 2012

4 Effective for annual periods beginning on or after January 1, 2012

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—(continued)**

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The directors of the Company anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending December 31, 2013 and that the application of the new standard will not affect the classification and measurement of the Group's assets based on an analysis of the Group's financial assets as at March 31, 2011.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 are new or revised standards on consolidation, joint arrangements and disclosures which were issued by the IASB in May 2011 and are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending December 31, 2013.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IFRS 10 includes a new definition of control that contains three

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—(continued)**

elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. Overall, the application of IFRS 10 requires extensive use of judgment.

IFRS 11 replaces IAS 31 Interests in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in IFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under IAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The directors of the Company anticipate that the application of other new or revised IFRSs will have no material impact on the consolidated financial statements of the Group.

3. PRINCIPAL ACCOUNTING POLICIES**Basis of accounting**

The Financial Information has been prepared on the historical cost basis except for certain properties that are measured at fair value, as explained below, and in accordance with the accounting policies set out below which are in conformity with IFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These policies have been consistently applied throughout the Track Record Period.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principle accounting policies are set out below:

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Basis of consolidation—(continued)**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations*Business combinations that took place on or after January 1, 2010*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Business combinations that took place prior to January 1, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognized at their fair value at the acquisition date.

Goodwill arising on acquisition was recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognized amounts of the identifiable assets, liabilities and contingent liabilities recognized. If, after assessment, the Group's interest in the recognized amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognized immediately in profit or loss.

Contingent consideration was recognized, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognized against the cost of the acquisition.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Goodwill**

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Interests in joint ventures—(continued)**

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From January 1, 2010 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates, discounts, sales related taxes and other similar allowances.

Sale of goods

Revenue from sale of goods in the normal course of business is recognized when goods are delivered and legal title is passed.

Sales of goods that result in award credits for customers under the Group's customer loyalty program are accounted for as multiple element revenue transactions and the fair value of the

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Revenue recognition—(continued)***Sale of goods—(continued)*

consideration received or receivable is allocated between the goods sold and the award credits that are earned by the customers. The consideration allocated to the award credits is measured by reference to their fair value—the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction—but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled. Under the Group's customer loyalty program, customers are entitled to redeem their award credits into cash equivalents upon the fulfillment of certain criteria as set out in the terms and conditions of the Group's customer loyalty program.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

Leasing

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating lease, such incentives are recognized as a liability. The aggregate benefit of incentive is recognized as a reduction of rental expense over a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Leasing—(continued)***Leasehold land for own use*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statements of financial position and is amortized over the lease term on a straight-line basis. Prepaid lease payments which are to be amortized in the next twelve months or less are classified as current assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Government grants —(continued)**

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements*Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement*

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to accumulated profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Taxation—(continued)**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year/period is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Property, plant and equipment —(continued)**

assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Intangible assets*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Financial instruments—(continued)***Financial assets*

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, long-term deposit, pledged bank deposits and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Financial instruments—(continued)****Impairment of financial assets—(continued)**

experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and short-term bank loans) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****3. PRINCIPAL ACCOUNTING POLICIES—(continued)****Financial instruments—(continued)****Effective interest method—(continued)**

integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of trade receivables

Trade receivables are carried at amortized cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—(continued)***Impairment of trade receivables—(continued)*

In making the judgment, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, the management is satisfied that adequate allowance for doubtful debts has been made in the Financial Information in light of the historical records of the Group. As at December 31, 2008, 2009, 2010 and March 31, 2011, the carrying amount of trade receivables was RMB132,925,000, RMB175,136,000, RMB179,930,000 and RMB158,473,000 respectively.

Impairment for inventories

Inventories are valued at the lower of cost and net realizable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and realized value.

The identification of impairment of inventories requires the use of judgment and estimate of expected net realized value. Where the net realized value is lower than the cost, a material impairment loss may arise. As at December 31, 2008, 2009, 2010 and March 31, 2011, the carrying amount of inventories was RMB343,805,000, RMB270,290,000, RMB410,263,000 and RMB360,386,000, net of write-down of inventories of RMB23,002,000, RMB32,587,000, RMB30,839,000 and RMB33,121,000 respectively.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the Track Record Period, management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in Note 15.

Impairment of property, plant and equipment

At the end of the reporting period, management reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, management carried out impairment reviews of its property, plant and equipment. In making its judgment, management considered the future cash flows expected to arise from the cash generating unit and suitable discount rates in order to calculate the present value. As at December 31, 2008, 2009, 2010 and March 31, 2011, the carrying amount of property, plant and equipment was RMB89,000,000, RMB78,777,000, RMB86,277,000 and RMB93,315,000 respectively.

Share-based payment transactions

The Group used valuation techniques that include inputs that are not based on observable market data to estimate the fair value of the share options granted. Note 33 provides detailed information about the key assumptions used in the determination of the fair value of the share options.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—(continued)***Share-based payment transactions—(continued)*

The share options granted is recognized as an expense on a straight-line basis over the vesting period using the fair value of the share options at the grant date. The management estimates at the end of the reporting period the likelihood and number of share options that are expected to ultimately vest. For the three years ended December 31, 2008, 2009, 2010, and three months ended March 31, 2010 and 2011, RMB976,000, RMB2,098,000, RMB7,502,000, RMB7,502,000 (unaudited) and nil was recognized as an expense respectively.

The directors of the Company believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of the share options.

Revenue recognition in relation to the award credits earned by the customers under the Group's customer loyalty program

In accordance with the Group's accounting policy, sales of goods that result in award credits for customers under the Group's customer loyalty program are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits that are earned by the customers. The portion allocated to the award credits is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled. The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number expected to be redeemed. The Group's customer loyalty program was first launched in May 2010 with a term of 1 or 2 years, therefore, no credit awards are yet expired and confirmed to be not redeemed during the Track Record Period. The Group reviews the total number of award credits expected to be redeemed at the end of each annual reporting period, taking into accounts of various factors including the number of award credits not redeemed by the customers upon expiry of respective award credits. In view of the short period of operation of the Group's customer loyalty program, and lack of historical information regarding the proportion of award credits that would be redeemed during the valid period of the award credits, the directors of the Company, in determining the total number of award credits expected to be redeemed, estimate that no customer will not redeem the award credit points under its customer loyalty program and all of the award credits earned by the customers would be redeemed within one year. The amount of deferred revenue recognized in accordance with IFRIC Interpretation 13 "Customer Loyalty Programmes" is accordingly classified as current liability at the end of the reporting period. As at December 31, 2008, 2009, 2010, and March 31, 2011, the carrying amount of deferred revenue was nil, nil, RMB8,581,000 and RMB10,741,000 respectively.

This estimate will be reviewed on an ongoing basis, and revision to the total number of award credits expected to be redeemed will be made if there is significant difference between the actual number of award credits redeemed and the expected number redeemed in the future.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****5. CAPITAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS****Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period, and the Group is in compliance with all capital requirements on its external borrowings.

The capital structure of the Group consists of debt, which includes the bank borrowings and equity attributable to owners the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on an on-going basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt.

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

The Group

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>283,300</u>	<u>491,643</u>	<u>384,256</u>	<u>392,462</u>
Financial liabilities				
Amortized cost	<u>152,252</u>	<u>200,787</u>	<u>223,342</u>	<u>211,165</u>

The Company

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>117,701</u>	<u>112,670</u>	<u>212,158</u>	<u>144,080</u>
Financial liabilities				
Amortized cost	<u>55,288</u>	<u>67,477</u>	<u>61,353</u>	<u>64,456</u>

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, long-term deposit, trade and other payables, short-term bank loans, bank balances and cash and pledged bank deposits. Details of these financial instruments are disclosed in respective notes.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****5. CAPITAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS—(continued)****Financial risk management objectives and policies—(continued)**

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

The primary economic environment in which the principal subsidiaries of the Company operate is the PRC and their functional currency is RMB. However, certain sales and purchases of the Group are denominated in USD, which is currencies other than the functional currency of the relevant group entities and exposure the Group to foreign currency risk. Transactions in Singapore Dollars (“SGD”) and HKD are limited.

The carrying amount of the Group’s foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

The Group

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Assets				
USD	82,476	41,318	34,460	18,342
SGD	245	275	2,769	2,511
HKD	36	182	14,165	4,330
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
USD	48,374	41,768	—	64,260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Assets				
USD	42,047	498	10,348	14,373
SGD	203	232	2,701	—
HKD	32	23	8	18
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities				
USD	41,008	40,893	—	64,260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****5. CAPITAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS—(continued)***Foreign currency sensitivity analysis*

The following table details the Group's sensitivity to a 5% change in RMB against USD, SGD, and HKD. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at each of the end of the reporting period for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in net profit for the year/period where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the net profit for the year/period.

	Year ended December 31,			Three months ended
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
The Group				
USD impact	1,705	(23)	1,723	(2,296)
SGD impact	12	14	138	126
HKD impact	2	9	708	217
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
The Company				
USD impact	52	(2,020)	517	(2,494)
SGD impact	10	12	135	—
HKD impact	2	1	—	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank deposits and fixed-rate bank borrowings. The Group's cash flow interest rate risk relates primarily to its variable-rate bank balances which carry prevailing market interest rates and its variable-rate bank borrowings. The exposure relating to bank balances is minimal to the Group as the bank balances are all short-term in nature. The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of the borrowings. Currently, the Group does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's USD denominated bank borrowings.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the Track Record Period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liabilities outstanding at the end of the Track Record Period was outstanding for the whole year. A 50 basis point increase or decrease in LIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****5. CAPITAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS—(continued)****Interest rate risk management—(continued)***Interest rate sensitivity analysis—(continued)*

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's net profit for the year ended December 31, 2008, 2009 and 2010 and three months ended March 31, 2011 would decrease/increase by RMB nil, RMB nil, RMB nil and RMB 321,300 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group only transacts with customers that have good credit quality. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management.

The Group's credit risk primarily relates to the Group's trade and other receivables, bank balances and cash and pledged bank deposits. There is significant concentration of credit risk as the top five biggest customers account for over approximately 24%, 19%, 10% and 9% of the carrying amounts of trade receivables as at December 31, 2008, 2009, 2010 and March 31, 2011. The management of the Group generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period and impairment for doubtful debts, if any, has been made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk associated with the Group's trade and other receivables is significantly reduced.

The credit risk in relation to the Group's bank balances and cash and pledged bank deposits is not significant as the corresponding banks are reputable banking institutions.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowing and ensures compliance with loan covenants.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

5. CAPITAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS—(continued)

Liquidity risk management—(continued)

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date in which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 to 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
At December 31, 2008					
Financial liabilities					
Trade and other payables	—	111,244	—	111,244	111,244
Fixed-rate short-term bank loans	5.85	42,807	—	42,807	41,008
		<u>154,051</u>	<u>—</u>	<u>154,051</u>	<u>152,252</u>
At December 31, 2009					
Financial liabilities					
Trade and other payables	—	159,894	—	159,894	159,894
Fixed-rate short-term bank loans	2.50	41,660	—	41,660	40,893
		<u>201,554</u>	<u>—</u>	<u>201,554</u>	<u>200,787</u>
At December 31, 2010					
Financial liabilities					
Trade and other payables	—	223,342	—	223,342	223,342
At March 31, 2011					
Financial liabilities					
Trade and other payables	—	146,905	—	146,905	146,905
Variable-rate short-term bank loans	4.259	66,449	—	66,449	64,260
		<u>213,354</u>	<u>—</u>	<u>213,354</u>	<u>211,165</u>
The Company					
At December 31, 2008					
Financial liabilities					
Trade and other payables	—	14,280	—	14,280	14,280
Fixed-rate short-term bank loans	5.85	42,807	—	42,807	41,008
		<u>57,087</u>	<u>—</u>	<u>57,087</u>	<u>55,288</u>
At December 31, 2009					
Financial liabilities					
Trade and other payables	—	26,584	—	26,584	26,584
Fixed-rate short-term bank loans	2.50	41,660	—	41,660	40,893
		<u>68,244</u>	<u>—</u>	<u>68,244</u>	<u>67,477</u>
At December 31, 2010					
Financial liabilities					
Trade and other payables	—	61,353	—	61,353	61,353
At March 31, 2011					
Financial liabilities					
Trade and other payables	—	196	—	196	196
Variable-rate short-term bank loans	4.259	66,449	—	66,449	64,260
		<u>66,645</u>	<u>—</u>	<u>66,645</u>	<u>64,456</u>

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****5. CAPITAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS—(continued)****Fair value**

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

6. REVENUE AND SEGMENT INFORMATION

The Group has consistently applied IFRS 8 *Operating Segments* throughout the Track Record Period. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), the board of directors of the Company in order to allocate resources to segments and to assess their performance.

The Group is organized into business unit based on the different types of customers, based on which information is prepared and reported to the Group's CODM for the purpose of resources allocation and assessment of performance.

For management purpose, the Group is organized into two segments, i.e. retail and wholesale of branded fashion footwear ("Retail and Wholesale") and contract manufacturing of footwear ("Contract manufacturing"). These segments are the basis on which the Group report its segment information.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****6. REVENUE AND SEGMENT INFORMATION—(continued)**

The following is an analysis of the Group's revenue and results from continuing operations by operating segments for the Track Record Period:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Segment revenue					
Retail and wholesale					
—external sales	827,850	1,095,845	1,366,916	324,534	419,507
Contract manufacturing					
—external sales	216,109	189,079	208,047	49,011	45,589
—inter-segment sales	—	4,602	15,003	—	2,699
Eliminations	—	(4,602)	(15,003)	—	(2,699)
	<u>1,043,959</u>	<u>1,284,924</u>	<u>1,574,963</u>	<u>373,545</u>	<u>465,096</u>
Segment results					
Retail and wholesale	114,535	107,169	225,332	40,202	90,398
Contract manufacturing	23,486	21,892	18,272	3,260	3,237
	138,021	129,061	243,604	43,462	93,635
Unallocated finance costs	(613)	(1,015)	(903)	(780)	(185)
Share of loss of joint ventures	(10,560)	(4,410)	(2,996)	(1,402)	(436)
Profit before income tax	126,848	123,636	239,705	41,280	93,014
Income tax expense	(20,004)	(32,603)	(67,643)	(10,756)	(24,660)
Net profit for the year/period	<u>106,844</u>	<u>91,033</u>	<u>172,062</u>	<u>30,524</u>	<u>68,354</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the Financial Information. Segment results represents the gross profits earned by each segment add other income and other gains and losses and less distribution and selling expense and administrative and general expenses. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

6. REVENUE AND SEGMENT INFORMATION—(continued)

The following is an analysis of the Group's assets and liabilities by operating segment:

Segment assets

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations				
Retail and wholesale	596,735	794,035	908,226	895,741
Contract manufacturing	205,280	215,807	236,980	223,764
Eliminations	(91,896)	(110,022)	(154,217)	(159,059)
Total segment assets	710,119	899,820	990,989	960,446
Assets relating to discontinued operations	57,162	38,238	—	—
Unallocated	12,771	5,720	5,804	5,489
Consolidated assets	<u>780,052</u>	<u>943,778</u>	<u>996,793</u>	<u>965,935</u>

Segment liabilities

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations				
Retail and wholesale	142,205	241,593	311,081	291,316
Contract manufacturing	87,611	77,796	80,583	64,196
Eliminations	(34,228)	(34,228)	(36,957)	(35,576)
Total segment liabilities	195,588	285,161	354,707	319,936
Liabilities relating to discontinued operations	9,889	2,313	—	—
Consolidated liabilities	<u>205,477</u>	<u>287,474</u>	<u>354,707</u>	<u>319,936</u>

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

6. REVENUE AND SEGMENT INFORMATION—(continued)

Other segment information

Continuing operations

	Retail and wholesale RMB'000	Contract manufacturing RMB'000	Total RMB'000
Amounts included in the measure of segment results:			
For the year ended December 31, 2008			
Depreciation of property, plant and equipment	7,796	3,569	11,365
Amortization of intangible assets	284	—	284
Amortization of prepaid lease payments	549	—	549
Impairment of goodwill	2,500	—	2,500
Allowance for inventories obsolescence	7,583	62	7,645
Purchase of property, plant and equipment	8,571	1,653	10,224
Purchase of intangible assets	720	—	720
Expense recognized in respect of equity-settled share-based payments	724	172	896
For the year ended December 31, 2009			
Depreciation of property, plant and equipment	8,419	3,967	12,386
Amortization of intangible assets	231	—	231
Amortization of prepaid lease payments	384	—	384
Impairment of goodwill	2,000	—	2,000
Allowance for inventories obsolescence	6,073	(18)	6,055
Purchase of property, plant and equipment	5,182	1,132	6,314
Purchase of intangible assets	863	—	863
Expense recognized in respect of equity-settled share-based payments	1,529	401	1,930
For the year ended December 31, 2010			
Depreciation of property, plant and equipment	10,376	3,878	14,254
Amortization of intangible assets	313	—	313
Amortization of prepaid lease payments	384	—	384
Allowance for inventories obsolescence	2,550	480	3,030
Purchase of property, plant and equipment	21,870	956	22,826
Purchase of intangible assets	407	—	407
Expense recognized in respect of equity-settled share-based payments	6,206	945	7,151
For the three-month ended March 31, 2010 (unaudited)			
Depreciation of property, plant and equipment	2,269	989	3,258
Amortization of intangible assets	76	—	76
Amortization of prepaid lease payments	96	—	96
Allowance for inventories obsolescence	2,417	—	2,417
Purchase of property, plant and equipment	2,565	50	2,615
Expense recognized in respect of Equity-settled share-based payments	6,206	945	7,151
For the three-month ended March 31, 2011			
Depreciation of property, plant and equipment	2,755	687	3,442
Amortization of intangible assets	91	—	91
Amortization of prepaid lease payments	96	—	96
Allowance for inventories obsolescence	2,282	—	2,282
Purchase of property, plant and equipment	10,599	185	10,784
Purchase of intangible assets	59	—	59

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

6. REVENUE AND SEGMENT INFORMATION—(continued)

Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from continuing operations from external customers, based on location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers				
	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC	830,114	1,096,883	1,367,417	324,534	419,507
United States of America	114,284	160,581	207,546	49,011	45,589
Australia	23,858	8,457	—	—	—
Others	75,703	19,003	—	—	—
Total	<u>1,043,959</u>	<u>1,284,924</u>	<u>1,574,963</u>	<u>373,545</u>	<u>465,096</u>

	Non-current assets (note)			
	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
PRC	128,597	153,808	162,847	169,561
United States of America	—	—	—	—
Australia	—	—	—	—
Others	—	—	—	—
Total	<u>128,597</u>	<u>153,808</u>	<u>162,847</u>	<u>169,561</u>

Note: Non-current assets exclude goodwill and deferred tax assets.

There is no customer contributing over 10% of the total sales of the Group during the Track Record Period.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Interest income on bank deposits	2,165	3,109	2,682	1,686	329
Government grants	4,371	4,368	3,119	140	4,481
Gain from changes in fair value of investment properties	—	1,455	1,429	—	—
Net foreign exchange gains (losses)	317	127	268	(103)	(636)
Loss on disposal of a subsidiary	—	—	(6)	—	—
Rental income from a jointly controlled entity	214	214	71	36	—
Others	744	1,514	1,513	1,039	—
	<u>7,811</u>	<u>10,787</u>	<u>9,076</u>	<u>2,798</u>	<u>4,174</u>

8. FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Interest on short-term bank loans	<u>613</u>	<u>1,015</u>	<u>903</u>	<u>780</u>	<u>185</u>

9. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Profit before tax for the year/period from continuing operations has been arrived at after charging (crediting):

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of property, plant and equipment	11,365	12,386	14,254	3,258	3,442
Amortization of prepaid lease payments	549	384	384	96	96
Amortization of intangible assets	284	231	313	76	91
Total depreciation and amortization	<u>12,198</u>	<u>13,001</u>	<u>14,951</u>	<u>3,430</u>	<u>3,629</u>
Auditors' remuneration	1,490	1,600	1,500	363	474
Employee benefits expense	173,500	196,124	255,909	48,609	70,390
Cost of inventories recognized as an expense (including allowance for inventories obsolescence)	411,322	562,321	501,615	148,124	154,462
Impairment of goodwill	2,500	2,000	—	—	—
Loss on disposal of property, plant and equipment	—	500	—	—	—

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

10. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax:					
PRC Enterprise Income Tax ("EIT")	20,093	32,396	65,082	10,381	25,754
Withholding tax	—	—	4,550	—	—
Under provision of EIT in prior years	—	50	117	—	—
Deferred tax charge (credit):					
Current year/period	(89)	157	(2,106)	375	(1,094)
	<u>20,004</u>	<u>32,603</u>	<u>67,643</u>	<u>10,756</u>	<u>24,660</u>

The tax charge for the Track Record Period can be reconciled to the profit before tax from continuing operations per the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax (from continuing operations)	126,848	123,636	239,705	41,280	93,014
Tax at the PRC EIT rate of 25%	31,712	30,909	59,926	10,320	23,254
Tax effect of share of losses of joint ventures	1,562	1,763	875	397	79
Tax effect of expenses not deductible for tax purpose . . .	8,975	7,229	8,026	700	1,401
Tax effect of income not taxable in other jurisdiction . . .	(4,915)	(4,409)	(4,017)	(1,121)	(744)
Under provision in respect of prior years	—	50	117	—	—
Tax effect of PRC EIT exemption	(18,982)	(4,308)	(2,813)	(519)	—
Withholding tax	1,652	1,369	5,529	979	670
Income tax expense for the year/period (relating to continuing operations)	<u>20,004</u>	<u>32,603</u>	<u>67,643</u>	<u>10,756</u>	<u>24,660</u>

The Company incorporated in Bermuda is not subject to local income tax since its incorporation.

Best Invent and Best Value incorporated in the BVI are not subject to local income tax since their incorporation.

Allied Great and China Ease incorporated in Hong Kong have had no assessable profits subject to Hong Kong profits tax since their incorporation.

PRC EIT is calculated at the applicable tax rates in accordance with relevant laws and regulations in the PRC.

Nanjing Mayflower and Nanjing Soft, both being foreign invested enterprise registered in Nanjing, Jiangsu in the PRC, are entitled to an exemption from EIT for two years starting from their first profit-making year, followed by a 50% tax relief for the following three years. Nanjing Mayflower

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****10. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)—(continued)**

was entitled to and enjoyed the first tax exemption year in 2004, and a 50% tax relief for the three years ended December 31, 2008. Nanjing Soft was entitled to and enjoyed the first tax exemption year in 2006, and a 50% tax relief for the three years ended December 31, 2010.

On March 16, 2007, the PRC promulgated the Law of the PRC on EIT (the “New Tax Law”) by Order No. 63 of the President of the PRC, which has unified the EIT tax rate to 25% for all PRC enterprises from January 1, 2008. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law (the “Implementation Regulations”).

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No.39), the tax concessions of Nanjing Mayflower and Nanjing Soft are still applicable under the New Tax Law. Therefore, the applicable income tax rate for Nanjing Mayflower was 12.5% for the year of 2008, while the applicable income tax rate for Nanjing Soft was 12.5% for the three years from 2008 to 2010.

The applicable income tax rate for Dongguan Mayflower, Suining Shufute, Nanjing Ruihe, and Dongguan Industries was 25% from January 1, 2008 onwards.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are “non-PRC tax resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong shall be subject to the withholding tax at 5%. Deferred tax in relation to withholding income tax for the undistributed profits of PRC entities, amounting to RMB96,203,000, RMB178,305,000, RMB258,486,000 and RMB318,384,000 as at December 31, 2008, 2009, 2010 and March 31, 2011 respectively have not been provided, as the directors of the Company did not anticipate to distribute such profits from its PRC subsidiaries in the foreseeable future.

11. DISCONTINUED OPERATIONS

On December 8, 2010, the Group entered into a transfer agreement with a related company to dispose of a subsidiary, Jiangsu Unity, which carried out all of the Group’s retail and wholesale of international and domestic branded apparel operations. The disposal was completed on December 8, 2010, on which date control of Jiangsu Unity passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the loss on disposal, are set out in Note 35.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

11. DISCONTINUED OPERATIONS—(continued)

The results of the discontinued operations (i.e. Jiangsu Unity) included in the consolidated statements of comprehensive income and consolidated statement of cash flows for the two years ended December 31, 2009 and for the period from January 1, 2010 to December 8, 2010, are set out below:

Loss for the year/period from discontinued operations

	Year ended December 31,		Period ended	Three months ended March 31,	
	2008	2009	December 8,	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	66,779	32,350	18,324	6,054	—
Cost of sales	(52,070)	(28,860)	(15,569)	(4,507)	—
Other income and other gains and losses	328	74	—	—	—
Distribution and selling expenses	(12,194)	(11,787)	(3,617)	(1,305)	—
Administrative and general expenses	(3,592)	(2,604)	(1,345)	(713)	—
Loss before tax	(749)	(10,827)	(2,207)	(471)	—
Income tax credit (expense)	330	(575)	—	—	—
Loss for the year/period	<u>(419)</u>	<u>(11,402)</u>	<u>(2,207)</u>	<u>(471)</u>	<u>—</u>

Loss for the year/period from discontinued operations include the following:

Depreciation of property, plant and equipment	1,959	5,217	619	41	—
Amortization of intangible assets	139	159	42	11	—
Total depreciation and amortization	<u>2,098</u>	<u>5,376</u>	<u>661</u>	<u>52</u>	<u>—</u>
Employee benefits expense:					
Cost of defined contribution plans	1,353	651	454	142	—
Share-based payments	80	168	351	351	—
Other employee benefits	8,227	5,369	2,003	700	—
Total employee benefits expense	<u>9,660</u>	<u>6,188</u>	<u>2,808</u>	<u>1,193</u>	<u>—</u>
Cost of inventories recognized as an expense (including allowance for inventories obsolescence)	52,070	28,860	15,569	4,507	—
Loss (gain) on disposal of property, plant and equipment	<u>127</u>	<u>(10)</u>	<u>—</u>	<u>—</u>	<u>—</u>

Cash flows from discontinued operations

Net cash from operating activities	15,234	8,542	269	266	—
Net cash used in investing activities	<u>(2,637)</u>	<u>(2,082)</u>	<u>(381)</u>	<u>(129)</u>	<u>—</u>
Net cash inflows (outflows)	<u>12,597</u>	<u>6,460</u>	<u>(112)</u>	<u>137</u>	<u>—</u>

PRC EIT is calculated at the applicable tax rates at 25% during the Track Record Period.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the Track Record Period were as follows:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' emoluments:					
—Directors' fee	808	826	—	—	—
—Salaries and other benefits	1,322	1,337	2,152	328	615
—Performance related incentive payments (note (4))	14,011	12,527	18,049	3,727	4,460
—Share based payments	169	389	950	950	—
—Contributions to retirement benefits scheme . .	48	69	63	16	16
Total	<u>16,358</u>	<u>15,148</u>	<u>21,214</u>	<u>5,021</u>	<u>5,091</u>

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS—(continued)

	Directors' fee	Salaries and other benefits	Performance related incentive payments	Share-based payments	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended						
December 31, 2008						
Chen Yixi	—	334	5,605	—	—	5,939
Li Wei	—	406	4,203	—	6	4,615
Zhao Wei	—	218	1,401	46	15	1,680
Huo Li	—	182	1,401	40	14	1,637
Xu Tingyu (note (1))	—	182	1,401	32	13	1,628
Miao Bingwen	—	—	—	—	—	—
Gui Zuhua (note (2))	—	—	—	—	—	—
Chen Seow Phun John	285	—	—	17	—	302
S. Chandra Das	250	—	—	17	—	267
Liu Yunguang	273	—	—	17	—	290
	<u>808</u>	<u>1,322</u>	<u>14,011</u>	<u>169</u>	<u>48</u>	<u>16,358</u>
For the year ended						
December 31, 2009						
Chen Yixi	—	328	5,010	—	—	5,338
Li Wei	—	431	3,758	—	18	4,207
Zhao Wei	—	196	1,253	107	18	1,574
Huo Li	—	191	1,253	93	18	1,555
Xu Tingyu	—	191	1,253	75	15	1,534
Miao Bingwen	—	—	—	—	—	—
Chen Seow Phun John	292	—	—	38	—	330
S. Chandra Das	255	—	—	38	—	293
Liu Yunguang	279	—	—	38	—	317
	<u>826</u>	<u>1,337</u>	<u>12,527</u>	<u>389</u>	<u>69</u>	<u>15,148</u>
For the year ended						
December 31, 2010						
Chen Yixi	—	326	7,219	—	—	7,545
Li Wei	—	607	5,415	—	16	6,038
Zhao Wei	—	473	1,805	255	17	2,550
Huo Li	—	418	1,805	222	16	2,461
Xu Tingyu	—	328	1,805	179	14	2,326
Miao Bingwen	—	—	—	—	—	—
Chen Seow Phun John (note (3))	—	—	—	98	—	98
S. Chandra Das (note (3))	—	—	—	98	—	98
Liu Yunguang (note (3))	—	—	—	98	—	98
	<u>—</u>	<u>2,152</u>	<u>18,049</u>	<u>950</u>	<u>63</u>	<u>21,214</u>

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS—(continued)**

	Directors' fee	Salaries and other benefits	Performance related incentive payments	Share-based payments	Contributions to retirement benefits scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the three-month period ended March 31, 2010 (unaudited)						
Chen Yixi	—	82	1,190	—	—	1,272
Li Wei	—	104	1,268	—	4	1,376
Zhao Wei	—	50	423	255	4	732
Huo Li	—	46	423	222	4	695
Xu Tingyu	—	46	423	179	4	652
Miao Bingwen	—	—	—	—	—	—
Chen Seow Phun John (note (3))	—	—	—	98	—	98
S. Chandra Das (note (3))	—	—	—	98	—	98
Liu Yunguang (note (3))	—	—	—	98	—	98
	=	328	3,727	950	16	5,021
	=	=	=	=	=	=
For the three-month period ended March 31, 2011						
Chen Yixi	—	79	1,620	—	—	1,699
Li Wei	—	163	710	—	4	877
Zhao Wei	—	150	710	—	4	864
Huo Li	—	131	710	—	4	845
Xu Tingyu	—	92	710	—	4	806
Miao Bingwen	—	—	—	—	—	—
	=	615	4,460	—	16	5,091
	=	=	=	=	=	=

Notes:

- (1) The director was appointed on March 1, 2008.
- (2) The director resigned on February 29, 2008.
- (3) The directors resigned on May 23, 2010.
- (4) The performance related incentive payments is determined as a percentage of the net profit of the Group during the Track Record Period.

The five highest paid individuals included 5, 5, 5, 5 and 5 directors of the Group, for each of the years ended December 31, 2008, 2009 and 2010 and each of the three months ended March 31, 2010 and 2011, respectively. Details of whose emoluments are set out above.

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Track Record Period.

13. DIVIDEND

In 2008, a final dividend of USD 0.0097 per share amounting to USD 3,850,000 (equivalent to RMB 26,836,000) was paid to shareholders.

No dividend was paid or proposed for the year ended December 31, 2009.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****13. DIVIDEND—(continued)**

In 2010, a dividend of USD 0.0711 per share amounting to USD 28,200,000 (equivalent to RMB 191,575,000) was proposed and paid to shareholders.

For the three months ended March 31, 2011, a dividend of USD 0.0247 per share amounting to USD 9,801,000 (equivalent to RMB 64,441,000) was proposed and paid to shareholders.

14. EARNINGS PER SHARE**For continuing and discontinued operations**

The calculation of the basic earnings per share attributable to owners of the Company for the Track Record Period is based on the following data:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Earnings for the purpose of basic earnings per share	<u>106,425</u>	<u>79,631</u>	<u>169,855</u>	<u>30,053</u>	<u>68,354</u>
Number of shares ('000)					
Number of ordinary shares for the purpose of basic earnings per share	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>
Earnings per share (RMB cents)					
—Basic	<u>6.26</u>	<u>4.68</u>	<u>9.99</u>	<u>1.77</u>	<u>4.02</u>

The number of ordinary shares for the purpose of calculating basic earnings per share for the Track Record Period has been retrospectively adjusted for the capitalization issue disclosed in Appendix VII to the Prospectus as if the shares had been in issue throughout the Track Record Period.

No diluted earnings per share had been presented throughout the Track Record Period because the exercise price of the Company's outstanding share options, after adjustment for future services to be rendered according to IFRS 2 "Share-based Payment", was higher than the average market price of the Company's shares throughout the Track Record Period.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****14. EARNINGS PER SHARE—(continued)****For continuing operations**

The calculation of the basic earnings per share from continuing operations attributable to owners of the Company for the Track Record Period is based on the following data:

Earning figures are calculated as follows:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Profit for the year/period attributable to owners of the Company	106,425	79,631	169,855	30,053	68,354
Less:					
Loss for the year/period from discontinued operations . . .	<u>(419)</u>	<u>(11,402)</u>	<u>(2,207)</u>	<u>(471)</u>	<u>—</u>
Earnings for the purpose of basic earnings per share from continuing operations	<u>106,844</u>	<u>91,033</u>	<u>172,062</u>	<u>30,524</u>	<u>68,354</u>

The denominators used are the same as those detailed above for calculation of basic earnings per share from continuing and discontinued operations.

From discontinued operations

Basic loss per share for the discontinued operations is RMB 0.02 cents, RMB 0.67 cents, RMB 0.13 cents, RMB 0.03 cents and nil per share for the year ended December 31, 2008, 2009, 2010 and for each of the three months ended March 31, 2010 and 2011 respectively based on the loss for the year/period from the discontinued operations of RMB 419,000, RMB 11,402,000, RMB 2,207,000 and RMB 471,000 and nil for respective year/period and the denominators used are the same as those detailed above for calculation of basic earnings per share from continuing operations.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Fixtures and equipment	Motor vehicles	Leasehold Improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At January 1, 2008	49,852	27,964	22,274	8,359	9,013	—	117,462
Additions	19	4,778	2,702	1,723	2,868	458	12,548
Disposals	—	—	(219)	—	—	—	(219)
At December 31, 2008	49,871	32,742	24,757	10,082	11,881	458	129,791
Additions	—	566	2,014	2,138	3,629	454	8,801
Transfers	—	—	—	—	912	(912)	—
Disposals	(482)	(1,895)	(363)	(1,510)	(18)	—	(4,268)
At December 31, 2009	49,389	31,413	26,408	10,710	16,404	—	134,324
Additions	—	5,068	2,891	7,872	3,795	3,581	23,207
Transfer out on disposal of a subsidiary (Note 35)	—	—	(982)	(615)	(9,905)	—	(11,502)
Disposals	—	(172)	(26)	(491)	—	—	(689)
At December 31, 2010	49,389	36,309	28,291	17,476	10,294	3,581	145,340
Additions	—	1,138	411	2,771	1,326	5,138	10,784
Disposals	—	—	(60)	(666)	—	—	(726)
At March 31, 2011	49,389	37,447	28,642	19,581	11,620	8,719	155,398
DEPRECIATION							
At January 1, 2008	4,842	6,587	8,894	4,355	2,881	—	27,559
Provided for the year	2,277	3,034	3,697	1,307	3,009	—	13,324
Eliminated on disposals	—	—	(92)	—	—	—	(92)
At December 31, 2008	7,119	9,621	12,499	5,662	5,890	—	40,791
Provided for the year	2,253	3,937	4,006	1,174	6,233	—	17,603
Eliminated on disposals	(50)	(1,503)	(239)	(1,044)	(11)	—	(2,847)
At December 31, 2009	9,322	12,055	16,266	5,792	12,112	—	55,547
Provided for the year	2,248	3,204	4,747	2,627	2,047	—	14,873
Transfer out on disposal of a subsidiary (Note 35)	—	—	(715)	(591)	(9,672)	—	(10,978)
Eliminated on disposals	—	(89)	(15)	(275)	—	—	(379)
At December 31, 2010	11,570	15,170	20,283	7,553	4,487	—	59,063
Provided for the period	562	513	1,121	626	620	—	3,442
Eliminated on disposals	—	—	(28)	(394)	—	—	(422)
At March 31, 2011	12,132	15,683	21,376	7,785	5,107	—	62,083
CARRYING VALUES							
At December 31, 2008	42,752	23,121	12,258	4,420	5,991	458	89,000
At December 31, 2009	40,067	19,358	10,142	4,918	4,292	—	78,777
At December 31, 2010	37,819	21,139	8,008	9,923	5,807	3,581	86,277
At March 31, 2011	37,257	21,764	7,266	11,796	6,513	8,719	93,315

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****15. PROPERTY, PLANT AND EQUIPMENT—(continued)****The Group—(continued)**

The above items of property, plant and equipment other than construction in progress are depreciated, after considering their residual values, on a straight-line basis at the following rates per annum:

Buildings	4.5%
Machinery	9%
Fixtures and equipment	18%
Motor vehicles	18%
Leasehold improvements	18% or over the term of the lease, whichever is shorter.

16. PREPAID LEASE PAYMENTS**The Group**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Cost				
At beginning and end of the year/period	21,037	21,037	21,037	21,037
Accumulated amortization				
At beginning of the year/period	3,593	4,142	4,526	4,910
Amortization	549	384	384	96
At end of the year/period	4,142	4,526	4,910	5,006
Carrying amount				
At end of the year/period	16,895	16,511	16,127	16,031
Analyzed for reporting purposes as:				
Current asset (included in other receivables) (Note 24)	441	441	441	441
Non-current asset	16,454	16,070	15,686	15,590
	16,895	16,511	16,127	16,031

The amount represents the lease premium payment for land use rights which is situated in the PRC. It is amortized over 50 years and the amortization period is in line with the business licence of the subsidiaries and the period of land use rights.

All of the Group's land use right have been pledged as at December 31, 2010 and March 31, 2011 to secure the banking facilities granted to the Group. There is no pledge of the Group's land use right at December 31, 2008 and December 31, 2009.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****17. INVESTMENT PROPERTIES****The Group**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
At Fair value				RMB'000
At beginning of the year/period	—	—	44,640	46,069
Acquired on an acquisition of a subsidiary (Note 34)	—	43,185	—	—
Net increase in fair value recognized in profit or loss	—	1,455	1,429	—
At end of the year/period	—	44,640	46,069	46,069

At December 31, 2009, December 31, 2010 and March 31, 2011, the Group's investment properties are held under medium-term leases in the PRC.

The fair value of the Group's investment properties at December 31, 2009 have been arrived at on the estimation of the management of the Group, by reference to a valuation carried out on October 22, 2009 by Beijing Zhongzheng Appraisal Co., Ltd. Jiangsu Branch (北京中證資產評估有限公司江蘇分公司, "Beijing Zhongzheng"), whose address is Room 1521-1523, Fuxin Building, 359 Hongwu Road, Nanjing, China. In the opinion of the directors of the Company, the fair value of the properties at December 31, 2009 is not significantly different from that at October 22, 2009, since there is no significant change of the fair value of similar properties in the relevant locations during the interval period.

The fair value of the Group's investment properties at December 31, 2010 and March 31, 2011 have been arrived at on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited ("DTZ"), whose address is 16/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

Both Beijing Zhongzheng and DTZ are independent qualified professional valuers not connected to the Group. The valuations were arrived at using direct comparison method by reference to market conditions existing at respective valuation dates.

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

All of the Group's investment properties have been pledged as at December 31, 2010 and March 31, 2011 to secure banking facilities granted to the Group. There is no pledge of the Group's investment properties at December 31, 2009.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

18. GOODWILL

The Group

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Amount				
At beginning of the year/period	6,000	6,000	6,000	—
Derecognized on disposal of a subsidiary (Note 35)	—	—	(6,000)	—
At end of the year/period	6,000	6,000	—	—
Impairment				
At beginning of the year/period	(1,500)	(4,000)	(6,000)	—
Impairment losses recognized in the year/period	(2,500)	(2,000)	—	—
Derecognized on disposal of a subsidiary (Note 35)	—	—	6,000	—
At end of the year/period	(4,000)	(6,000)	—	—
Carrying amount				
At end of the year/period	2,000	—	—	—

Goodwill on consolidation arose from the acquisition of Jiangsu Unity in 2004. Goodwill is allocated to the cash generating unit (“CGU”) that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate, expected changes to selling prices and direct costs during the period. Management estimates the discount rate using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the CGU.

In 2008 and 2009, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by management based on the remaining life of the franchise licenses applicable to the CGU ranging from 2 to 3 years using a discount rate of 10.0% and no growth.

This review led to the recognition of an impairment loss of RMB2,500,000 and RMB2,000,000 for the year ended December 31, 2008 and 2009 respectively.

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

19. INTANGIBLE ASSETS

The Group

	<u>Software</u> RMB'000	<u>Franchise fee</u> RMB'000	<u>Total</u> RMB'000
Cost			
At January 1, 2008	894	2,653	3,547
Additions	<u>926</u>	<u>135</u>	<u>1,061</u>
At December 31, 2008	1,820	2,788	4,608
Additions	<u>887</u>	<u>—</u>	<u>887</u>
At December 31, 2009	2,707	2,788	5,495
Additions	<u>407</u>	<u>—</u>	<u>407</u>
Transfer out on disposal of a subsidiary (Note 35)	<u>(230)</u>	<u>(2,788)</u>	<u>(3,018)</u>
At December 31, 2010	2,884	—	2,884
Additions	<u>59</u>	<u>—</u>	<u>59</u>
At March 31, 2011	<u>2,943</u>	<u>—</u>	<u>2,943</u>
Amortization			
At January 1, 2008	242	2,570	2,812
Charge for the year	<u>319</u>	<u>104</u>	<u>423</u>
At December 31, 2008	561	2,674	3,235
Charge for the year	<u>276</u>	<u>114</u>	<u>390</u>
At December 31, 2009	837	2,788	3,625
Charge for the year	<u>355</u>	<u>—</u>	<u>355</u>
Transfer out on disposal of a subsidiary (Note 35)	<u>(122)</u>	<u>(2,788)</u>	<u>(2,910)</u>
At December 31, 2010	1,070	—	1,070
Charge for the period	<u>91</u>	<u>—</u>	<u>91</u>
At March 31, 2011	<u>1,161</u>	<u>—</u>	<u>1,161</u>
Carrying values			
At December 31, 2008	<u>1,259</u>	<u>114</u>	<u>1,373</u>
At December 31, 2009	<u>1,870</u>	<u>—</u>	<u>1,870</u>
At December 31, 2010	<u>1,814</u>	<u>—</u>	<u>1,814</u>
At March 31, 2011	<u>1,782</u>	<u>—</u>	<u>1,782</u>

The following useful lives are used in the calculation of amortization:

Software	5 years
Franchise fees	respective franchise period from 2 to 3 years

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

20. INTEREST IN JOINT VENTURES

The Group

As at December 31, 2008, 2009, 2010 and March 31, 2011, the Group had interest in the following jointly controlled entities:

Name of company	Place and date of Incorporation / establishment	Principal Place of operation	Proportion of nominal value of issued capital and voting power held by the Group				Principal activities
			As at December 31,		At March 31,		
			2008	2009	2010	2011	
B&H Footwear Company Limited 美康鞋業有限公司 (“Hong Kong B&H”)	Hong Kong May 29, 2007	Hong Kong	49%	49%	49%	49%	Investment holding
Held by Hong Kong B&H							
Dongguan B&H Footwear Industries Limited 東莞美康鞋業有限公司 (“Dongguan B&H”)	PRC August 23, 2007	PRC	49%	49%	49%	49%	Manufacture and retail of branded fashion footwear

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investments in jointly controlled entity	19,916	19,916	23,500	23,500
Share of post-acquisition losses and other comprehensive income . . .	(7,145)	(14,196)	(17,696)	(18,011)
	<u>12,771</u>	<u>5,720</u>	<u>5,804</u>	<u>5,489</u>

The summarized consolidated financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Assets	35,326	23,278	20,912	25,144
Liabilities	9,263	11,605	9,067	13,942
Net assets	<u>26,063</u>	<u>11,673</u>	<u>11,845</u>	<u>11,202</u>
Group's share of net assets of jointly controlled entities	<u>12,771</u>	<u>5,720</u>	<u>5,804</u>	<u>5,489</u>
	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Revenue	<u>43,188</u>	<u>35,143</u>	<u>38,793</u>	<u>6,560</u>
Loss for the year/period	<u>12,749</u>	<u>14,390</u>	<u>7,143</u>	<u>3,244</u>
Group's share of loss of jointly controlled entities, after elimination of unrealized profits	<u>10,560</u>	<u>4,410</u>	<u>2,996</u>	<u>1,402</u>
				<u>436</u>

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****21. DEFERRED TAXATION****The Group**

The following are the deferred tax balances recognized by the Group and movements thereon during the Track Record Period:

	Write down of inventories	Tax losses	Deferred revenue	Withholding tax on undistributed profits	Revaluation of investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	3,686	—	—	—	—	3,686
Credit (charge) to profit or loss	1,808	—	—	(1,652)	—	156
At December 31, 2008	5,494	—	—	(1,652)	—	3,842
Acquired on an acquisition of a subsidiary (Note 34)	—	—	—	—	(2,338)	(2,338)
Credit (charge) to profit or loss	1,196	68	—	(1,369)	(364)	(469)
At December 31, 2009	6,690	68	—	(3,021)	(2,702)	1,035
Credit (charge) to profit or loss	1,019	278	2,145	(979)	(357)	2,106
At December 31, 2010	7,709	346	2,145	(4,000)	(3,059)	3,141
Credit (charge) to profit or loss	571	653	540	(670)	—	1,094
At March 31, 2011	<u>8,280</u>	<u>999</u>	<u>2,685</u>	<u>(4,670)</u>	<u>(3,059)</u>	<u>4,235</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,			As at March 31,
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	5,494	6,758	10,200	11,964
Deferred tax liabilities	(1,652)	(5,723)	(7,059)	(7,729)
	<u>3,842</u>	<u>1,035</u>	<u>3,141</u>	<u>4,235</u>

Under the New Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from January 1, 2008 onwards. The deferred tax liabilities related to such unremitted PRC income.

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realized or the liability is settled.

The Group has unused tax losses of RMB1,054,000, RMB12,059,000, RMB1,384,000 and RMB3,996,000 as at December 31, 2008, 2009, 2010 and March 31, 2011 respectively. Deferred tax assets have been recognized in respect of RMB nil, RMB272,000, RMB1,384,000 and RMB 3,996,000 of such losses as at December 31, 2008, December 31, 2009, December 31, 2010 and March 31, 2011 respectively. No deferred tax assets have been recognized in respect of the remaining RMB1,054,000 and RMB11,787,000 as at December 31, 2008 and 2009 respectively generated from discontinued operations.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****22. INVENTORIES****The Group**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Raw materials	18,567	19,919	27,589	38,320
Work in progress	10,782	6,447	9,575	7,298
Finished goods	337,458	276,511	403,938	347,889
	<u>366,807</u>	<u>302,877</u>	<u>441,102</u>	<u>393,507</u>
Allowance for inventories obsolescence	(23,002)	(32,587)	(30,839)	(33,121)
	<u>343,805</u>	<u>270,290</u>	<u>410,263</u>	<u>360,386</u>

23. TRADE RECEIVABLES**The Group**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Amounts receivable from sales of goods	132,925	175,136	179,930	158,473
	<u>132,925</u>	<u>175,136</u>	<u>179,930</u>	<u>158,473</u>

The Group allows an average credit period of 60 days for collection of the trade receivables. The following is an aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period.

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
0 to 60 days	125,107	167,353	177,688	153,084
61 to 180 days	5,868	7,180	1,191	5,348
181 days to 1 year	1,008	293	464	41
Over 1 year	942	310	587	—
	<u>132,925</u>	<u>175,136</u>	<u>179,930</u>	<u>158,473</u>

At December 31, 2008, 2009, 2010 and March 31, 2011, 94%, 96%, 99% and 97% of the trade receivables that are neither past due nor impaired. No impairment loss is provided for these receivables because they are within the credit period for collection and the management considers the default rate is low for such receivables based on historical information and experience.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****23. TRADE RECEIVABLES—(continued)****The Group—(continued)**

Included in the Group's trade receivables are debtors with a carrying amount of RMB7,818,000, RMB7,783,000, RMB2,242,000 and RMB5,389,000 as at December 31, 2008, 2009, 2010 and March 31, 2011 respectively, which were past due for which the Group has not provided for impairment loss as there has not been a significant change in good credit quality and the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
61 to 180 days	5,868	7,180	1,191	5,348
181 days to 1 year	1,008	293	464	41
Over 1 year	942	310	587	—
	<u>7,818</u>	<u>7,783</u>	<u>2,242</u>	<u>5,389</u>

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the directors of the Company believe that no allowance is required.

The Group's trade receivables that were denominated in USD, foreign currency of the relevant group entities, were re-translated into RMB and stated for reporting purposes as:

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Trade receivables denominated in USD	<u>38,391</u>	<u>33,286</u>	<u>18,646</u>	<u>14,734</u>

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****24. OTHER RECEIVABLES AND PREPAYMENTS****The Group**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Advance payments to suppliers	16,161	4,816	7,189	11,320
Value-added tax receivable	2,742	7,259	2,839	6,747
Prepayments	6,511	15,494	22,500	18,254
Prepayments for listing related expense	—	—	3,455	2,116
Prepaid lease payments (Note 16)	441	441	441	441
Due from joint ventures	33	82	189	—
Others	1,174	1,587	1,747	2,659
Total	<u>27,062</u>	<u>29,679</u>	<u>38,360</u>	<u>41,537</u>

The Company

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Dividend receivable from subsidiaries	148,803	148,803	80,000	80,000
Amounts due from subsidiaries	75,419	111,917	199,101	135,733
Prepayments for listing related expense	—	—	3,455	2,116
Total	<u>224,222</u>	<u>260,720</u>	<u>282,556</u>	<u>217,849</u>
Analyzed for reporting purposes as:				
Current assets	148,803	214,096	132,941	68,234
Non-current assets	75,419	46,624	149,615	149,615
	<u>224,222</u>	<u>260,720</u>	<u>282,556</u>	<u>217,849</u>

The dividend receivable from subsidiaries and amounts due from subsidiaries are unsecured, interest free, and repayable on demand.

25. PLEDGED BANK DEPOSITS**The Group**

Pledged bank deposits of the Group represents deposits pledged to banks as securities of notes payables and carries interest rate as follows:

	As at December 31,			As at
	2008	2009	2010	March 31,
				2011
Interest rate per annum	<u>1.98-3.78%</u>	<u>1.71-1.98%</u>	<u>1.91-2.20%</u>	<u>2.20%-2.80%</u>

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****26. BANK BALANCES AND CASH****The Group**

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less which carried interest at market rates of 0.36% per annum, 0.36% per annum, 0.36% per annum and 0.40% per annum, at December 31, 2008, 2009 and 2010 and March 31, 2011, respectively.

The Group's bank balances and cash that were denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
Denominated in:				RMB'000
USD	44,085	8,032	15,814	3,608
SGD	245	275	2,769	2,511
HKD	36	182	14,165	4,330

27. TRADE PAYABLES**The Group**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
Amount payable from purchases of goods from third parties	61,532	99,566	158,904	83,034
Notes payable	24,793	29,728	33,784	31,783
Amounts due to joint ventures	1,630	2,801	4,473	4,368
Total	87,955	132,095	197,161	119,185

Trade payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the invoice date. The aging of trade payables, based on the invoice date at the end of the reporting period is as follows:

Age	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
0 to 90 days	75,487	118,964	181,846	105,792
91 to 180 days	11,963	12,620	15,040	13,380
181 to 1 year	226	183	105	11
Over 1 year	279	328	170	2
	87,955	132,095	197,161	119,185

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****27. TRADE PAYABLES—(continued)****The Group—(continued)**

The Group's trade payables that were denominated in USD, foreign currency of the relevant group entities, were re-translated into RMB and stated for reporting purposes as:

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Trade payables denominated in USD	7,366	875	—	—
	<u>7,366</u>	<u>875</u>	<u>—</u>	<u>—</u>

28. OTHER PAYABLES**The Group**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Accruals	3,610	6,240	6,968	6,121
Advance from customers	1,626	9,339	8,851	6,578
Payroll payable	26,339	27,791	37,063	19,240
Other tax liabilities	11,641	22,257	16,408	22,994
Deposit from wholesale customers	17,173	16,910	11,622	10,736
Payable for decoration	1,361	5,426	7,709	6,724
Payable for construction in progress	—	—	—	3,836
Others	4,755	5,463	6,850	6,424
	<u>66,505</u>	<u>93,426</u>	<u>95,471</u>	<u>82,653</u>

The Company

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Amounts due to subsidiaries	14,243	26,584	61,236	—
Payroll payable	14,908	13,000	18,049	5,607
Others	37	—	117	196
	<u>29,188</u>	<u>39,584</u>	<u>79,402</u>	<u>5,803</u>

A. FINANCIAL INFORMATION—(continued)

Notes to the Financial Information—(continued)

29. DEFERRED REVENUE

The Group

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Deferred revenue arising from customer loyalty program	—	—	8,581	10,741
Analyzed for reporting purposes as:				
Current liabilities	—	—	8,581	10,741
Non-current liabilities	—	—	—	—
	—	—	8,581	10,741

At December 31, 2010 and March 31, 2011, the amount represents deferred revenue arising in respect of the Group's customer loyalty program recognized in accordance with IFRIC-Int 13 "Customer Loyalty Programmes".

30. SHORT-TERM BANK LOANS

The Group and the Company

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Secured	—	—	—	64,260
Unsecured	41,008	40,893	—	—
	41,008	40,893	—	64,260

At December 31, 2008, the bank loans are unsecured, bear fixed interest rates of 5.85% per annum and repayable within twelve months from the end of the reporting period.

At December 31, 2009, the bank loans are unsecured, bear fixed interest rates of 2.50% per annum and repayable within twelve months from the end of the reporting period.

At March 31, 2011, bank loans amounting to RMB 64,260,000 are secured by way of fixed charge, assignments and floating charge on the assets of the Group and bear variable interest at 4.259% per annum. Also these bank loans are guaranteed by certain directors of the Company.

The above balances that are not denominated in the functional currencies of the respective group entities are as follows:

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
USD	41,008	40,893	—	64,260

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****30. SHORT-TERM BANK LOANS—(continued)****The Group and the Company—(continued)**

As at the end of each reporting period, the Group has the following undrawn borrowing facilities:

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Floating rate				
-expiring within one year	—	—	—	1,304
-expiring beyond one year	27,338	27,262	100,000	100,000
	<u>27,338</u>	<u>27,262</u>	<u>100,000</u>	<u>101,304</u>

31. SHARE CAPITAL

	Number of ordinary shares of USD0.015 each	Amount RMB'000
Authorized		
At January 1, 2008, December 31, 2008, December 31, 2009, December 31, 2010 and March 31, 2011	<u>800,000,000</u>	<u>99,000</u>
Issued and paid-up		
At January 1, 2008, December 31, 2008, December 31, 2009, December 31, 2010 and March 31, 2011	<u>396,868,200</u>	<u>49,271</u>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

32. PRC STATUTORY RESERVE

Pursuant to the relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriations to this fund are made out of net profit after taxation as reported in the PRC statutory financial statements of the subsidiaries (the "PRC Accounting Profit").

Nanjing Mayflower, Dongguan Mayflower, Nanjing Soft, Nanjing Ruihe and Jiangsu Unity are required to transfer 10% of their PRC Accounting Profit to the statutory surplus reserve fund in each profit making year until the balances reach 50% of the registered capital of each of the company respectively. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital. Suining Shufute is not required to maintain this statutory surplus reserve fund, according to the relevant laws and regulations in the PRC applicable to Sino-foreign joint investment enterprises.

33. SHARE-BASED PAYMENTS

Pursuant to a share option scheme of the Company (the "Hongguo Share Option Scheme") approved by the Board of Directors of the Company in June 2008, the Company may grant options to eligible employees and directors of the Company and its subsidiaries to subscribe for shares in the

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****33. SHARE-BASED PAYMENTS—(continued)**

Company for a consideration of SGD 1 for each lot of share options granted. The share options granted shall be exercisable, in whole or in part, after the third anniversary of the date of grant until the fifth anniversary and tenth anniversary of such date of grant for the group of non-executive directors and the group comprising executive directors, management staffs and department heads (this group is collectively referred to as the “Group Executives”) respectively.

The exercise price is determined by the directors of the Company based on the average closing price of the Company’s shares previously listed on the SGX-ST for the five trading days immediately preceding the date of grant.

The Company granted options to the non-executive directors and the Group Executives on June 23, 2008 (the “2008 Option”) and on August 18, 2009 (the “2009 Option”) respectively.

Details of the 2008 Option and 2009 Option granted under the Hongguo Share Option Scheme to the non-executive directors and the Group Executives of the Company and its subsidiaries are as follows:

<u>Option type</u>	<u>Date of grant</u>	<u>Exercise period</u>	<u>Exercise price</u> SGD	<u>Fair value of option at grant date</u> SGD
2008 Option				
Non-executive directors	06.23.2008	06.23.2011 ~ 06.22.2013	0.453	0.19
Group Executives	06.23.2008	06.23.2011 ~ 06.22.2018	0.453	0.24
2009 Option				
Non-executive directors	08.18.2009	08.18.2012 ~ 08.17.2014	0.272	0.12
Group Executives	08.18.2009	08.18.2012 ~ 08.17.2019	0.272	0.12

Pursuant to the Privatization Offer, the Compulsory Acquisition and the Delisting, the 2008 Option, 2009 Option and together with the Hongguo Share Option Scheme were cancelled in 2010. The cancellation of the Hongguo Share Option Scheme was accounted for as an acceleration of vesting, and the amount that otherwise would have been recognized over the remainder of the vesting period has been recognized in 2010.

The following table discloses movements of the Company’s share options held by the non-executive directors and the Group Executives of the Company and its subsidiaries during the Track Record Period.

	<u>Number of share options</u>				<u>Outstanding at 12.31.2010 & 03.31.2011</u>	<u>Exercisable at 12.31.2008, 12.31.2009, 12.31.2010, & 03.31.2011</u>
	<u>Outstanding at 1.1.2008</u>	<u>Granted during 2008</u>	<u>Outstanding at 12.31.2008 & 12.31.2009</u>	<u>Cancelled during 2010</u>		
2008 Option granted to						
Non-executive directors	—	300,000	300,000	(300,000)	—	—
Group Executives	—	5,662,500	5,662,500	(5,662,500)	—	—
	—	5,962,500	5,962,500	(5,962,500)	—	—
	==	==	==	==	==	==

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****33. SHARE-BASED PAYMENTS—(continued)**

	Number of share options				Outstanding at 12.31.2010 & 03.31.2011	Exercisable at 12.31.2008, 12.31.2009, 12.31.2010, & 03.31.2011
	Outstanding at 1.1.2008 & 12.31.2008	Granted during 2009	Outstanding at 12.31.2009	Cancelled during 2010		
2009 Option granted to						
Non-executive directors	—	300,000	300,000	(300,000)	—	—
Group Executives	—	5,767,000	5,767,000	(5,767,000)	—	—
	—	6,067,000	6,067,000	(6,067,000)	—	—

These fair values of the share options were determined using the Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. Expected volatility was based on the historical share price volatility over the previous 4 years.

The variables and assumptions used in computing the fair value of the share options are based on the director's best estimate. The value of an option varies with different variables of certain subjective assumptions.

The inputs into the model were as follows:

	Grant date share price SGD	Exercise price SGD	Expected volatility	Expected dividend yield	Risk-free rate	Expected life Years
2008 Option						
Non-executive directors	0.46	0.453	53.0%	1.97%	2.26%	5
Group Executives	0.46	0.453	53.0%	1.97%	3.14%	10
2009 Option						
Non-executive directors	0.28	0.272	69.0%	2.45%	3.13%	3
Group Executives	0.28	0.272	69.0%	2.45%	3.13%	3

The estimated fair value was RMB7,129,000 (equivalent to SGD 1,416,000) and RMB3,447,000 (equivalent to SGD731,000) for 2008 Option and 2009 Option respectively.

The Group recognized a share option expense of RMB976,000, RMB2,098,000, RMB7,502,000, RMB7,502,000 (unaudited) and nil during each of the three years ended December 31, 2010 and each of the three months ended March 31, 2010 and 2011 respectively.

34. ACQUISITION OF A SUBSIDIARY

On October 26, 2009, the Group acquired 100% of equity interest in Nanjing Ruihe for a cash consideration of RMB27,000,000 from an independent third party. On the date of acquisition, Nanjing Ruihe owned vacant properties and has not commenced operations. The properties are held to earn rentals.

In the opinion of the directors of the Company, the above acquisition did not constitute a business combination in accordance with IFRS 3 "Business Combination" and as such, the acquisition has been accounted for as an acquisition of asset.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****34. ACQUISITION OF A SUBSIDIARY—(continued)**

Assets acquired and liabilities assumed in the transaction are as follows:

	<u>RMB'000</u>
Cash and cash equivalents	96
Investment properties	43,185
Trade and other payables	(13,943)
Deferred tax liabilities	(2,338)
Total consideration paid	<u>27,000</u>
Satisfied by:	
Cash consideration paid	<u>27,000</u>
Net cash outflow on acquisition of Nanjing Ruihe:	
Cash consideration paid	27,000
Less: Cash and cash equivalents balances acquired	(96)
	<u>26,904</u>

35. DISPOSAL OF A SUBSIDIARY

Pursuant to a transfer agreement dated December 8, 2010, the Group disposed of its entire equity interests in Jiangsu Unity, which carried out all of the Group's retail and wholesale of international and domestic branded apparel operations, to 鴻國實業集團有限公司 Hongguo Industry Group Corporation ("Hongguo Industry") for a cash consideration of RMB34,550,000. Hongguo Industry is an entity in which certain directors of the Company have beneficial interests.

Analysis of assets and liabilities over which control was lost were as follows:

	<u>As at December 8, 2010 RMB'000</u>
Net assets disposed of:	
Cash and cash equivalents	131
Trade and other receivables	21,935
Inventories	13,523
Property, plant and equipment	524
Intangible assets	108
Trade and other payables	(1,665)
Net assets disposed of	34,556
Loss on disposal recognized and charged to profit or loss	(6)
Total consideration	<u>34,550</u>
Satisfied by:	
Cash consideration	<u>34,550</u>
Net cash inflow arising on disposal:	
Cash consideration	34,550
Less: Bank balances and cash disposed of	(131)
	<u>34,419</u>

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****35. DISPOSAL OF A SUBSIDIARY—(continued)**

The impact of Jiangsu Unity on the Group's results and cash flows in the Track Record Period is disclosed in Note 11.

36. OPERATING LEASES**The Group**

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Minimum lease payments paid under operating leases during the year/period	<u>9,979</u>	<u>15,033</u>	<u>18,105</u>	<u>6,878</u>	<u>7,429</u>

At the end of each reporting period, the Group has outstanding commitment in respect of non-cancellable operating leases which fall due as follows:

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
Within one year	5,894	10,293	11,225	14,083
In the second to fifth years inclusive	20,728	21,570	34,138	34,161
After five years	22,134	17,893	61,963	60,780
Total	<u>48,756</u>	<u>49,756</u>	<u>107,326</u>	<u>109,024</u>

Operating lease payments represented rentals payable by the Group for its rental of factory spaces and retail outlets. Leases and rentals for the factory premises and retail outlets are negotiated and fixed for terms ranging from ten to twenty years and one to two years respectively.

37. CAPITAL COMMITMENTS

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>—</u>	<u>—</u>	<u>10,085</u>	<u>6,149</u>

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****40. RETIREMENT BENEFITS SCHEMES—(continued)**

employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred.

During the Track Record Period, the total amounts contributed by the Group to the Scheme and charged to profit or loss represent contribution payable to the Scheme by the Group at rates specified in the rules of the Scheme and are as follows:

	Year ended December 31,			Three months ended March 31,	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amount contributed and charged to profit or loss	<u>12,748</u>	<u>15,342</u>	<u>18,884</u>	<u>4,246</u>	<u>6,013</u>

As at December 31, 2008, 2009, 2010 and March 31, 2011, there was no outstanding contributions payable to the Scheme.

41. INVESTMENTS IN SUBSIDIARIES**The Company**

	As at December 31,			As at
	2008	2009	2010	March 31,
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Unquoted share capital/registered capital, at cost				
At beginning and end of the year/period	*	*	*	*
Deemed investment in a subsidiary—waiver of balances due from a subsidiary (note (1))				
At beginning and end of the year/period	<u>1,566</u>	<u>1,566</u>	<u>1,566</u>	<u>1,566</u>
Deemed investments in subsidiaries—share options granted to the subsidiaries' employees (note (2))				
At beginning of the year/period	—	806	2,546	8,472
Additions	806	1,740	6,525	—
Transfer out on disposal of a subsidiary	—	—	(599)	—
At end of the year/period	<u>806</u>	<u>2,546</u>	<u>8,472</u>	<u>8,472</u>
	<u>2,372</u>	<u>4,112</u>	<u>10,038</u>	<u>10,038</u>

* Amounts less than RMB1,000

Notes:

- (1) The deemed investment in a subsidiary arose from a waiver of balances due from a subsidiary approved by the Board of Directors of the Company in 2007.
- (2) The deemed investments in subsidiaries arose from the share options granted to the subsidiaries' employees by the Company. Detail of the share options granted is set out in Note 33.

A. FINANCIAL INFORMATION—(continued)**Notes to the Financial Information—(continued)****42. RESERVES****The Company**

	Share premium	Share Option reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	98,093	—	74,535	172,628
Net profit and total comprehensive income for the year	—	—	2,641	2,641
Recognition of equity-settled share based payments (Note 33)	—	976	—	976
Dividend paid (Note 13)	—	—	(26,836)	(26,836)
At December 31, 2008	98,093	976	50,340	149,409
Net loss and total comprehensive income for the year	—	—	(15,670)	(15,670)
Recognition of equity-settled share based payments (Note 33)	—	2,098	—	2,098
At December 31, 2009	98,093	3,074	34,670	135,837
Net profit and total comprehensive income for the year	—	—	225,214	225,214
Recognition of equity-settled share based payments (Note 33)	—	7,502	—	7,502
Transfer on cancellation of equity-settled share based payments (Note 33)	—	(10,576)	10,576	—
Dividend paid (Note 13)	—	—	(191,575)	(191,575)
At December 31, 2010	98,093	—	78,885	176,978
Net profit and total comprehensive income for the period	—	—	4,363	4,363
Dividend paid (Note 13)	—	—	(64,441)	(64,441)
At March 31, 2011	98,093	—	18,807	116,900

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no other remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of the directors' fees and other emoluments for the year ending December 31, 2011 is estimated to be approximately RMB19,919,000.

C. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the written resolutions passed on August 26, 2011, upon the satisfactions of certain conditions set out in Appendix VII entitled "Statutory and General Information—A. Further Information about Our Company and Its Subsidiaries—3. Resolutions in writing of all the Shareholders passed on August 26, 2011" to the Prospectus: (i) the authorized share capital of the Company was increased from USD12,000,000 to USD300,000,000 by the creation of an additional 19,200,000,000 shares of USD0.015 each; (ii) conditional on the share premium account of the Company being credited as a result of the issue of the shares by the Company pursuant to the global offering of the shares of the Company as contained in the Prospectus, the sum of USD19,546,977 standing to the credit of the share premium account of the Company will be capitalized and applied in paying up in full at par 1,303,131,800 shares of USD0.015 each, allotted and issued to the shareholders whose names appearing on the register of members of the Company at the close of business on August 26,

C. EVENTS AFTER THE REPORTING PERIOD—(continued)

2011 in proportion to their then respective shareholdings in the Company; and (iii) the share option scheme of the Company (the “Share Option Scheme”) will be adopted and the directors of the Company will be authorized to grant options to subscribe for shares of the Company thereunder and to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. For further detail of the Share Option Scheme, please refer to Appendix VII entitled “Statutory and General Information—D. Other Information—1. Share Option Scheme” to the Prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to March 31, 2011.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected (i) the net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on March 31, 2011; and (ii) the forecast basic earnings per share of the Group for the year ending December 31, 2011 as if the Global Offering had taken place on January 1, 2011.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position nor the future financial results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

(A) Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis set forth in the notes below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on March 31, 2011. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group as of March 31, 2011, after the completion of the Global Offering or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2011 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽⁴⁾
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer					
Price of HK\$2.30 per Share	644,217	530,005	1,174,222	0.59	0.70
Based on an Offer					
Price of HK\$3.24 per Share	644,217	758,014	1,402,231	0.70	0.83

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2011 are based on audited consolidated net assets of the Group attributable to owners of the Company as of March 31, 2011 of RMB645,999,000 as set out in Appendix I to this prospectus after deducting intangible assets of the Group of RMB1,782,000.
- (2) The estimated net proceeds from the Global Offering are based on 300,000,000 shares to be issued under the Global Offering and the Offer Price of HK\$2.30 and HK\$3.24 per share, being the lower end and higher end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately RMB5.8 million listing-related expense which has been accounted for prior to March 31, 2011) payable by the Company in connection with the Global Offering. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the rate of HK\$1.00 to RMB0.8423.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 2,000,000,000 shares in issue immediately following the completion of the Global Offering. No consideration has been given to any Shares which may be issued pursuant to the Share Option Scheme. By comparing the valuation of our property interest as set out in Appendix IV to this prospectus, the net valuation surplus is approximately RMB37.4 million as compared to the carrying

amounts of the Group's property interest as at July 31, 2011, which has not been included in the above consolidated net tangible assets of the Group attributable to owners of the Company. The valuation surplus of those property interests, which is stated at historical cost less accumulated depreciation or amortization, will not be incorporated in our consolidated financial statements. If the valuation surplus was to be included in the consolidated financial statements, an additional depreciation charge of approximately RMB1.0 million per annum would be incurred.

- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8423.

(B) Unaudited Pro Forma Forecast Basic Earnings per Share

The following unaudited pro forma forecast basic earnings per Share for the year ending December 31, 2011 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of Global Offering as if it had taken place on January 1, 2011. The unaudited pro forma forecast basic earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering or for any future periods.

For the year ending December 31, 2011

Forecast of consolidated profit attributable to owners of the Company ⁽¹⁾⁽²⁾	not less than RMB287.2 million (equivalent to approximately HK\$341.0 million)
Unaudited pro forma forecast basic earnings per Share ⁽²⁾⁽³⁾	not less than RMB0.143 (equivalent to approximately HK\$0.170)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this prospectus.
- (2) Solely for convenience, the forecast of consolidated profit attributable to owners of the Company and unaudited pro forma forecast basic earnings per Share are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8423. This should not be construed as a representation that the Renminbi amounts could actually be converted into Hong Kong dollar amounts at the rate indicated or at all.
- (3) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the forecast of consolidated profit attributable to owners of our Company for the year ending December 31, 2011 assuming the Global Offering had been completed on January 1, 2011, and a total of 2,000,000,000 Shares were in issue and outstanding during the entire year.

(C) Accountants' Report on the Unaudited Pro Forma Financial Information

The following is the text of a report, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information.

Deloitte.
德勤

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ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF HONGGUO INTERNATIONAL HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Hongguo International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering of 500,000,000 shares of USD 0.015 each in the Company, might have affected the financial information presented, for inclusion in part A and part B of Appendix II to the prospectus dated September 12, 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on page II-1 and II-2 of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group

and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at March 31, 2011 or any future date; or
- the earnings per share of the Group for the year ending December 31, 2011 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

September 12, 2011

The forecast of our net profit for the year ending December 31, 2011 is set out in the section entitled “Financial Information—Profit Forecast for the Year Ending December 31, 2011.”

(A) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of our net profit for the year ending December 31, 2011 on the basis of our audited financial results for the three months ended March 31, 2011, our unaudited financial results for the four months ended July 31, 2011 and a forecast of our results for the remaining five months ending December 31, 2011. Our Directors are currently not aware of any extraordinary items which have arisen or are likely to arise in respect of the year ending December 31, 2011.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with the accounting policies normally adopted by us as summarized in the Accountants’ Report set out in Appendix I, and on the following assumptions:

- (a) There will be no exceptional circumstances that will require provisions to be made by us in respect of any contingent liabilities or arbitration threatened or otherwise, abnormal bad debts, incomplete contracts or other assets;
- (b) We are able to renew and/or obtain relevant production permits/licenses, and certifications for our products in order to sell our products in domestic and overseas markets;
- (c) There will be no material changes in the existing political, fiscal or economic conditions in the countries in which we carry on business or from which we buy or to which we sell;
- (d) There will be no material changes in laws, rules and/or regulations relevant to the women’s footwear industry in China, including but not limited to governmental policies relating to price control, product liability, certification and production;
- (e) Foreign exchange rates, interest rates and inflation rates will not differ materially from those presently prevailing;
- (f) There will be no material changes in the bases or rates of taxation in China, the country that our principal operations are located, and our PRC subsidiaries can continue to enjoy the tax incentives currently available to them. In addition, a 5% withholding tax to be levied on the dividends to be payable is forecasted based on the profit of the PRC subsidiaries under the relevant tax rules and regulations;
- (g) There will be no significant change in the existing accounting policies, critical accounting estimates and judgements underlying the preparation of the profit and working capital forecasts from those adopted in the preparation of our consolidated financial results to be disclosed in the prospectus for the year ended December 31, 2010;
- (h) Our operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including but not limited to the occurrence of natural disasters, supply failure, labor dispute, significant lawsuit and arbitration;
- (i) Our operations will not be significantly affected by production capacity of major equipment which is beyond the control of our Directors;

- (j) We are not materially and adversely affected by any of the risk factors as set out in the section entitled “Risk Factors” of the prospectus;
- (k) Our Directors expect no extraordinary financial items will incur during the five months period ending December 31, 2011;
- (l) We can substantially maintain the business relationship with our major customers and suppliers during the forecast period;
- (m) Our production and operation will not be significantly affected by interruptions as a result of the failure to meet relevant production and regulations, or obtain industry safety and qualification certificates;
- (n) Our core management will continue to serve us after the Listing and we will not encounter any material difficulties in recruiting and retaining qualified staffs.

(B) LETTER FROM OUR AUDITORS AND REPORTING ACCOUNTANTS

The following is the text of the letters received by the Directors from the Company's auditors and reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the profit forecast.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

September 12, 2011

The Directors
Hongguo International Holdings Limited
Citigroup Global Markets Asia Limited
DBS Asia Capital Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the consolidated net profit of Hongguo International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending December 31, 2011 attributable to owners of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated September 12, 2011 issued by the Company (the "Prospectus"). The Forecast is prepared based on the audited results of the Group for the three months ended March 31, 2011, the results shown in the unaudited management accounts of the Group for the four months ended July 31, 2011, and a forecast of the results for the remaining five months of the financial year ending December 31, 2011.

In our opinion, the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in part A of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended December 31, 2010 and the three months ended March 31, 2011 as set out in Appendix I to the Prospectus.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus by the Joint Sponsors in connection with the profit forecast for the year ending December 31, 2011.

Citigroup Global Markets Asia Limited

50th Floor, Citibank Tower
3 Garden Road
Central, Hong Kong

DBS Asia Capital Limited

17th Floor, The Center
99 Queen's Road Central
Hong Kong

September 12, 2011

The Directors
Hongguo International Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to the equity holders of Hongguo International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ending December 31, 2011 (the "Profit Forecast") as set out in the prospectus issued by the Company dated September 12, 2011 (the "Prospectus").

The Profit Forecast, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared by them based on the audited consolidated financial results of the Group for the three months ended March 31, 2011, the unaudited consolidated financial results of the Group for the four months ended July 31, 2011 and a forecast of the consolidated results of the Group for the remaining five months ending December 31, 2011.

We have discussed with you the bases and assumptions, as set forth in Appendix III to the Prospectus, upon which the Profit Forecast has been made. We have also considered and relied upon the letter dated September 12, 2011 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Forecast, for which you as the directors of the Company are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Citigroup Global Markets Asia Limited

Rodney Tsang
Managing Director
Co-Head of China Global Banking

For and on behalf of
DBS Asia Capital Limited

Andrew Yeung
Senior Vice President

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests in the PRC as at July 31, 2011.



16/F, Jardine House
1 Connaught Place
Central
Hong Kong

September 12, 2011

The Directors
Hongguo International Holdings Limited
31st Level, Nanjing International Trade Center
18 Zhongshan East Road
Baixia District
Nanjing
Jiangsu Province
the PRC

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Hongguo International Holdings Limited (“the Company”) or its subsidiaries (hereinafter together referred to as “the Group”) in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the market values of those property interests as at July 31, 2011 (the “date of valuation”).

Our valuation of each of the property interests represents the market value which in accordance with the HKIS Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

Our valuation of each of the property interests excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing property interest No. 1 in Group I which is held and occupied by the Group for production uses in the PRC, we have adopted “Depreciated Replacement Cost” (“DRC”) Approach due to the special nature of the property. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC is subject to adequate potential profitability of the business.

In valuing property interests Nos. 2 and 3 in Group II which are held and occupied by the Group in the PRC, we have adopted direct comparison method by making reference to comparable sales evidence available in the relevant market.

The property interests in Group III, which are leased to the Group in the PRC, are considered to have no commercial value due mainly to the prohibition against assignment of the property interests or otherwise due to the lack of substantial profit rents.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Notes 12 and 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (First Edition 2005) on Properties published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, in the course of our valuation of the property interests situated in the PRC, we have assumed that transferable land use rights in respect of the property interests for specific terms at nominal annual land use fees have been granted and that, any premium payable have already been fully settled. We have also assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired terms as granted. We have relied on the advice given by the Group and the Group’s legal adviser GFE Law Office on PRC law, regarding the title to each of the property interests and the Group interests in the properties in the PRC.

We have relied to a very considerable extent on the information given by the Group and its legal adviser on PRC law. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of property interests, particulars of occupancy, tenancy details, site and floor plans, site and floor areas and all other relevant matters. Dimensions and measurements are based on the copies of documents or other information provided to us by the Group and are therefore only approximations. We have not carried out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents provided to us are correct. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which are material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or other structural defects. No test was carried out on any of the services. However, we have not carried out investigations

on site to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no unexpected costs or delays will be incurred during the construction period.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

Unless otherwise stated, all money amounts stated in our valuations are in Renminbi (“RMB”), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
Registered Professional Surveyor
(General Practice Division)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S
Senior Director

Note: Mr. Mr. Andrew K. F. Chan is a Registered Professional Surveyor who has over 24 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at July 31, 2011 RMB	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at July 31, 2011 RMB
Group I—Property interest held and occupied by the Group for production uses in the PRC			
1. An Industrial Complex situated at 209 Jiangjun Avenue, Jiangning District, Nanjing, Jiangsu Province the PRC	94,000,000	100	94,000,000
	Total of Group I:		94,000,000
Group II—Property interests held and occupied by the Group in the PRC			
2. Unit Nos. 2403-2404 on the 24 th Level and Car Parking Space No. 226 on the Basement Level 2, 58 Caihuying, Fengtai District, Beijing, the PRC	6,400,000	100	6,400,000
3. Unit Nos. A5, A6, A7 and A8, 1st Level, Nanjing International Trade Center 18 Zhongshan East Road Baixia District Nanjing Jiangsu Province the PRC	46,000,000	100	46,000,000
	Total of Group II:		52,400,000

Group III—Property interests leased to the Group in the PRC

Property	Capital value in existing state attributable to the Group as at July 31, 2011 RMB
4. 31 st Level, Nanjing International Trade Center, 18 Zhongshan East Road, Baixia District, Nanjing, Jiangsu Province, the PRC	No commercial value
5. An Industrial Complex located in Zhoucun Industrial Area, Lishui Town, Nanhai District, Foshan, Guangdong Province, the PRC	No commercial value
6. Unit No. 1502, No. 2 of Lane 180, Guyi Road, Xuhui District, Shanghai, the PRC	No commercial value
7. Unit No.605, No. 2 of Lane 180, Guyi Road, Xuhui District, Shanghai, the PRC	No commercial value
8. Unit No. 202, Section 2 of Block No.2, 12 Xinzhu Road, Xincheng District, Nanning, Guangxi Province, the PRC	No commercial value
9. Unit Nos. 1202 and 1203, Block No.1, 16 Daye Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011
	RMB
10. Unit No.1201, Block No.1, 16 Daye Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	No commercial value
11. Unit No.1204, Block No.1, 16 Daye Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	No commercial value
12. Unit Nos.2105-2109, 2025 Zhongshan West Road, Xuhui District, Shanghai , the PRC	No commercial value
13. Unit No. 2301, 23 rd Level, Block No.1, 8 Zijingshan Road, Jingshui District, Zhengzhou, Henan Province, the PRC	No commercial value
14. Unit No.1-1-501, Block No.4, 25 Hetaozhuang, Tianqiao District, Jinan, Shandong Province, the PRC	No commercial value
15. Unit No.1-112, 16 Jiefang Road, Chengzhong District, Xining, Qinghai Province, the PRC	No commercial value
16. Unit No.1101, 41 Xingjie Lane, Chongan District, Wuxi, Jiangsu Province, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011
	RMB
17. East Portion, 2 nd Level, Block No.1, Caihua Road, Tianning District, Changzhou, Jiangsu Province, the PRC	No commercial value
18. Unit No. 403, 20 Guanghua Street, Zhonglou District, Changzhou, Jiangsu Province, the PRC	No commercial value
19. Unit No.901, Section 1 of Block No.12, 88 Xinzhou Road, Nanchang, Jiangxi Province, the PRC	No commercial value
20. Unit E, 2 nd Level, Section C, 66 Xuanhua Street, Nangang District, Harbin, Heilongjiang Province, the PRC	No commercial value
21. Unit No. 1401, Block No.2, Xinyuan Apartment, 33 Shandong Road, Shinan District, Qingdao, Shandong Province, the PRC	No commercial value
22. Unit No. 811, Block D, Huabinyangguang Plaza, 85 Pingyuan Road, Xinxiang, Henan Province, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011
	RMB
23. Unit No. 602, Block No.1, 18 Fushang Street, Jinhua, Zhejiang Province, the PRC	No commercial value
24. Unit No. 3-6-102, Jiayi Apartment, Weijin Road, Heping District, Tianjin the PRC	No commercial value
25. 4 th Level, 139 Shitou Street, Nanchang , Jiangxi Province, the PRC	No commercial value
26. Unit No. 2-2203, 88 Zhongshan Road, Wuxi, Jiangsu Province, the PRC	No commercial value
27. Unit No. 1002, Block No.10, Shanshui Building, Yantai, Shandong Province, the PRC	No commercial value
28. Unit No.37 Section 3 of Block No.46, Gongsi Street, Jinshui District, Zhengzhou, Henan Province, the PRC	No commercial value
29. Unit No. 1203, Section A of Block No.7, Zhongyibaodi Garden, Changzhou, Jiangsu Province, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011
	RMB
30. Unit Nos. 31E and 31F, Block A, Zhenye Building, 2014 Baoan South Road, Luohu District, Shenzhen, Guangdong Province, the PRC	No commercial value
31. Unit No. 32-2, 16 Jianxin North Road, Jiangbei District, Chongqing, the PRC	No commercial value
32. Unit No.09, 17 th Level, 717 Wuyi Avenue, Furong District, Changsha, Hunan Province, the PRC	No commercial value
33. Unit No. 1404, Block No.2, Xinyuan Apartment, 33 Shandong Road, Shinan District, Qingdao, Shandong Province, the PRC	No commercial value
34. Unit No. 1603, 707 Dongfeng East Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	No commercial value
35. Unit Nos. 7 and 9, 90 Yuhuatai Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011
	RMB
36. Unit D, 8 th Level, Chunxiao Building, Zhongshan Garden, 221 Chaohui Road, Xiacheng District, Hangzhou, Zhejiang Province, the PRC	No commercial value
37. Unit No. 1411, 131-139 Zhongshan Road, Chengguan District, Lanzhou, Gansu Province, the PRC	No commercial value
38. Unit No. 1402, Block No.15, 88 Xinzhou Road, Nanchang, Jiangxi Province, the PRC	No commercial value
39. Unit No. 3 8 th Level, 224-6 Shifu Avenue, Heping District, Shenyang, Liaoning Province, the PRC	No commercial value
40. Unit Nos.C-3 and D-3, Xihua Spinning Factory, 100 Shuigoutou, Chongan District, Wuxi, Jiangsu Province, the PRC	No commercial value
41. Unit No. 1802, Block No.5, Wanbo Garden, Youanmen, Xuanwu District, Beijing, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011
	RMB
42. Unit No.503, Block T3, Oujing City Plaza, 63-1 Minzu Avenue, Qingxiu District, Nanning, Guangxi Province, the PRC	No commercial value
43. Unit B213, Basement Level 2, Dongfang Building, Dongfang City Plaza, Xinhua District, Shijiazhuang, Hebei Province, the PRC	No commercial value
44. Unit No.901, Section 1 of Block No.6, Faxiangxiang Compound, Jinger Road, Kuiyin District, Jinan, Shandong Province, the PRC	No commercial value
45. Unit No.C1, 15 th Level, Nanjing International Trade Center, 18 Zhongshan East Road, Baixia District, Nanjing, Jiangsu Province, the PRC	No commercial value
46. Unit No. 107, Fusheng Building, 9 Gutian Road, Gulou District, Fuzhou, Fujian Province, the PRC	No commercial value
47. Unit No. 1814, 58 Caihuying, Fengtai District, Beijing, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011 RMB
48. 2 nd Level, 183 Foci Avenue, Chengguan District, Lanzhou, Ganshu Province, the PRC	No commercial value
49. Unit Nos. 1 and 2, 5 th Level of Block No.5, Ganghong Industrial Park, 9 Gangning Road, Zone C of Gangcheng Industrial Area, Jiangbei District, Chongqing, the PRC	No commercial value
50. Unit No. 3A, 588 Yindu Road, Minhang District, Shanghai, the PRC	No commercial value
51. Unit No.JN1003, 1 st Level, Block No.1, Auchan Center, Qinhuai Road, Jiangning District, Nanjing, Jiangsu Province, the PRC	No commercial value
52. Unit No. JN1006, 1 st Level, Block No.1, Auchan Center, Qinhuai Road, Jiangning District, Nanjing, Jiangsu Province, the PRC	No commercial value
53. Unit Nos.HM-1020 and HM-1022, 1 st Level, Auchan Center, 530 Huanghai Zhong Road, Haimen, Nantong, Jiangsu Province, the PRC	No commercial value

Property	Capital value in existing state attributable to the Group as at July 31, 2011
	RMB
54. Unit Nos. 116 and 117, 1 st Level, Yingbin Department Plaza, 1144 Yingbin South Road, Gongbei District, Zhuhai, Guangdong Province, the PRC	No commercial value
55. Unit No. 3022, 3 rd Level, Cloud Nine Shopping Mall, 1018 Changning Road, Changning District, Shanghai, the PRC	No commercial value
56. Unit Nos. 14 and 15, 1 Cuihua Street, Fucheng District, Mianyan, Sichuan Province, the PRC	No commercial value
57. Unit Nos.1041 and 1042C, InCity, 88 Haiyu South Road, Changshu, Jiangsu Province, the PRC	No commercial value
58. An industrial complex located at Suining Economic Development Zone, Suining County, Jiangsu Province, the PRC	No commercial value
59. Portions of Sangyuan Industrial Area, Dongcheng District, Dongguan, Guangdong Province, the PRC	No commercial value
Total of Group III:	<u>No commercial value</u>
Grand Total:	<u><u>146,400,000</u></u>

VALUATION CERTIFICATE

Group I—Property interest held and occupied by the Group for production uses in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at July 31, 2011														
1. An Industrial Complex situated at 209 Jiangjun Avenue, Jiangning District, Nanjing, Jiangsu Province the PRC	<p>The property comprises an industrial complex erected upon a roughly oblong-shaped site with a site area of approximately 100,176.30 sq.m..</p> <p>The industrial complex comprises a block of 4-storey composite building, a block of 6-storey staff quarters building, a block of 2-storey canteen, two blocks of 5 to 6-storey workshop and various ancillary structures completed in 2005.</p> <p>In addition, the industrial complex comprises a block of 2 to 4-storey workshop and ancillary building which is currently under construction and scheduled to be completed in 2012.</p> <p>According to the Building Ownership Certificates provided by the Group, the property has a total gross floor area of approximately 31,445.36 sq.m. with details as follows:-</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Block No.</th> <th style="text-align: right;">Approximate Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">3</td> <td style="text-align: right;">2,752.84</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: right;">6,480.49</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: right;">7,039.70</td> </tr> <tr> <td style="text-align: center;">6</td> <td style="text-align: right;">7,039.70</td> </tr> <tr> <td style="text-align: center;">11</td> <td style="text-align: right;">8,132.63</td> </tr> <tr> <td style="text-align: left;">Total:</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">31,445.36</td> </tr> </tbody> </table> <p>According to the Planning Permit for Construction Works provided by the Group, the industrial complex also comprises a block of 2 to 4-storey workshop and ancillary building under construction with a planned gross floor area of approximately 10,818.30 sq.m..</p> <p>The land use rights of the property have been granted for a term expiring on December 27, 2056 for industrial use.</p>	Block No.	Approximate Gross Floor Area sq.m.	3	2,752.84	4	6,480.49	5	7,039.70	6	7,039.70	11	8,132.63	Total:	31,445.36	<p>As at the date of valuation, various portions of the workshops and composite building of the property comprising a total gross floor area of approximately 25,501 sq.m. was leased to Nanjing Soft Garment & Footwear Co., Ltd. (南京舒服特服飾鞋業有限公司), a wholly owned subsidiary of the Company, for a term of 3 year from March 1, 2009 to February 29, 2012 at a monthly rent of RMB170,000, exclusive of management fees and other outgoings.</p> <p>Except the 2 to 4-storey workshop and ancillary building comprising a planned gross floor area of approximately 10,818.30 sq.m. which was under construction, the remaining portions of the property were, as at the date of valuation, occupied by the Group as workshop, staff quarters and other ancillary uses.</p>	<p>RMB94,000,000</p> <p>(100% interest attributable to the Group RMB94,000,000)</p>
Block No.	Approximate Gross Floor Area sq.m.																
3	2,752.84																
4	6,480.49																
5	7,039.70																
6	7,039.70																
11	8,132.63																
Total:	31,445.36																

Notes:-

- (1) According to five Building Ownership Certificates all issued by Nanjing Jiangning District Housing and Urban Development Bureau (南京市江寧區住房和城鄉建設局), the building ownership of the property comprising a total gross floor area of 31,445.36 sq.m. has been vested in Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司). Details of the said certificates are summarized as follows:-

<i>Certificate No.</i>	<i>Block No.</i>	<i>No. of Storey</i>	<i>Gross Floor Area</i>
寧房權證江初字第JN00185072號	3	2	2,752.84 sq.m.
寧房權證江初字第JN00185073號	4	4	6,480.49 sq.m.
寧房權證江初字第JN00185074號	6	3	7,039.70 sq.m.
寧房權證江初字第JN00185075號	11	6	8,132.63 sq.m.
寧房權證江初字第JN00185076號	5	3	7,039.70 sq.m.

- (2) According to the Certificate for State-owned Land Use Rights No. 寧江國用(2007)第29840號 issued by the People's Government of Nanjing on December 25, 2007, the land use rights of the property comprising a total apportioned site area of 100,176.30 sq.m. have been granted to Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司) for a land use term expiring on December 27, 2056 for industrial use.
- (3) According to Planning Permit for Construction Works No. 建字第320115201081264 issued by Nanjing Jiangning District Planning Bureau (南京市江寧區規劃局) on September 6, 2010 the construction works of the 2 to 4-storey workshop and ancillary building comprising a planned gross floor area of 10,818.30 sq.m. is in compliance with the requirement of urban planning and has been permitted for construction.
- (4) According to Permit for Commencement of Construction Works No. 3201152010120900001A issued by Nanjing Jiangning District Construction Works Bureau (南京市江寧區建設工程局) on December 20, 2010, the construction works for the workshop and ancillary building comprising a gross floor area of 10,818.30 sq.m. were permitted to be commenced.

As at the date of valuation, the said workshop and ancillary building was under construction. As advised by the Group, the estimated construction costs expended for the workshop and ancillary building, as at the date of valuation, was approximately RMB10,549,000 and the outstanding construction costs to complete the same was approximately RMB3,451,000. In the course of our valuation, we have taken into account the said construction costs.

- (5) According to Business Licence No. 320100400024213 dated April 20, 2011, Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司), a wholly-owned subsidiary of the Group, was incorporated with a registered capital of USD18,000,000 for a valid operation period from March 3, 2004 to March 2, 2024.
- (6) According to the Company, the Group holds 100% attributable interest in the property.
- (7) We have been provided with a legal opinion regarding the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:-
- Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司) is in the possession of a proper legal title to the property and has the rights to lease, mortgage or dispose of the property at no extra land premium or onerous charge payable to the relevant authorities.
 - The property is pledged to the loan to an extent of RMB44,730,700 in favor of DBS Bank (China) Limited, Shanghai Branch.
 - Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司) has obtained all the pre-requisite approvals and permits for the under construction workshop and ancillary building comprising a planned gross floor area of 10,818.30 sq.m. and the same is legally permitted to be developed.
- (8) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Building Ownership Certificate	Yes
Certificate for State-owned Land Use Rights	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II—Property interests held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at July 31, 2011										
2. Unit Nos. 2403-2404 on the 24 th Level and Car Parking Space No. 226 on the Basement Level 2, 58 Caihuying, Fengtai District, Beijing, the PRC	<p>The property comprises two residential units on the 24th level and a car parking space on basement level 2 of a 28-storey residential building erected upon three level of car parking basement completed in 2002.</p> <p>According to the Building Ownership Certificates provided by the Group, the property has a total gross floor area of approximately 345.88 sq.m. with details as follows:-</p> <table border="1"> <thead> <tr> <th>Unit No.</th> <th>Approximate Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr> <td>2403</td> <td>140.68</td> </tr> <tr> <td>2404</td> <td>140.68</td> </tr> <tr> <td>Cps.226</td> <td>64.52</td> </tr> <tr> <td>Total:</td> <td>345.88</td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term of 70 years from March 10, 2003 to March 09, 2073 for residential use.</p>	Unit No.	Approximate Gross Floor Area sq.m.	2403	140.68	2404	140.68	Cps.226	64.52	Total:	345.88	As at the date of valuation, the property was occupied by the Group for residential, ancillary office and car parking uses.	RMB6,400,000 (100% interest attributable to the Group RMB6,400,000)
Unit No.	Approximate Gross Floor Area sq.m.												
2403	140.68												
2404	140.68												
Cps.226	64.52												
Total:	345.88												

Notes:-

(1) According to three Building Ownership Certificates all issued by Beijing Construction Committee (北京市建設委員會), the building ownership of the property comprising a total gross floor area of 345.88 sq.m. has been vested in Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司) for residential use. Details of the said certificates are summarized as follows:-

Certificate No.	Unit No.	Gross Floor Area
京房權證豐涉外字第011388號	2403	140.68 sq.m.
京房權證豐涉外字第011387號	2404	140.68 sq.m.
京房權證豐字第052560號	Cps.226	64.52 sq.m.

(2) According to three Sale and Purchase Contracts all signed between 北京豪威嘉業房地產開發有限公司 (the Vendor) and Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司) (the Purchaser) on June 5, 2007 (Unit Nos. 2403 and 2404) and May 22, 2008 (Cps. 226), the Vendor has agreed to sell and the Purchaser has agreed to purchase the property comprising a total gross floor area of 345.88 sq.m. at a total consideration of RMB2,832,873. The land use rights of the property have been granted for terms of 70 years from March 10, 2003 to March 09, 2073 for residential use.

(3) According to Business Licence No. 320100400024213 dated April 20, 2011, Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司), a wholly-owned subsidiary of the Group, was incorporated with a registered capital of USD18,000,000 for a valid operation period from March 3, 2004 to March 2, 2024.

(4) According to the Company, the Group holds 100% attributable interest in the property.

(5) We have been provided with a legal opinion regarding the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:-

- (i) Mayflower (Nanjing) Enterprise Limited (美麗華企業(南京)有限公司) is in the possession of a proper legal title to the property and has the rights to lease, mortgage or dispose of the property at no extra land premium or onerous charge payable to the relevant authorities.

- (6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Building Ownership Certificate	Yes
Sale and Purchase Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at July 31, 2011												
3. Unit Nos. A5, A6, A7 and A8, 1st Level, Nanjing International Trade Center 18 Zhongshan East Road Baixia District Nanjing Jiangsu Province the PRC	The property comprises four retail units on the 1 st level of a 31-storey commercial and office composite building completed in 2001. According to the Building Ownership Certificates provided by the Group, the property has a total gross floor area of approximately 556.63 sq.m. with details as follows:-	As at the date of valuation, the property was vacant.	RMB46,000,000 (100% interest attributable to the Group RMB46,000,000)												
	<table border="1"> <thead> <tr> <th>Unit No.</th> <th>Approximate Gross Floor Area sq.m.</th> </tr> </thead> <tbody> <tr> <td>A5</td> <td>148.47</td> </tr> <tr> <td>A6</td> <td>142.73</td> </tr> <tr> <td>A7</td> <td>208.97</td> </tr> <tr> <td>A8</td> <td>56.46</td> </tr> <tr> <td>Total:</td> <td>556.63</td> </tr> </tbody> </table>	Unit No.	Approximate Gross Floor Area sq.m.	A5	148.47	A6	142.73	A7	208.97	A8	56.46	Total:	556.63		
Unit No.	Approximate Gross Floor Area sq.m.														
A5	148.47														
A6	142.73														
A7	208.97														
A8	56.46														
Total:	556.63														

The land use rights of the property have been granted for a term expiring on November 19, 2032 for retail and wholesale uses.

Notes:-

- (1) According to four Building Ownership Certificates all dated August 26, 2009, the building ownership of the property comprising a total gross floor area of 556.63 sq.m. has been vested in Nanjing Ruihe Trade Co., Ltd. (南京瑞和商貿有限公司) for commercial use. Details of the said certificates are summarized as follows:-

Certificate No.	Unit No.	Gross Floor Area
寧房權證白轉字第328519號	A5	148.47 sq.m.
寧房權證白轉字第328520號	A6	142.73 sq.m.
寧房權證白轉字第328521號	A7	208.97 sq.m.
寧房權證白轉字第328522號	A8	56.46 sq.m.

- (2) According to four Certificate for State-owned Land Use Rights all issued by the People's Government of Nanjing on September 14, 2009, the land use rights of the property comprising a total apportioned site area of 34.70 sq.m. have been granted to Nanjing Ruihe Trade Co., Ltd. (南京瑞和商貿有限公司) for a land use term expiring on November 19, 2032 for retail and wholesale uses. Details of the said certificates are summarized as follows:-

Certificate No.	Unit No.	Apportioned Site Area
寧白國用(2009)第11781號	A5	9.3 sq.m.
寧白國用(2009)第11778號	A6	8.9 sq.m.
寧白國用(2009)第11779號	A7	13.0 sq.m.
寧白國用(2009)第11777號	A8	3.5 sq.m.

- (3) According to four Sale and Purchase Contracts all signed between 南京不老松貿易有限公司 (the Vendor) and Nanjing Ruihe Trade Co., Ltd. (南京瑞和商貿有限公司) (the Purchaser) on August 20, 2009, the Vendor has agreed to sell and the Purchaser has agreed to purchase the property comprising a total gross floor area of 556.63 sq.m. at a total consideration of RMB32,841,170.
- (4) According to Business Licence No. 320121000143094 dated September 14, 2010, Nanjing Ruihe Trade Co., Ltd. (南京瑞和商貿有限公司), a wholly-owned subsidiary of the Group, was incorporated with a registered capital of RMB20,000,000 for an operation period valid from June 18, 2009.
- (5) According to the Company, the Group holds 100% attributable interest in the property.

(6) We have been provided with a legal opinion regarding the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:-

(i) Nanjing Ruihe Trade Co., Ltd. (南京瑞和商貿有限公司) is in the possession of a proper legal title to the property and has the rights to lease, mortgage or dispose of the property at no extra land premium or onerous charge payable to the relevant authorities.

(ii) The property is pledged to the loan to an extent of RMB43,786,400 in favor of DBS Bank (China) Limited, Shanghai Branch.

(7) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:-

Building Ownership Certificate	Yes
Certificate for State-owned Land Use Rights	Yes
Sale and Purchase Contract	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III—Property interests leased to the Group in the PRC

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
4.	31 st Level, Nanjing International Trade Center, 18 Zhongshan East Road, Baixia District, Nanjing, Jiangsu Province, the PRC	<p>The property comprises the 31st level of a 31-storey office/commercial composite building completed in 2001.</p> <p>The property has a gross floor area of approximately 1,526.63sq.m..</p> <p>The property is currently leased from Hongguo Industry Group Corporation to the Group for a term of 1 year from January 1, 2011 to December 31, 2011 at an annual rent of RMB900,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
5.	An Industrial Complex located in Zhoucun Industrial Area, Lishui Town, Nanhai District, Foshan, Guangdong Province, the PRC	<p>The property comprises two blocks of 4 to 6-storey workshop completed in 2007.</p> <p>The property has a total gross floor area of approximately 15,258.00sq.m.</p> <p>The property is currently leased from an independent third party to the Group for a term of 20 years from April 1, 2007 to March 31, 2027, at an initial monthly rent of RMB102,736.50 and subject to an 8% increment for every 3 years, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as R&D center and warehouse.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
6. Unit No. 1502, No. 2 of Lane 180, Guyi Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit on the 15th level of a 18-storey residential building completed in 1997.</p> <p>The property has a gross floor area of approximately 102.98sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from January 17, 2011 to January 16, 2012 at a monthly rent of RMB 5,300, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value
7. Unit No.605, No. 2 of Lane 180, Guyi Road, Xuhui District, Shanghai, the PRC	<p>The property comprises a residential unit on the 6th level of a 18-storey residential building completed in 1997.</p> <p>The property has a gross floor area of approximately 102.98sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from January 17, 2011 to January 16, 2012 at a monthly rent of RMB4,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
8. Unit No. 202, Section 2 of Block No.2, 12 Xinzhu Road, Xincheng District, Nanning, Guangxi Province, the PRC	<p>The property comprises a residential unit on the 2nd level of a 6-storey residential building completed in 1998.</p> <p>The property has a gross floor area of approximately 121.68sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from January 26, 2011 to January 26, 2012 at a monthly rent of RMB 2,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value
9. Unit Nos. 1202 and 1203, Block No.1, 16 Daye Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises two office units on the 12th level of a 20-storey composite building completed in 2004.</p> <p>The property has a total gross floor area of approximately 144.16 sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 years from March 1, 2011 to February 28, 2012 at a total monthly rent of RMB4,680.90, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as offices.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
10. Unit No.1201, Block No.1, 16 Daye Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises an office unit on the 12th level of a 20-storey composite building completed in 2004.</p> <p>The property has a gross floor area of approximately 76.78sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 years from March 1, 2011 to February 28, 2012 at a monthly rent of RMB2,553.20, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
11. Unit No.1204, Block No.1, 16 Daye Road, Jinjiang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises an office unit on the 12th level of a 20-storey composite building completed in 2004.</p> <p>The property has a gross floor area of approximately 72.08sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from March 1, 2011 to February 28, 2012 at a monthly rent of RMB1,875, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
12. Unit Nos.2105-2109, 2025 Zhongshan West Road, Xuhui District, Shanghai, the PRC	<p>The property comprises five office units on the 21st level of a 26-storey office building completed in 2002.</p> <p>The property has a total gross floor area of approximately 316.36sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from April 5, 2011 to April 4, 2012 at a total monthly rent of RMB35,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as offices.	No commercial value
13. Unit No. 2301, 23 rd Level, Block No.1, 8 Zijingshan Road, Jingshui District, Zhengzhou, Henan Province, the PRC	<p>The property comprises an office unit on the 23rd level of a 30-storey office building completed in 2003.</p> <p>The property has a gross floor area of approximately 214.37sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from April 1, 2011 to March 31, 2012 at a monthly rent of RMB4,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
14. Unit No.1-1-501, Block No.4, 25 Hetaozhuang, Tianqiao District, Jinan, Shandong Province, the PRC	<p>The property comprises a residential unit on the 5th level of a 6-storey residential building completed in 1999.</p> <p>The property has a gross floor area of approximately 125.73sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from March 1, 2011 to March 1, 2012 at a monthly rent of RMB1,897.73, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value
15. Unit No.1-112, 16 Jiefang Road, Chengzhong District, Xining, Qinghai Province, the PRC	<p>The property comprises a residential unit on the 1st level of a 6-storey residential building completed in 2003.</p> <p>The property has a gross floor area of approximately 89.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from April 3, 2011 to April 3, 2012 at an annual rent of RMB14,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
16. Unit No.1101, 41 Xingjie Lane, Chongan District, Wuxi, Jiangsu Province, the PRC	<p>The property comprises a residential unit on the 11th level of a 18-storey residential building completed in 2000.</p> <p>The property has a gross floor area of approximately 91.85sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from May 25, 2011 to May 24, 2012 at a monthly rent of RMB2,800, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value
17. East Portion, 2 nd Level, Block No.1, Caihua Road, Tianning District, Changzhou, Jiangsu Province, the PRC	<p>The property comprises a warehouse at the eastern portions on the 2nd level of a 3-storey warehouse building completed in 1995.</p> <p>The property has a gross floor area of approximately 600.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from June 1, 2011 to May 31, 2012 at a monthly rent of RMB5,500, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as a warehouse.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
18. Unit No. 403, 20 Guanghua Street, Zhonglou District, Changzhou, Jiangsu Province, the PRC	<p>The property comprises an office unit on the 4th level of a 16-storey office building completed in 2004.</p> <p>The property has a gross floor area of approximately 162.80sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term from April 20, 2010 to May 31, 2015 at an annual rent of RMB50,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
19. Unit No.901, Section 1 of Block No.12, 88 Xinzhou Road, Nanchang, Jiangxi Province, the PRC	<p>The property comprises a residential unit on the 9th level of a 15-storey residential building completed in 2005.</p> <p>The property has a gross floor area of approximately 144.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from April 28, 2011 to April 27, 2012 at a monthly rent of RMB2,172, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as ancillary office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
20.	Unit E, 2 nd Level, Section C, 66 Xuanhua Street, Nangang District, Harbin, Heilongjiang Province, the PRC	<p>The property comprises an office unit on the 2nd level of a 17-storey office building completed in 2000.</p> <p>The property has a gross floor area of approximately 158.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from May 23, 2011 to May 22, 2012 at an annual rent of RMB67,200, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
21.	Unit No. 1401, Block No.2, Xinyuan Apartment, 33 Shandong Road, Shinan District, Qingdao, Shandong Province, the PRC	<p>The property comprises an office unit on the 14th level of a 22-storey residential/office composite building completed in 2006.</p> <p>The property has a gross floor area of approximately 175.30sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from May 19, 2011 to August 31, 2012 at an annual rent of RMB57,875, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters and ancillary office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
22.	Unit No. 811, Block D, Huabinyanguang Plaza, 85 Pingyuan Road, Xinxiang, Henan Province, the PRC	<p>The property comprises an office unit on the 8th level of a 28-storey composite building completed in 2009.</p> <p>The property has a gross floor area of approximately 57.34sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from July 6, 2011 to July 6, 2012 at a monthly rent of RMB850, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
23.	Unit No. 602, Block No.1, 18 Fushang Street, Jinhua, Zhejiang Province, the PRC	<p>The property comprises a residential unit on the 6th level of a 7-storey residential building completed in 1992.</p> <p>The property has a gross floor area of approximately 70.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from June 12, 2011 to June 11, 2012 at a monthly rent of RMB8,500, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an ancillary office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
24.	Unit No. 3-6-102, Jiayi Apartment, Weijin Road, Heping District, Tianjin the PRC	<p>The property comprises a residential unit on the 1st level of a 10-storey residential building completed in 1997.</p> <p>The property has a gross floor area of approximately 184.28sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 2 years from September 1, 2010 to August 31, 2012 at a monthly rent of RMB4,842.11, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	<p>As at the date of valuation, the property was occupied by the Group as an ancillary office.</p>	No commercial value
25.	4 th Level, 139 Shitou Street, Nanchang, Jiangxi Province, the PRC	<p>The property comprises a warehouse on the 4th level of a 4-storey industrial building completed in 1985.</p> <p>The property has a gross floor area of approximately 688.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from August 17, 2010 to August 16, 2011 at a monthly rent of RMB5,200 and an extended term of 1 year from August 17, 2011 at a monthly rent of RMB5,720, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	<p>As at the date of valuation, the property was occupied by the Group as a warehouse.</p>	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
26.	Unit No. 2-2203, 88 Zhongshan Road, Wuxi, Jiangsu Province, the PRC	<p>The property comprises an office unit on the 22nd level of a 28-storey composite building completed in 2001.</p> <p>The property has a gross floor area of approximately 134.83sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 3 years from March 14, 2010 to March 13, 2013 at a monthly rent of RMB11,897, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
27.	Unit No. 1002, Block No.10, Shanshui Building, Yantai, Shandong Province, the PRC	<p>The property comprises a residential unit on the 10th level of a 24-storey residential building completed in 2007.</p> <p>The property has a gross floor area of approximately 82.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from September 15, 2010 to September 14, 2011 at an annual rent of RMB18,000, exclusive of management fees and other outgoings. As advised by the Group, the tenancy will not be renewed upon expiry.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
28.	Unit No.37 Section 3 of Block No.46, Gongsi Street, Jinshui District, Zhengzhou, Henan Province, the PRC	<p>The property comprises a residential unit on the 5th level of a 7-storey residential building completed in 1999.</p> <p>The property has a gross floor area of approximately 69.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 2 years from October 1, 2010 to October 1, 2012 at a monthly rent of RMB1,300, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value
29.	Unit No. 1203, Section A of Block No.7, Zhongyibaodi Garden, Changzhou, Jiangsu Province, the PRC	<p>The property comprises a residential unit on the 12th level of a 27-storey residential building completed in 2008.</p> <p>The property has a gross floor area of approximately 114.35sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 3 years from October 15, 2010 to October 14, 2013 at a monthly rent of RMB2,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
30. Unit Nos. 31E and 31F, Block A, Zhenye Building, 2014 Baoan South Road, Luohu District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises two office units on the 31st level of a 32-storey office building completed in 1995.</p> <p>The property has a total gross floor area of approximately 253.54sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from October 26, 2010 to October 25, 2011 at a total monthly rent of RMB12,677, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as offices.	No commercial value
31. Unit No. 32-2, 16 Jianxin North Road, Jiangbei District, Chongqing, the PRC	<p>The property comprises an office unit on the 32nd level of a 36-storey office building completed in 2004.</p> <p>The property has a gross floor area of approximately 180.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 5 years from March 11, 2009 to March 10, 2014 at a current monthly rent of RMB5,800, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
32.	Unit No.09, 17 th Level, 717 Wuyi Avenue, Furong District, Changsha, Hunan Province, the PRC	<p>The property comprises a residential unit on the 17th level of a 24-storey residential building completed in 2007.</p> <p>The property has a gross floor area of approximately 108.80sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 3 years from June 9, 2009 to June 8, 2012 at a monthly rent of RMB2,666, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an ancillary office.	No commercial value
33.	Unit No. 1404, Block No.2, Xinyuan Apartment, 33 Shandong Road, Shinan District, Qingdao, Shandong Province, the PRC	<p>The property comprises a residential/office composite unit on the 14th level of a 22-storey composite building completed in 2006.</p> <p>The property has a gross floor area of approximately 175.30sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 3 years from September 1, 2009 to August 31, 2012 at a monthly rent of RMB3,723.42, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
34.	Unit No. 1603, 707 Dongfeng East Road, Yuxiu District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises an office unit on the 16th level of a 19-storey office building completed in 1996.</p> <p>The property has a gross floor area of approximately 203.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 3 years from January 10, 2010 to January 9, 2013 at a monthly rent of RMB9,135, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
35.	Unit Nos. 7 and 9, 90 Yuhuatai Road, Yuhuatai District, Nanjing, Jiangsu Province, the PRC	<p>The property comprises two warehouses of a single storey warehouse building completed in 1995.</p> <p>The property has a total gross floor area of approximately 1,790.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term from July 1, 2011 to December 31, 2011 at a total rent of RMB24,677.50, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as warehouses.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
36.	Unit D, 8 th Level, Chunxiao Building, Zhongshan Garden, 221 Chaohui Road, Xiacheng District, Hangzhou, Zhejiang Province, the PRC	<p>The property comprises an office unit on the 8th level of a 26-storey composite building completed in 1997.</p> <p>The property has a gross floor area of approximately 150.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from February 1, 2011 to January 31, 2012 at an annual rent of RMB60,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
37.	Unit No. 1411, 131-139 Zhongshan Road, Chengguan District, Lanzhou, Gansu Province, the PRC	<p>The property comprises an office unit on the 14th level of a 28-storey office building completed in 2005.</p> <p>The property has a gross floor area of approximately 125.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from March 6, 2011 to March 5, 2012 at a monthly rent of RMB3,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
38.	Unit No. 1402, Block No.15, 88 Xinzhou Road, Nanchang, Jiangxi Province, the PRC	<p>The property comprises a residential unit on the 14th level of a 15-storey residential building completed in 2005.</p> <p>The property has a gross floor area of approximately 108.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 7 months from June 1, 2011 to December 31, 2011 at a monthly rent of RMB1,955, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value
39.	Unit No. 3 8 th Level, 224-6 Shifu Avenue, Heping District, Shenyang, Liaoning Province, the PRC	<p>The property comprises a residential/office composite unit on the 8th level of a 24-storey composite building completed in 2005.</p> <p>The property has a gross floor area of approximately 163.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from March 1, 2011 to February 28, 2012 at an annual rent of RMB40,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an ancillary office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
40.	Unit Nos.C-3 and D-3, Xihua Spinning Factory, 100 Shuigoutou, Chongan District, Wuxi, Jiangsu Province, the PRC	<p>The property comprises two warehouses on the 3rd level of a 4-storey warehouse building completed in 1992.</p> <p>The property has a total gross floor area of approximately 1,000.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from February 28, 2011 to February 28, 2012 at a total annual rent of RMB103,500, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as warehouses.	No commercial value
41.	Unit No. 1802, Block No.5, Wanbo Garden, Youanmen, Xuanwu District, Beijing, the PRC	<p>The property comprises a residential unit on the 18th level of a 23-storey residential building completed in 2002.</p> <p>The property has a gross floor area of approximately 132.12sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from September 1, 2010 to August 31, 2011 at a monthly rent of RMB4,400 and an extended term of 1 year from September 1, 2011 to August 31, 2012 at a monthly rent of RMB5,200, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as staff quarters.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
42. Unit No.503, Block T3, Oujing City Plaza, 63-1 Minzu Avenue, Qingxiu District, Nanning, Guangxi Province, the PRC	<p>The property comprises an office unit on the 5th level of a 18-storey composite building completed in 2005.</p> <p>The property has a gross floor area of approximately 121.32sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from September 25, 2010 to September 24, 2011 at a monthly rent of RMB3,063, exclusive of management fees and other outgoings. As advised by the Group, the tenancy will not be renewed upon expiry.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
43. Unit B213, Basement Level 2, Dongfang Building, Dongfang City Plaza, Xinhua District, Shijiazhuang, Hebei Province, the PRC	<p>The property comprises a warehouse on basement level 2 of a 32-storey composite building erected upon two levels of basement completed in 1996.</p> <p>The property has a gross floor area of approximately 38.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from September 1, 2010 to August 31, 2011 at an annual rent of RMB12,621.70, exclusive of management fees and other outgoings. As advised by the Group, the tenancy will not be renewed upon expiry.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as a warehouse.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
44. Unit No.901, Section 1 of Block No.6, Faxiangxiang Compound, Jinger Road, Kuiyin District, Jinan, Shandong Province, the PRC	<p>The property comprises a residential/office composite unit on the 9th level of a 23-storey composite building completed in 2010.</p> <p>The property has a gross floor area of approximately 136.84sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from October 25, 2010 to October 24, 2011 at a monthly rent of RMB2,550, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an ancillary office.	No commercial value
45. Unit No.C1, 15 th Level, Nanjing International Trade Center, 18 Zhongshan East Road, Baixia District, Nanjing, Jiangsu Province, the PRC	<p>The property comprises an office unit on the 15th level of a 31-storey office/commercial composite building completed in 2001.</p> <p>The property has a gross floor area of approximately 315.58sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term from June 15, 2011 to June 14, 2013 at an annual rents of RMB242,364 and RMB257,508 for the 1st and 2nd years respectively, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
46. Unit No. 107, Fusheng Building, 9 Gutian Road, Gulou District, Fuzhou, Fujian Province, the PRC	<p>The property comprises an office unit on the 6th level of a 22-storey office building completed in 2007.</p> <p>The property has a gross floor area of approximately 175.23sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 2 years from August 1, 2011 to July 31, 2013 at a monthly rent of RMB4,200, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an office.	No commercial value
47. Unit No. 1814, 58 Caihuying, Fengtai District, Beijing, the PRC	<p>The property comprises a residential/office composite unit on the 18th level of a 28-storey composite building erected upon three levels of basement completed in 2002.</p> <p>The property has a gross floor area of approximately 106.44 sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from December 19, 2010 to December 18, 2011 at a monthly rent of RMB6,700, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as an ancillary office.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
48.	2 nd Level 183 Foci Avenue, Chengguan District, Lanzhou, Ganshu Province, the PRC	<p>The property comprises a warehouse on the 2nd level of a 3-storey warehouse building completed in 2003.</p> <p>The property has a gross floor area of approximately 360.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from August 23, 2010 to August 22, 2011 at an annual rent of RMB32,832, exclusive of management fees and other outgoings. As advised by the Group, the tenancy will not be renewed upon expiry.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as a warehouse.	No commercial value
49.	Unit Nos. 1 and 2, 5 th Level of Block No.5, Ganghong Industrial Park, 9 Gangning Road, Zone C of Gangcheng Industrial Area, Jiangbei District, Chongqing, the PRC	<p>The property comprises two warehouses on the 5th level of a 6-storey warehouse building completed in 2007.</p> <p>The property has a total gross floor area of approximately 1,303.50sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 5 years from October 8, 2008 to October 7, 2013 at a total current monthly rent of RMB10,063.02, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as warehouses.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
50.	Unit No. 3A, 588 Yindu Road, Minhang District, Shanghai, the PRC	<p>The property comprises a warehouse on the 3rd level of a 3-storey warehouse building completed in 2004.</p> <p>The property has a gross floor area of approximately 720.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from March 3, 2011 to March 2, 2012 at an annual rent of RMB105,120, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as a warehouse.	No commercial value
51.	Unit No.JN1003, 1 st Level, Block No.1, Auchan Center, Qinhuai Road, Jiangning District, Nanjing, Jiangsu Province, the PRC	<p>The property comprises a shop unit on the 1st level of a 2-storey commercial building completed in 2004.</p> <p>The property has a gross floor area of approximately 94.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from July 1, 2010 to August 31, 2011 at a monthly rent of RMB12,141 and an extended term of 1 year from September 1, 2011 to August 31, 2012 at a monthly rent of RMB14,296, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as a retail shop.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
52.	Unit No. JN1006, 1 st Level, Block No.1, Auchan Center, Qinhuai Road, Jiangning District, Nanjing, Jiangsu Province, the PRC	<p>The property comprises a shop unit on the 1st level of a 2-storey commercial building completed in 2008.</p> <p>The property has a gross floor area of approximately 63.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term from July 13, 2010 to August 31, 2011 at a monthly rent of RMB10,084 and an extended term of 1 year from September 1, 2011 to August 31, 2012 at a monthly rent of RMB11,550, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as a retail shop.	No commercial value
53.	Unit Nos.HM-1020 and HM-1022, 1 st Level, Auchan Center, 530 Huanghai Zhong Road, Haimen, Nantong, Jiangsu Province, the PRC	<p>The property comprises two shop units on the 1st level of a 3-storey commercial building completed in 2010.</p> <p>The property has a total gross floor area of approximately 117.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 2 years from October 18, 2010 to October 17, 2012 at a total current monthly rent of RMB6,815, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as retail shops.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
54. Unit Nos. 116 and 117, 1 st Level, Yingbin Department Plaza, 1144 Yingbin South Road, Gongbei District, Zhuhai, Guangdong Province, the PRC	<p>The property comprises two shop units on the 1st level of a 21-storey commercial composite building completed in 2004.</p> <p>The property has a total gross floor area of approximately 84.13sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term from July 1, 2011 to December 31, 2012 at a total monthly rent of RMB12,607, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as retail shops.	No commercial value
55. Unit No. 3022, 3 rd Level, Cloud Nine Shopping Mall, 1018 Changning Road, Changning District, Shanghai, the PRC	<p>The property comprises a shop unit on the 3rd level of a 9-storey commercial building completed in 2005.</p> <p>The property has a gross floor area of approximately 82.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 2 years from November 20, 2010 to November 19, 2012 at a current basic monthly rent of RMB52,890, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as a retail shop.	No commercial value

	Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
56.	Unit Nos. 14 and 15, 1 Cuihua Street, Fucheng District, Mianyan, Sichuan Province, the PRC	<p>The property comprises two shop units on the 1st level of a 7-storey commercial building completed in 1989.</p> <p>The property has a total gross floor area of approximately 76.40sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 1 year from January 1, 2011 to December 31, 2011 at a total monthly rent of RMB13,752, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as retail shops.	No commercial value
57.	Unit Nos.1041 and 1042C, InCity, 88 Haiyu South Road, Changshu, Jiangsu Province, the PRC	<p>The property comprises two shop units on the 1st level of a 4-storey commercial building completed in 2005.</p> <p>The property has a total gross floor area of approximately 193.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 6 months from July 1, 2011 to December 31, 2011 at a total monthly rent of 5% to 8% of the monthly turn over of the shops, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as retail shops.	No commercial value

Property	Description and tenancy particulars	Particulars of occupancy	Capital value in existing state as at July 31, 2011 RMB
58. An industrial complex located at Suining Economic Development Zone, Suining County, Jiangsu Province, the PRC	<p>The property comprises various blocks of low-rise industrial building completed in the 2000's.</p> <p>The property has a total gross floor area of approximately 7,000.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term from November 25, 2009 to November 30, 2011 at an annual rent of RMB420,000, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as production facilities.	No commercial value
59. Portions of Sangyuan Industrial Area, Dongcheng District, Dongguan, Guangdong Province, the PRC	<p>The property comprises 8 blocks of 3 to 6-storey industrial building completed in 2005.</p> <p>The property has a total gross floor area of approximately 32,000.00sq.m..</p> <p>The property is currently leased from an independent third party to the Group for a term of 10 years from July 1, 2005 to June 30, 2015 at a total monthly rent of RMB310,962, exclusive of management fees and other outgoings.</p> <p>According to the PRC legal opinion, the tenancy agreement is lawful, valid, enforceable and legally binding.</p>	As at the date of valuation, the property was occupied by the Group as production facilities.	No commercial value

This section sets out summaries of certain aspects of the PRC laws and regulations, which are relevant to our Group's operation and business.

PRC LAWS ON PRODUCT LIABILITIES AND QUALITY CONTROL

1. The Law of the PRC on Protection of Consumer Rights and Interests 《中華人民共和國消費者權益保護法》

Pursuant to the Law of the PRC on Protection of Consumer Rights and Interests promulgated by the Standing Committee of the National People's Congress on October 31, 1993 and came into effect on January 1, 1994, both manufacturers and distributors will be held jointly liable for losses and damage suffered by consumers caused by the defective products they manufacture and distribute.

The Law of the PRC on Protection of Consumer Rights and Interests sets out standards of behavior which business operators must observe in their dealings with consumers, including the following,

- Goods and services provided by the business operators to consumers must comply with the Law of the PRC on Products Quality and other relevant laws and regulations, including requirements regarding personal safety and protection of property;
- Business operators shall provide consumers with authentic information concerning their commodities or services, and may not make any false and misleading propaganda. Business operators shall give truthful and definite replies to inquiries from consumers about the qualities of the commodities or services they supply and the operation methods thereof. Shops shall mark clearly the prices of the commodities they supply;
- Business operators who supply commodities or services shall make out for consumers invoices for purchases or documents of services in accordance with relevant regulations of the State or commercial practices; business operators must produce such invoices or documents in case consumers so demand;
- Business operators who are under the obligation of repair or caveat venditor, or other responsibilities in accordance with regulations of the State or agreements with consumers shall carry out such obligations correspondingly according to such regulations or agreements, and may not delay deliberately or refuse unreasonably to do so;
- Business operators shall indicate their real names and marks, and business operators who lease counters or grounds from others shall indicate their own real names and marks;
- Business operators may not, through format contracts, notices, announcements, entrance hall bulletins and so on, impose unfair or unreasonable rules on consumers or reduce or escape their civil liability for their infringement against the legitimate rights and interests of consumers. Format contracts, notices, announcements, entrance hall bulletins and so on with contents mentioned in the preceding paragraph shall be invalid.

Violations of the above articles may result in the imposition of fines. In addition, the business operator will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

According to the Law of the PRC on Protection of Consumer Rights and Interests, Consumers whose legitimate rights and interests are infringed upon in their purchasing or using commodities may

demand compensation from the sellers concerned. In case the liability is on the manufacturers or other sellers who supply the commodities to the said sellers, the said sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers or the other sellers. Consumers or other victims suffering personal injuries or property damage resulting from defects of commodities may demand compensations either from the sellers or from the manufacturers. If the liability is on the manufacturers, the sellers shall, after paying the compensations, have the right to recover the compensations from the manufacturers; if the liability is on the sellers, the manufacturers shall, after paying the compensations, have the right to recover the compensations from the sellers.

2. The Law of the PRC on Product Quality 《中華人民共和國產品質量法》

In accordance with the Law of the PRC on Product Quality promulgated by the Standing Committee of the National People's Congress on February 22, 1993 and amended on July 8, 2000, consumers who suffer losses or damages from defective products are entitled to be indemnified by either manufacturers or distributors. In addition, if manufacturers are responsible for the defective products and the losses or damage caused thereby, the distributors which have indemnified consumers for their losses may seek claims on the indemnities against the manufacturers.

Pursuant to Law of the PRC on Product Quality, sellers shall have the following obligations:

- Sellers shall adopt measures to maintain the quality of products for sale;
- Sellers may not sell any product that has been put into disuse by order of the state and therefore the sale of which has been prohibited or those that have lost effect or have deteriorated;
- Sellers are not allowed to fake the place of origin or fake or misappropriate the names and addresses of other producers;
- Sellers are not allowed to fake or misappropriate quality marks such as certification marks and fine quality marks;
- Sellers are not allowed to adulterate the products for sale or pose fake ones as genuine or shoddy ones as good or sub-standard ones as standard;
- Sellers shall ensure that the marks on the products or the packaging of the products are true.

Pursuant to Law of the PRC on Product Quality, producers shall have the following obligations:

- Products shall be free from any irrational dangers threatening the safety of people and property. If there are State standards or trade standards for ensuring the health of the human body and safety of lives and property, the products shall conform to such standards. Products shall have the functions they are due to have, except cases in which there are explanations about the defects of the functions of the products. Products shall tally with the standards prescribed or specified on the packages and with the quality specified in the instructions for use or shown in the providing samples;
- The marks on the products or the package of products shall be true to the fact and satisfy the relevant requirements;
- For products which are easily broken, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled upside down in the process of storage or

transportation or for which there are other special requirements, the package thereof shall meet the corresponding requirements, carry warning marks or warnings written in Chinese or points of attention in handling in accordance with the relevant provisions of the state;

- Producers are forbidden to produce products eliminated according to State laws or decrees;
- Producers are not allowed to fake the place of origin or fake or use the names and addresses of other producers;
- Producers are not allowed to fake or use the quality marks such as certification marks and fine quality product marks;
- Producers shall not adulterate their products or pose fake products as genuine or shoddy products as good or non-standard products as standard.

Violation of Law of the PRC on Product Quality may result in the imposition of fines. In addition, the seller or producer will be ordered to suspend its operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

In accordance with Law of the PRC on Product Quality, Producers shall be responsible for compensating for damages done to the person or property except the defective products themselves (hereinafter referred to as “property of others”) due to the defects of products. Nevertheless, producers shall not be held responsible if they can prove one of the following cases: a. The products have not been put into circulation; b. The defects are non-existent when the products are put into circulation; c. The defects cannot be found at the time of circulation due to scientific and technological reasons.

PRC LAWS ON ENVIRONMENTAL PROTECTION

The main PRC environmental protection laws include: Law of the PRC on Environmental Protection 《中華人民共和國環境保護法》, Law of the PRC on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》, Law of the PRC on the Prevention and Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》, Law of the PRC on the Prevention and Control of Pollution From Environmental Noise 《中華人民共和國環境噪聲污染防治法》 and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》. These laws govern a broad range of environmental matters, including air pollution, noise emissions, water pollution and waste discharge.

1. Law of the PRC on Environmental Protection

Pursuant to Law of the PRC on Environmental Protection (the “Environmental Protection Law”) effective as of December 26, 1989, the Administration Supervisory Department of Environmental Protection of the State Council (“ASDEP”) shall establish national standards for environmental quality control. The governments of provinces, autonomous regions and municipalities directly under the Central Government may establish their own local standards for environmental quality control for the items not specified in the national standards and shall report them to the ASDEP for its record.

The Environmental Protection Law requires all enterprises and institutions that cause environmental pollution and other public hazards to incorporate and implement environmental protection policies into their plans and establish a responsibility system for environmental protection.

These enterprises and institutions shall adopt effective measures to prevent and control the pollution and damage to the environment from waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Installations for the prevention and control of pollution in a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned, until its installations for the prevention and control of pollution are examined and assessed to be up to the standard by the competent department of environmental protection administration which examines and approves the environmental impact statement.

2. Law of the PRC on the Prevention and Control of Water Pollution

In accordance with Law of the PRC on Prevention and Control of Water Pollution amended on February 28, 2008 and came into effect on June 1, 2008 and the Implementation Rules of Law of the PRC on Prevention and Control of Water Pollution 《中華人民共和國水污染防治法實施細則》 effective as of March 20, 2000, new construction projects, expansion, reconstruction projects and other installations which directly or indirectly discharge pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department at or above the county level their existing facilities for discharging and treating water pollutants, and the categories, quantities and concentrations of water pollutants discharged under their normal operation conditions, and also submit technical information concerning prevention and control of water pollution to such department. Enterprises and institutions that discharge pollutants directly into a water body shall pay a pollutant discharge fee counted on the basis of categories, quantities and collection standards of the water pollutants discharged.

3. Law of the PRC on the Prevention and Control of Atmospheric Pollution

Under the Law of the PRC on Prevention and Control of Atmospheric Pollution amended on April 29, 2000 and effective as of September 1, 2000, new construction projects, expansion, or reconstruction projects that discharge pollutants into the air shall be subject to state regulations on environmental protection of construction projects. Enterprises and institutions that discharge atmospheric pollutants shall report their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions to the local concerning prevention and control of atmospheric pollution to such department.

The PRC government implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants discharged, and establishes reasonable standards for collecting the fees hereinbefore according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

4. Law of the PRC on the Prevention and Control of Pollution From Environmental Noise

In accordance with the Law of the PRC on Prevention and Control of Environmental Pollution by Noise effective as of March 1, 1997, new construction project, expansion, or reconstruction project

shall be subject to the state regulations on environmental protection of construction projects. If noise pollutions are generated due to the use of fixed facilities during industrial production, the industrial enterprise shall report to the competent local administrative department of environmental protection at or above the county level about the categories and quantities of noise discharging facilities, the noise volume of noise discharged under normal operation conditions and the conditions of the facilities that prevent and control noise pollution. Meanwhile, the enterprise shall submit to the same department their technical information concerning prevention and control of noise pollution. Industrial enterprises which discharge noise shall take treatment measures and pay a fee for excess discharge according to State regulations.

5. Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste

Under the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste amended on December 29, 2004 and effective as of April 1, 2005, producers, distributors, importers and users of a product shall be responsible for the prevention and control of the solid wastes it generates or discharges since April 1, 2005.

PRC LABOR LAWS AND REGULATIONS

In accordance with the Labor Law of the PRC 《中華人民共和國勞動法》 promulgated on July 5, 1994 and effective as of January 1, 1995, enterprises and institutions shall establish and perfect their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with State-fixed standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labor protection.

Effective as of January 1, 2008, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the employees under the Labor Contract Law of the PRC (the “Labor Contract Law”) 《中華人民共和國勞動合同法》. Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely.

The PRC Law for Promotion of Employment 《中華人民共和國就業促進法》, promulgated by NPC Standing Committee on August 30, 2007 and effective as of January 1, 2008, provides that no employee can be discriminated in employment by reason of ethnic group, race, gender, or religious belief. The employer should neither refuse, nor request higher conditions for, the employment of any woman, merely because of such gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labor contract. The employer should not refuse the employment of anybody just because of such person being an infection pathogen carrier, unless otherwise stated by laws and regulations. Additionally, enterprises should allocate the employee education fund intended for occupational training and further education of employees, violation of which may result in punishment imposed by the labor administration.

SOCIAL INSURANCE REGULATIONS

Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees 《社會保險費徵繳暫行條例》 promulgated and implemented on January 22, 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees 《企業職工生育保險試行辦法》 promulgated on December 14, 1994 and implemented on January 1, 1995 by former Ministry of Labor, the Regulation Concerning the Administration of Housing Fund 《住房公積金管理條例》 promulgated and implemented on April 3, 1999 and amended on March 24, 2002 by the State Council, the Regulation on Occupational Injury Insurance 《工傷保險條例》 promulgated on April 27, 2003 by the State Council and implemented on January 1, 2004, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational insurance fund, maternity insurance fund and housing provident fund for the employees.

PRODUCTION SAFETY LAWS

Under the PRC Production Safety Law (the “Production Safety Law”) 《中華人民共和國安全生產法》, enterprises and institutions shall be equipped with the measures for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards since November 1, 2002. Further, any entity that is not equipped with the measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employees thereof regarding production safety.

The designing, manufacturing, installation, using, checking, maintenance, repairing, reforming and disposal of safety equipments shall be in conformity with the national standards or industrial standards. In addition, enterprises and institutions shall provide labor protective equipments and articles that reach the national standards or industrial standards to the employees thereof, supervise and educate them to use these equipments and articles according to the prescribed rules.

PRC INCOME TAX LAW AND REGULATIONS

In accordance with the Enterprise Income Tax (“EIT”) Law of the PRC 《中華人民共和國企業所得稅法》 enacted on March 16, 2007 and the Implementation Regulations of Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法實施條例》 enacted on December 6, 2007 (collectively the “Income Tax Law”), which both took effect on January 1, 2008, the EIT for both domestic and foreign-invested enterprises are unified at 25%. For those enterprises established before March 16, 2007 and entitled to preferential income tax treatments by tax related laws and administrative regulations, the Income Tax Law provides for a five-year transitional period, during which the applicable EIT rate shall be converted to the unified rate at 25% gradually.

According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy 《國務院關於實施企業所得稅過渡優惠政策的通知》 issued on December 26, 2007 and took effect on January 1, 2008, enterprises that enjoy “2-year exemption and 3-year half payment”, “5-year exemption and 5-year half payment” of the enterprise income tax and other preferential treatments in the form of periodic tax deductions and exemptions in the past may, after the Income Tax Law took effect on January 1, 2008, continue to enjoy the relevant preferential treatments under the preferential measures and the time period set out in the previous tax law, administrative regulations and relevant documents until the expiration of the said time period.

However, the preferential time period applicable to an enterprise shall start to run from 2008 if such enterprise has not enjoyed the preferential treatments yet because of its failure to make profits. In addition, enterprises which were entitled to a preferential income tax at the rate of 15% will gradually be levied on the unified 25% tax within five years commencing on January 1, 2008. The transitional tax rates applied to the enterprises entitled to the 15% preferential rate are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012. Enterprises which previously enjoyed the 24% preferential tax rate are imposed with the unified 25% tax rate from January 1, 2008. Further, the tax preferential treatments applied to enterprises within the designated great western development region in the PRC of western area will continue to be applied.

Under the Income Tax Law, income such as dividends, rental, interest and royalty from the PRC derived by a Non-Resident enterprise which has no establishment in the PRC or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to FIEs and their investors.

Pursuant to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 effective on January 1, 2007, the withholding tax rate for dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is 5%, if the Hong Kong enterprise owns at least 25% of the PRC enterprise. In accordance with the Notice of the State Administration of Taxation on issues relating to the administration of the dividend provision in tax treaties promulgated on February 20, 2009 《國家稅務總局關於執行稅收協定股息條款有關問題的通知》, the corporate recipients of dividends distributed by Chinese enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Under the Foreign Currency Administration Rules 《中華人民共和國外匯管理條例》 promulgated by the State Council in 1997 and amended in 1998 and various regulations issued by the SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires prior approval from SAFE or its local office. Payments for transactions that take place within the PRC may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Unless otherwise approved, domestic enterprises must convert all of their foreign currency proceeds into Renminbi.

FOREIGN INVESTMENT INDUSTRIAL GUIDANCE

Pursuant to applicable PRC regulations on Foreign-invested enterprise (“FIEs”), capital contributions from a foreign holding company to its PRC subsidiaries, which are considered FIEs, may only be made when the approval by the Ministry of Commerce or its local counterpart is obtained. In

approving such capital contributions, the Ministry of Commerce or its local counterpart examines the business scope of each FIE under review to ensure it complies with the Foreign Investment Industrial Guidance Catalog, which classifies industries in China into four categories: “encouraged foreign investment industries,” “restricted foreign investment industries,” “prohibited foreign investment industries” and “permitted foreign investment industries.”

According to the “Guideline Catalog of Foreign Investment Industries” promulgated on November 30, 2004, by the State Development and Reform Commission and the Ministry of Commerce, revised on November 7, 2007 and enforced on December 1, 2007, investments and operation in the area of footwear are classified as permitted foreign investment projects.

REGULATIONS RELATING TO DIVIDENDS DISTRIBUTION

The principal regulations governing dividend distributions by foreign invested enterprises includes: The PRC Company Law 《中華人民共和國公司法》; The PRC Chinese Foreign Equity Joint Ventures Law 《中華人民共和國中外合資經營企業法》; The PRC Chinese Foreign Equity Joint Ventures Law Implementation Regulations 《中華人民共和國中外合資經營企業法實施條例》; The PRC Wholly Foreign Owned Enterprise Law 《中華人民共和國外資企業法》; The Wholly Foreign Owned Enterprise Law Implementing Rules 《中華人民共和國外資企業法實施細則》.

Under these law and regulations, Foreign-invested enterprise such as Chinese Foreign equity joint ventures and wholly foreign owned enterprises (“FIEs”) in the PRC may pay dividends only out of their retained earnings, if any, subject to the PRC accounting standards and regulations. In addition, a FIE is required, as other enterprises subject to PRC laws, to set aside at least 10% of its after tax profits each year, if any, to fund statutory reserve funds until the cumulative amount of such funds reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

PRC TRADEMARK LAW

In accordance with the Trademark Law of the PRC 《中華人民共和國商標法》 promulgated on August 23 1982, amended as of February 22, 1993 and October 27, 2001, the period of validity of a registered trademark shall be ten years since the date of approval of the registration. The administrative authority for industry and commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark upon the Trademark Law and relevant regulations Where the case is so serious that it may constitute a crime, in addition to compensating for the losses suffered by the infringed, the infringer shall be investigated into for the criminal responsibilities according to law.

- Any of the following acts shall be an infringement against the right to exclusive use of a registered trademark;
- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;

- forging, manufacturing without authorization the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorization;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above mentioned acts which infringe against the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

REGULATIONS RELATING TO ON-LINE SALES

The principal regulations governing on-lined sales conducted by foreign invested enterprise are the Telecommunication Regulations of the PRC 《中華人民共和國電信條例》, the Notice of the General Office of the Ministry of Commerce on the Relevant Issues concerning the Examination, Approval and Administration of Projects of Foreign Investment in Internet and Vending Machine Sales 《商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知》, the Interim Measures for the Trading of Commodities and Services through the Internet 《網絡商品交易及有關服務行為管理暫行辦法》, the Law of the PRC on Product Quality and the PRC on Consumer Rights and Interests.

Under these laws and regulations, either a foreign invested manufacturing enterprise or a foreign invested commercial enterprise may engage in online sales business subject to approvals registrations and filings upon the laws. To establish such foreign invested manufacturing enterprise, the investor(s) of the enterprise shall, as any other foreign invested enterprises shall, first obtain the approval from local foreign investment authority (MOFCOM or its relevant local branch) and register with the competent Administration of Industry and Commerce. In order to sell its products on its own website(s), the duly incorporated foreign invested enterprise then need to make filing with the relevant provincial telecommunication administrative authority. With the above-mentioned approval, registration and filing, the foreign invested enterprise can, of its own accord, operate online sales business of its products through its own website(s). The operator of online store which are companies shall display at the relevant webpage of its online store the information as indicated in its business license or the electronic link to its business license. Also, the operators of online stores shall comply with the Law of the PRC on Product Quality, the Law of the PRC on Protection of Consumer Rights and Interests and other laws and regulations, and shall not harm the legitimate interests of consumers. Further, the operators of online stores shall neither infringe the registered trademark, trade name, commercial secrets, nor damage the goodwill or reputation of any third party.

Saved as disclosed above and in this section, our business and operations in the PRC are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in the PRC.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the members and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the powers of the Company and the objects for which the Company was formed, including acting as a holding and investment company. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association of the Company empowers it to purchase its own shares and this power is exercisable by the Board of Directors (“the Board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws of the Company were adopted on August 26, 2011 and effective on the Listing Date. The following is a summary of certain provisions of the Bye-laws.

a. Shares**(i) Classes of Shares**

The share capital of the Company consists of ordinary shares.

(ii) Share Certificates

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, which for this purpose may be a securities seal. In relation to the use of the securities seal for sealing certificates for shares or other securities of the Company, no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such securities seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid.

The Company shall not be bound to register more than four persons as joint holders of any share.

b. Directors**(i) Power to allot and issue shares**

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so

authorized by the Memorandum of Association of the Company, at the option of the holder. The Board may, subject to the approval of the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine.

The Board may, subject to the approval by the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act and the Bye-laws, and to the permission of the Bermuda Monetary Authority being obtained, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarized in section 4(n) of this Appendix.

(v) Financial assistance to acquire shares of the Company

(aa) Subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with an employees' share scheme approved by the members in general meeting provide money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in the Company or its holding company. An employees' share scheme is a scheme for encouraging or facilitating the holding of

shares or debentures in the Company by or for the benefit of the bona fide employees or former employees (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) of the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one of such employees or former employees;

- (bb) Subject, where applicable, to the rules of any relevant stock exchange, the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company may make loans to persons (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership; and
- (cc) The conditions subject to which money and loans are provided may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company or such other company on such terms as the Board thinks fit.

- (vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. A Director of the Company may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the

fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

Save as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his associates has a material interest, and if he does so his vote shall not be counted, but this prohibition will not apply to any of the following matters namely:-

- (aa) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company and any of its subsidiaries;
- (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility or guaranteed or secured in whole or in part whether solely or jointly;
- (cc) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or Executive or member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares of any class of shares of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his associate(s) and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s), as such any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- (gg) any proposal or arrangement concerning the adoption, modification or operation of any employee's share scheme involving the issue or grant of options over shares or

other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit.

(vii) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors. The Board may grant special remuneration to any Director, who being called upon, performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension (and/or gratuity) and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest one-third) will retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office at least seven days before the date of the general meeting.

Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) Borrowing powers

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

c. Alterations to constitutional documents

The Memorandum of Association of the Company may, with the consent of the Minister of Finance of Bermuda (the “Minister”) (if required), be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

d. Alterations of capital

The Company may from time to time by ordinary resolution:-

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company’s benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency denomination of its share capital; and
- (vii) subject to applicable regulatory requirements, make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorized and subject to any conditions prescribed by law.

e. Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorized corporate representative may demand a poll.

f. Special resolutions—majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such members as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorized corporate representative or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

g. Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorized corporate representative or by proxy shall have one vote and on a poll, every member present in person or by a duly authorized corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy or by a duly authorized corporate representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by a duly authorized corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by a duly authorized corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

h. Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

i. Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Companies Act shall also be kept at the registered office. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorized by the Board or by the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

j. Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution must be called by twenty-one days' notice in writing at least and any other special general meeting shall be called by at least fourteen days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document to be given to or by any person pursuant to these Bye-laws may be served on or delivered to any shareholder of the Company either personally or by sending it through

the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the register or by leaving it at that address addressed to the shareholder or by any other means authorized in writing by the shareholder concerned or (other than share certificates) by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating generally in the Hong Kong. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the applicable laws of Bermuda and any rules prescribed by The Stock Exchange of Hong Kong Limited from time to time, a notice or document may be served or delivered by the Company to any shareholder by electronic means to such address as may from time to time be authorized by the shareholder concerned or by publishing it on a computer network and notifying the shareholder concerned, in such manner as he may from time to time authorize, that it has been so published.

k. Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or in any other form acceptable to the Board and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve and it may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favor of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognize any instrument of transfer unless a fee of such sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favor of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the

transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one or more newspapers circulating in Hong Kong, be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days in any year.

Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

l. Power for the Company to purchase its own shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

m. Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of the Company by a subsidiary.

n. Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

o. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Votes, whether on a show of hands or on a poll may be given either personally or by a duly authorized corporate representative or by proxy. A member holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

The instrument appointing a proxy, shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Where that member is a recognized clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any members' general meeting or any meeting of any class of members provided that if more than one proxy or corporate representative is so appointed, the

appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual member of the Company including the right to vote individually on a show of hands. The number of persons a clearing house may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by the clearing house (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.

In addition, a proxy or proxies representing either an individual member or a member which is a corporation, shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise including the right to vote individually on a show of hands.

p. Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the

Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

q. Inspection of register of members

There are no provisions in the Bye-laws relating to inspection of the register of members.

r. Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or by a duly authorized corporate representative or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy or by a duly authorized corporate representative one-third in nominal value of the issued shares of that class.

s. Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarized in paragraph 4(o) of this Appendix.

t. Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily must be a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or consists of properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. Under the Companies Act the liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. Under the Companies Act, the liquidator may, with like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

u. Stock

The Company may by ordinary resolution convert any fully paid up shares into stock, and may from time to time by like resolution reconvert any stock into fully paid up shares of any denominations.

The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words “share” and “member” therein shall include “stock” and “stockholder”.

v. Untraceable members

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:-

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorized by the Bye-Laws of the Company have remained uncashed;
- (ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;
- (iii) the Company has caused an advertisement to be inserted in the newspapers of its intention to sell such shares and a period of three months has elapsed since the date of such advertisement; and
- (iv) the Company has notified the Stock Exchange of its intention to effect such sale.

w. Other provisions

The Bye-laws provide that, subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

Note: The Companies Act prevents a company from giving financial assistance in the subscription of its shares (subject to certain exceptions). A subscription right reserve may only be created and used for the above purpose if an exception applies.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association of the Company may be altered by the Company in general meeting and if the Company intends to carry on any “restricted business activity” for the purposes of the Companies Act, the prior consent of the Minister will also be required. The Bye-laws may be amended by the Board subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter provisions of the Memorandum of Association, to

approve any amendment of the Bye-laws or to change the name of the Company. For these purposes a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast of such members of the Company as, being entitled so to do, vote in person or, by a duly authorized corporate representative or, where permitted, by proxy at a general meeting of which not less than 21 days' notice specifying the intention to propose the resolution as a special resolution has been duly given. The requirement of 21 days' notice may be waived (a) in the case of a special general meeting, by a majority number of the members having the right to attend and vote at the relevant meeting, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right; and (b) in the case of an annual general meeting, if it is so agreed by all members entitled to attend and vote thereat.

4. BERMUDIAN PROVISIONS

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognized in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. Incorporation

The Company was incorporated by registration pursuant to the provisions of the Companies Act on May 1, 2002. The Company was brought into existence by depositing the Memorandum of Association with the Registrar of Companies in Bermuda (the "Registrar").

b. Constituent Documents

The business activities of the Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Association or included therein by reference shall not, unless otherwise stated, be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Association may be altered. It is required that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar. Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the Minister's consent if the Company carries on any "restricted business activity" within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company's administration and the relationship between its members and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The members of the Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become members of the Company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

c. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "Government Fee"), which is determined on a sliding scale by reference to a company's authorized share capital and share premium account, with the minimum fee being BD\$1,995 and the maximum fee being BD\$31,120 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorized share capital and share premium account as they stood on August 31 in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorized to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending March 28, 2016.

d. Stamp Duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on April 1, 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

e. Prospectus issues and public offers

The Companies Act regulates the issue of shares by way of public offer. It requires that, before or as soon as reasonably practicable after an offer of shares to the public (defined in the case of an exempted company as, inter alia, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), the Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying: (i) that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by the Company; or (ii) that an appointed stock exchange or a competent regulatory authority has received or otherwise accepted the prospectus as a basis for offering shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:-

Appointed Stock Exchanges

The Alberta Stock Exchange

Australian Stock Exchange Ltd.

The Bermuda Stock Exchange

The Bolsa de Madrid

Boston Stock Exchange, Inc.

Bourse de Montreal

Bursa Malaysia Securities Berhad

Canadian Dealing Network

Canadian Venture Exchange

The Commission de Surveillance du Secteur Financier

The Euro MTF Market

The Euronext Exchange

European Association of Security Dealers Automated Quotation S.A. (EASDAQ)

Frankfurt Stock Exchange

The Irish Stock Exchange

JASDAQ Market

The Johannesburg Stock Exchange

NASDAQ Dubai

London Stock Exchange

London Stock Exchange—Alternative Investment Market (AIM)

The Nasdaq Stock Market, Inc.

New York Stock Exchange, Inc.

New Zealand Stock Exchange

Nya Marknaden
NYSE Euronext
Oslo BØrs
Paris Bourse
PLUS Markets
Sao Paulo Stock Exchange
Shanghai Stock Exchange
Singapore Exchange Securities Trading Limited
Societe de la Bourse de Luxembourg S.A.
Specialist Fund Market
The Stock Exchange of Hong Kong Ltd.
Stockholm Stock Exchange
Swiss Exchange
Taiwan Stock Exchange
Tel Aviv Stock Exchange
Tokyo Stock Exchange
The Toronto Stock Exchange
The TSX Venture Exchange
Vancouver Stock Exchange
Viennese Stock Exchange

Competent Regulatory Authorities

Australian Securities and Investments Commission
Austrian Federal Ministry of Finance
Bermuda Monetary Authority
The Commission de Surveillance du Secteur Financier
Dubai Financial Services Authority
Financial Services Authority
Hong Kong Securities and Futures Commission
Japanese Financial Services Agency and its delegate, the Kanto Local Finance
Bureau of the Ministry of Finance of Japan
Luxembourg Commissariat aux Bourses
The Monetary Authority of Singapore
Ontario Securities Commission
Securities and Exchange Commission of Brazil
Securities Commission, Malaysia
Swiss Exchange
United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:-

- (i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
- (ii) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;
- (iii) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;
- (iv) working capital; and
- (v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each member of the company.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

f. Exchange Control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (“BMA”). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Pursuant to Part I paragraph 1 of the public notice issued by the Bermuda Monetary Authority on June 1, 2005 (the “BMA Notice”), where any equity securities of a Bermuda company are listed on an Appointed Stock Exchange (as defined in the BMA Notice which includes The Stock Exchange of Hong Kong Limited), general permission is given for the issue and subsequent transfer of any securities of the company from and/or to a non-resident of Bermuda, for as long as any equity securities of the company remain so listed.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

g. Share Capital

The Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company's shares in specific circumstances.

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognized under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

h. Alteration of Share Capital

A company may if authorized by a general meeting of the members of the company and by its bye-laws, alter the conditions of its memorandum of association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorized by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Companies Act provides that the Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Companies Act prohibits bearer shares.

i. Purchase by the Company of its own shares

The Companies Act permits the Company, if authorized to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorized by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see “Dividends” below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company’s share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorized by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act provides that no purchase by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company’s issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company’s authorized share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorizing any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

j. Transfer of Securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister ie. through the mechanism required or permitted by an appointed stock exchange.

k. Dividends and Distributions

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realizable value of the company’s assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

l. Charges on the Assets of the Company

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Companies Act also makes provision for the registration of a series of debentures.

m. Management and Administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than two directors duly elected by the members.

The Companies Act requires that a Bermuda company maintains either:

- (a) a minimum of one director, other than an alternate director, who is ordinarily resident in Bermuda; or
- (b) a secretary that is (i) an individual who is ordinarily resident in Bermuda; or (ii) a company which is ordinarily resident in Bermuda; or
- (c) a resident representative that is (i) an individual who is ordinarily resident in Bermuda; or (ii) a company which is ordinarily resident in Bermuda.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

n. Loans to Directors

The Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorized it will be jointly and severally liable for any loss arising.

o. The Investigation of the Affairs of a Company and the Protection of Minorities

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of members in respect of shares.

p. Inspection of Corporate Records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorized capital.

The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

q. Restrictions on the Activities of Exempted Companies

Unless specifically authorized by its memorandum of association, an exempted company shall not be permitted to:-

- (i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;
- (ii) acquire or hold land that is designated as tourist accommodation or a hotel residence by regulations made under section 102D(1)(ba) of the Bermuda Immigration and Protection Act 1956 subject to certain exceptions;
- (iii) take any mortgage of land in Bermuda (subject to certain exceptions); and
- (iv) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an "exempted company". Accordingly the Company is authorized to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as "non resident" for exchange control purposes and is authorized to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

r. Accounting and Auditing Requirements under the Companies Act

The Companies Act requires that a company shall cause to be kept proper records of account with respect to:

- (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;
- (ii) all sales and purchases of goods by the company; and
- (iii) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that, these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period (or each six month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD\$500.00 (approximately equivalent in value to US\$500.00), for the time being.

s. Auditing Requirements

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:

- (i) financial statements for the period, which shall include:
 - (aa) a statement of the results of operations for such period;
 - (bb) a statement of retained earnings or deficits;
 - (cc) a balance sheet at the end of such period;
 - (dd) a statement of changes in the financial position for the period;
 - (ee) notes to the financial statements;
 - (ff) such further information as required by the Companies Act and the company's memorandum of association and its bye-laws;
- (ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and

- (iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Bermuda Act also provides that companies listed on an appointed stock exchange may send summarized financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarized financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarized financial statements must be derived from the company's financial statements and shall include:

- (a) a summarized report of the unabridged financial statements;
- (b) such further information extracted from the financial statements as the board of directors considers appropriate; and
- (c) a statement that it is only a summarized version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

t. Continuation and Discontinuation of Companies

- (i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and
- (ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

u. Winding-Up and Liquidation Provisions of Bermuda Legislation

(i) Introduction:

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

- (aa) Voluntary winding-up which commences with the members' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members' voluntary winding-up and a creditors' voluntary winding-up; and
- (bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) Voluntary Winding-Up:

- (aa) **Members' Voluntary Winding-up**—A members' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held.

Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

- (bb) Creditors' Voluntary Winding-up—A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's members and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

- (iii) Compulsory Winding-Up:

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

- (aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;
- (bb) that the company is unable to pay its debts;
- (cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver—a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

v. General

Appleby, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarizing aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents Available for Inspection" of Appendix VIII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on April 26, 2002. Our Company has established a principal place of business in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on June 16, 2011. Ms. Mok Ming Wai has been appointed as the authorized representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in Bermuda, it operates subject to the Companies Act and its constitution which comprises the Memorandum of Association and Bye-laws. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Act is set out in Appendix VI to this prospectus.

2. Change in Share Capital of Our Company

As at the date of incorporation, the authorized share capital of our Company was US\$12,000 divided into 12,000 ordinary shares of US\$1.00 each, all of which were allotted and issued at nil paid to Mr. Chen Yixi.

Pursuant to the written resolutions of the Shareholders passed on August 15, 2002, the authorized share capital of our Company was increased from US\$12,000 divided into 12,000 ordinary shares of US\$1.00 each to US\$5,076,000 divided into 4,288,000 ordinary shares of US\$1.00 each and 788,000 RCPS.

Pursuant to an investment agreement dated August 7, 2002, the Former Investors subscribed for 788,000 RCPS for a total consideration of US\$3,000,000. On August 15, 2002, Mr. Chen Yixi, Mr. Li Wei, Mr. Miao Bingwen, Invest Vision Holdings Limited and Reward Group Limited respectively subscribed for 1,944,320, 584,026, 530,854, 257,280 and 171,520 ordinary shares of US\$1.00 each in the share capital of our Company at par value. On the same date, the US\$12,000 nil paid ordinary shares of US\$1.00 each were credited as fully paid-up pursuant to the payment of US\$12,000 by Mr. Chen Yixi to our Company. On April 30, 2003, the Former Investors exercised their option to convert the 788,000 RCPS into 788,000 ordinary shares of US\$1.00 each.

Pursuant to the written resolutions of the Shareholders passed on April 30, 2003, the Shareholders approved, inter alia, the following:

- (a) the reclassification of the 788,000 RCPS to 788,000 ordinary shares of US\$1.00 each in the authorized share capital of our Company;
- (b) the increase in the authorized share capital of our Company from US\$5,076,000 divided into 5,076,000 ordinary shares of US\$1.00 each to US\$12,000,000 divided into 12,000,000 ordinary shares of US\$1.00 each;

- (c) the issue and allotment of 23 new ordinary shares of US\$1.00 each in the share capital of our Company at par value to the following allottees:

<u>Name of allottees</u>	<u>Number of ordinary shares of US\$1.00 each</u>
Chen Yixi	1
Li Wei	2
Miao Bingwen	2
Reward Group Limited	2
Li Hung	2
Lee Thiam Seng	2
Tam Yuk Ching	1
Chow Kok Kee	2
Lim Chye Huat	2
Ng Kam Ming	2
Chew Leong Chee	2
Gerald Yeo	2
Dolly Chen Wen Shiang	<u>1</u>
Total	<u>23</u>

- (d) the consolidation of every 3 ordinary shares of US\$1.00 each in the authorized and issued share capital of our Company into 1 ordinary share of US\$3.00 each (the “Share Consolidation”); and
- (e) the sub-division of every 1 ordinary share of US\$3.00 each in the authorized and issued share capital of our Company into 200 shares of US\$0.015 each (the “Stock Split”).

Immediately after the Share Consolidation and the Stock Split, the authorized share capital of our Company became US\$12,000,000 divided into 800,000,000 Shares of US\$0.015 each and the issued share capital was US\$4,288,023 comprising 285,868,200 Shares.

On June 5, 2003, the issued share capital of our Company was increased to US\$5,413,023 comprising 360,868,200 Shares upon the allotment and issue of a total of 75,000,000 Shares pursuant to the primary listing of our Company on the SGX-ST.

Pursuant to a placing agreement dated September 16, 2003, our Company completed a private placement of 36,000,000 new Shares at S\$0.257 per Share increasing our Company’s issued share capital to US\$5,953,023 comprising 396,868,200 Shares.

Pursuant to a written resolution of the Shareholders passed on August 26, 2011 the authorized share capital of our Company was increased from US\$12,000,000 to US\$300,000,000 by the creation of an additional 19,200,000,000 Shares.

Immediately following completion of the Global Offering and the Capitalization Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$30,000,000 divided into 2,000,000,000 Shares, all fully paid or credited as fully paid and 18,000,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of all the Shareholders passed on August 26, 2011” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in Writing of All the Shareholders Passed on August 26, 2011

On August 26, 2011, resolutions in writing were passed by all the Shareholders, pursuant to which, among other things:

- (a) the authorized share capital of our Company was increased from US\$12,000,000 to US\$300,000,000 by the creation of an additional 19,200,000,000 Shares;
- (b) our Company approved and adopted its new Bye-laws;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and the Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the Over-allotment Option was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” in this Appendix, were approved and adopted and the Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and
 - (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, the Directors were authorized to capitalize an amount of US\$19,546,977 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,303,131,800 Shares, such Shares to be allotted and issued to the Shareholders whose names appearing on the register of members of our Company at the close of business on August 26, 2011 (or as such Shareholders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company.
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the

shareholders of our Company in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalization Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws of Bermuda to be held, or until revoked or varied or renewed by an ordinary resolution of the Shareholders at a general meeting of our Company, whichever occurs first;

- (e) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws of Bermuda to be held, or until revoked or varied or renewed by an ordinary resolution of the Shareholders at a general meeting of our Company, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate Reorganization

As part of the compulsory acquisition of all Shares by Info Giant subsequent to the Delisting, our Group became wholly-owned by Info Giant on May 5, 2010. In preparing for the Listing, our Group underwent the Reorganization, which involves the following principal steps:

- (a) disposal of Jiangsu Unity; and
- (b) acquisition of 54.81%, 23.54% and 21.65% shareholding interests in our Company by High Score, Media Value and Sure Manage, respectively.

Details of the Reorganization are set forth in the section headed “Reorganization” in this prospectus.

5. Changes in Share Capital of Subsidiaries of our Group

Our subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

On February 13, 2009, the registered capital of Nanjing Soft was increased from US\$5,000,000 to US\$10,000,000.

Other than set out in this paragraph and the section headed “History and Development” of this prospectus, there were no changes in the registered capital of our subsidiaries during the two years preceding the date of this prospectus.

6. Repurchase of Shares by Our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by the Shareholders on August 26, 2011, the Repurchase Mandate was granted to the Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of Bermuda or the Bye-laws to be held or when such mandate is revoked or varied or renewed by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws and the laws of Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and its Shareholders for the Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Bye-laws and the applicable laws of Bermuda.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Act, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Act, out of capital.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) General

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda. Our Company has not repurchased any Shares in the previous six months.

No connected person (as defined in the Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. The Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

B FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP**1. Summary of Material Contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated December 8, 2010 entered into between Nanjing Mayflower, Dongguan Mayflower and Hongguo Industry, pursuant to which Nanjing Mayflower and Dongguan Mayflower transferred 90% and 10% equity interests in Jiangsu Unity to Hongguo Industry, respectively, for a total consideration of RMB34,550,000;

- (b) a term facility agreement dated March 9, 2011 entered into between our Company and DBS Bank Ltd., Hong Kong Branch, pursuant to which DBS Bank Ltd., Hong Kong Branch agreed to make available to our Company the Hongguo Loan Facility;
- (c) an asset purchase agreement dated August 27, 2011 entered into between Dongguan B&H and Nanjing Mayflower, pursuant to which Nanjing Mayflower agreed to transfer the retail outlets in Shanghai to Dongguan B&H, including assignment of business contract and sale of equipment and inventory of these outlets;
- (d) a deed of amendment dated August 27, 2011 entered into between, amongst others, Dongguan B&H and Nanjing Mayflower, pursuant to which the parties thereto agreed to amend several terms and conditions of the joint venture deed dated June 15, 2007 entered into between Best Invent, Brown Shoe Asia and Hong Kong B&H, the master license agreement dated August 23, 2007 entered into between Dongguan B&H and Brown Shoe and the sub-license agreement dated August 23, 2007 entered into between Nanjing Mayflower, Dongguan B&H and Brown Shoe;
- (e) the cornerstone investment agreement dated September 2, 2011 entered into between our Company, the Joint Global Coordinators and Golden Eagle International Trading Limited as set out in the section headed “Cornerstone Investors” of this prospectus;
- (f) the cornerstone investment agreement dated September 5, 2011 entered into between our Company, the Joint Global Coordinators and Easeland Enterprises Limited as set out in the section headed “Cornerstone Investors” of this prospectus;
- (g) the deed of indemnity dated September 9, 2011 entered into between the Indemnifiers and our Company, pursuant to which the Indemnifiers agreed to give certain indemnities in favor of our Company subject to and in accordance with the terms and conditions set out therein; and
- (h) the Hong Kong Underwriting Agreement.












2. Intellectual Property Rights of our Group

(a) Trademarks

(i) As at the Latest Practicable Date, our Group had the following registered trademarks:

Trademark	Registered owner	Class	Registration Number	Effective Period	Place of Registration
	our Company	25	301824309	From January 31, 2011 to January 30, 2021	Hong Kong
	our Company	25	301824291	From January 31, 2011 to January 30, 2021	Hong Kong
	our Company	25	4928397	From May 14, 2009 to May 13, 2019	PRC
	our Company	25	4928401	From February 21, 2009 to February 20, 2019	PRC
	our Company	14	4928399	From June 14, 2009 to June 13, 2019	PRC
	our Company	18	4928399	From June 14, 2009 to June 13, 2019	PRC
	our Company	25	1399271	From May 21, 2010 to May 20, 2020	PRC
	our Company	25	3281654	From February 28, 2004 to February 27, 2014	PRC
	our Company	25	3281654	From February 28, 2004 to February 27, 2014	PRC
	our Company	18	3582531	From October 14, 2005 to October 13, 2015	PRC
	Nanjing Mayflower	25	7591587	From November 14, 2010 to November 13, 2020	PRC
	Nanjing Mayflower	25	7591604	From November 14, 2010 to November 13, 2020	PRC
	Nanjing Mayflower	25	7591572	From November 14, 2010 to November 13, 2020	PRC
	Nanjing Mayflower	14	7591621	From December 7, 2010 to December 6, 2020	PRC
	Nanjing Mayflower	14	7591615	From December 7, 2010 to December 6, 2020	PRC
	Nanjing Mayflower	25	1525157	From February 21, 2011 to February 20, 2021	PRC
	Nanjing Mayflower	18	3797593	From November 7, 2006 to November 6, 2016	PRC
	Nanjing Mayflower	18	4930342	From May 14, 2009 to May 13, 2019	PRC
	Nanjing Mayflower	25	3797592	From June 14, 2009 to June 13, 2019	PRC
	Nanjing Mayflower	25	5824822	From January 21, 2010 to January 20, 2020	PRC
	Nanjing Mayflower	25	3366780	From December 14, 2004 to December 13, 2014	PRC
	Nanjing Mayflower	25	3366780	From December 14, 2004 to December 13, 2014	PRC

- (ii) As at the Latest Practicable Date, our Group has applied for registration of the following trademarks:

<u>Trademark</u>	<u>Name of Applicant</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>	<u>Place of Application</u>
 太阳舞	Nanjing Mayflower	18	8746792	October 15, 2010	PRC
	Nanjing Mayflower	25	9317925	April 8, 2011	PRC
	Nanjing Mayflower	25	8747179	October 20, 2010	PRC
	Nanjing Mayflower	18	8261917	April 30, 2010	PRC
	Nanjing Mayflower	14	8746903	October 15, 2010	PRC
	Nanjing Mayflower	18	8746955	October 15, 2010	PRC
	Nanjing Mayflower	25	8752842	October 18, 2010	PRC
	Nanjing Mayflower	14	8746928	October 15, 2010	PRC
	Nanjing Mayflower	18	8746969	October 15, 2010	PRC
 EBLAN 伊伴 (note)	Nanjing Mayflower	18	8236180	April 23, 2010	PRC
 EBLAN 伊伴 (note)	Nanjing Mayflower	25	8182400	April 6, 2010	PRC

Note:

Pursuant to a trademark assignment agreement dated March 21, 2007 entered into by Mayflower Industry (Nanjing) Limited (美麗華實業(南京)有限公司) as assignor and Nanjing Mayflower as assignee and other relevant documents, these trademarks shall be transferred to Nanjing Mayflower. As advised by our PRC legal advisor, the assignment of these trademarks from Mayflower Industry (Nanjing) Limited to Nanjing Mayflower was completed on May 6, 2011.

(b) Domain names

As at the Latest Practicable Date, our Group is a registered proprietor of the following domain names:

<u>Domain name</u>	<u>Expiry Date</u>
c.banner.com	June 2, 2013
e-blan.com	January 31, 2014
fabiola.net.cn	September 14, 2011
sun-dance.com	June 17, 2012

C FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest—interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalization Issue without taking into account any Sale Share which may be sold upon exercise of the Over-allotment Option and any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and Stock Exchange, once the Shares are listed are as follows:

Interest in our Company

<u>Name of Director</u>	<u>Capacity/ Nature of Interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Chen Yixi ⁽²⁾	Interest in a controlled corporation	731,770,000 (L)	36.59%
Mr. Li Wei ⁽³⁾	Interest in a controlled corporation	400,180,000 (L)	20.01%
Mr. Miao Bingwen ⁽⁴⁾	Interest in a controlled corporation	368,050,000 (L)	18.40%

(1) The letter “L” denotes long position in the Shares.

(2) Mr. Chen Yixi is the beneficial owner of all the issued share capital of High Score which holds 731,770,000 Shares.

(3) Mr. Li Wei is the beneficial owner of all the issued share capital of Media Value which holds 400,180,000 Shares.

(4) Mr. Miao Bingwen is the beneficial owner of all the issued share capital of Sure Manage which holds 368,050,000 Shares.

(b) *Particulars of the Directors’ service contracts*

Each of the executive Directors has entered into a service contract with our Company for a term of one year commencing from August 26, 2011, which may be terminated by not less than three months’ notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set out in the Bye-laws.

Each of the executive Directors is entitled to a director’s fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. In addition, each of the executive Directors is also entitled to bonus representing a certain percentage of the audited consolidated net profit after taxation of our Group for the relevant year (the “Net

Profit”) or other amount as may be decided by our Board. The current annual director’s fees and remuneration of the executive Directors are as follows:

<u>Name of Directors</u>	<u>Approximate annual remuneration and bonus</u>
Chen Yixi	RMB315,238 per annum plus bonus representing 2% of the Net Profit
Li Wei	RMB655,108 per annum plus bonus representing 1% of the Net Profit
Zhao Wei	RMB601,894 per annum plus bonus representing 1% of the Net Profit
Huo Li	RMB525,434 per annum plus bonus representing 1% of the Net Profit
Xu Tingyu	RMB366,914 per annum plus bonus representing 1% of the Net Profit

The non-executive Director and the independent non-executive Directors have been appointed for a term of one year commencing on August 26, 2011. The non-executive Director is not entitled to any remuneration. Our Company intends to pay a director’s fee of HK\$200,000 per annum to each of the independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to our Directors for the year ending December 31, 2011 will be approximately RMB20 million.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering, without taking into account any Sale Share which may be sold upon exercise of the Over-allotment Option and any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the following persons (other than a Director or chief Executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Shareholder</u>	<u>Capacity/ Nature of Interest</u>	<u>Number of Shares (Note 1)</u>	<u>Approximate percentage of shareholding in our Company</u>
High Score	Beneficial owner	731,770,000 (L)	36.59%
Media Value	Beneficial owner	400,180,000 (L)	20.01%
Sure Manage	Beneficial owner	368,050,000 (L)	18.40%

(1) The letter “L” denotes long position in the Shares.

3. Agency Fees or Commissions Received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief Executives of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;
- (b) none of our Directors or experts referred to under the section headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, none of our Directors are aware of any person (not being a Director or chief Executive of our Company) who will, immediately following completion of the Global Offering and the Capitalization Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and
- (h) none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group.

D OTHER INFORMATION**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of the Shareholders of our Company passed on August 26, 2011.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive and independent non-executive Directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers and agents and related entities who, in the sole opinion of our Board, will contribute as have contributed to our Group.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not

in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 200,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board

meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(g) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) *Rights are personal to grantee*

An option is personal to the grantee and shall not be transferable or assignable. An option may be exercised in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do.

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, his option to the extent not already exercised on the date of such cessation (which date shall be the last actual working day with our Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct or convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our Group; or that he has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or on any other ground as determined by our Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option will lapse and not be exercisable after the date of termination of his employment.

(m) Rights on takeover

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the

Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 200,000,000 Shares in total.

2. Estate Duty, Tax and Other Indemnities

The Indemnifiers have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (g) of the section headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the date on which the Global Offering becomes unconditional (the “Effective Date”).

The deed of indemnity also contain, amongst other things, indemnities given by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Company may be subject on or before the Effective Date which might be payable by any member of our Group.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

5. Preliminary Expenses

The preliminary expenses of our Company are estimated to be approximately US\$5,400 and are payable by our Company.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
Citigroup Global Markets Asia Limited	Licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities
DBS Asia Capital Limited	Licensed corporation under the SFO to engage in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
GFE Law Office	PRC legal advisers
Appleby	Bermuda attorneys-at-law
DTZ Debenham Tie Leung Limited	Property valuers

8. Consents of Experts

Each of the experts referred to in paragraph 7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Particular of the Selling Shareholder

<u>Name</u>	<u>Registered office</u>	<u>Place of incorporation</u>	<u>Number of Sale Shares (before any exercise of the Over-allotment Option)</u>
High Score	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI	BVI	200,000,000

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) our Group has no outstanding convertible debt securities or debentures;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (v) no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
 - (vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) none of the persons named in the paragraph headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since March 31, 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in Bermuda by Appleby Management (Bermuda) Ltd. and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in Bermuda.
- (f) no member of our Group is presently listed on any stock exchange or traded on any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waiver; and
- (h) all necessary arrangement have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the Application Forms;
- (b) the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other Information” in Appendix VII to this prospectus;
- (c) a copy of each of the material contracts referred to in the paragraph headed “Summary of material contracts” under the section headed “Further Information about the Business of the Group” in Appendix VII to this prospectus; and
- (d) the statement of adjustments in relation to the Accountants’ Report set out in Appendix I to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Bye-laws;
- (b) the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus, together with the related statement of adjustments;
- (c) the audited financial statements of the subsidiaries of the Group for each of the three financial years ended December 31, 2010;
- (d) the letter prepared by Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of valuation and valuation certificates relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix IV to this prospectus;
- (g) the letter prepared by Appleby summarizing certain aspects of the Bermuda company law referred to in Appendix VI to this prospectus;
- (h) the Companies Act;
- (i) the material contracts referred to in the paragraph entitled “Summary of material contracts” under the section headed “Further Information about the Business of the Group” in Appendix VII to this prospectus;
- (j) the written consents referred to in the paragraph headed “Consents of experts” under the section entitled “Other Information” in Appendix VII to this prospectus;
- (k) the service contracts referred to in the paragraph headed “Particulars of the Directors’ service contracts” under the section entitled “Further Information about our Directors and Substantial Shareholders” in Appendix VII to this prospectus;

- (l) the PRC legal opinion issued by GFE Law Office; and
- (m) the rules of the Share Option Scheme.



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