OVERVIEW

We are a major, established manufacturer and seller of footwear and a well-known seller of business casual menswear in China. According to the Frost & Sullivan Report, we were the third largest manufacturer of branded business casual footwear products and the sixth largest manufacturer of branded men's and women's footwear products in the PRC in terms of retail revenue for the year ended 31 December 2012, with a market share of 4.1% and 2.3%, respectively. According to Frost & Sullivan, the overall PRC footwear market consists of men's and women's footwear, sports shoes, and children's shoes. Our main business sector, men's and women's footwear, can be further categorised into formal footwear, business casual footwear and sports casual footwear. Approximately 14.5%, 8.9% and 7.5% of the retail revenue of the overall PRC footwear market was attributable to the branded business casual footwear segment, formal footwear segment and sports casual footwear segment for the year ended 31 December 2012, according to Frost & Sullivan.

We primarily manufacture and sell our products under our well-known Fuguiniao brand. The strength of our brand is a key factor in our business and we have received numerous awards recognising our products and the brands under which they are sold. From 1998 to 2012, our leather footwear products were named the "China Leather Shoes King" (中國真皮鞋王) or "China Leading Leather Shoes King" (中國真皮領先鞋王) four times by the China Leather Industry Association. Our Fuguiniao brand was recognised as a "China Well-known Trademark" (中國馳名商標) as early as January 1999. In 2002 and 2005, our Fuguiniao branded footwear was recognised as a "China Top Brand Product" (中國名牌產品) by AQSIQ. In 2006, our Fuguiniao brand was named as one of "The Most Competitive Brands" (最具市場競爭力品牌) by MOFCOM. In each of 2001, 2004 and 2007, our Fuguiniao branded footwear was awarded with the "Certificate for Products Exempt from Quality Supervision Inspection" (產品質量免檢證書) by AQSIQ.

We offer a diversified product portfolio, which we believe positions us well in the PRC footwear and apparel markets. The history of our footwear business under the Fuguiniao brand can be traced back to 1991 when the brand was launched by our Founders. We began to produce men's leather footwear in 1995 and expanded our product line to include women's footwear in 1997. Currently, we offer a wide range of men's and women's footwear products under our Fuguiniao, FGN and AnyWalk brands. Leveraging the well-established Fuguiniao brand for footwear products, we have also successfully diversified into other related product lines under our Fuguiniao brand, including a wide range of business casual menswear, such as suits, pants, jackets and shirts, and leather accessories, such as belts, bags, luggage and wallets.

We place great emphasis on offering comfortable and high quality footwear in a variety of styles that are in line with the latest fashion trends and customers' preferences. For each of our product segments and brands, we have a dedicated research, design and development team. As at 30 June 2013, our design and development teams comprised 307 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of over 15 years of design experience in the footwear and/or apparel industries. This strong research, design and development function provides us with the capacity to introduce into the market over 1,500 SKUs for our branded footwear products and approximately 300 SKUs for our menswear products each season. As at 30 June 2013, we have been granted 40 patents for footwear products including 38 utility model patents and two design patents.

Our products are primarily sold through an extensive sales and distribution network across the PRC. As at 30 June 2013, we had a sales and distribution network of 3,195 retail outlets across 31 provinces, autonomous regions and municipalities in China, of which

1,259 were owned and operated by our distributors, 1,702 were owned and operated by third-party retailers and the remaining 234 were operated directly by us. We sell a majority of our products on a wholesale basis to authorised distributors, who then subsequently sell our products to end customers through the retail outlets they operated or which are operated by third-party retailers with whom they contract. All of our distributors and the third-party retailers were Independent Third Parties as at the Latest Practicable Date. These retail outlets include department store outlets and stand-alone stores. As at 30 June 2013, we had 60 distributors across China. We have working relationships of ten years or more with 22 of these distributors. Sales to our distributors accounted for approximately 57.3%, 73.2%, 72.1%, 76.9% and 71.0% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

Along with this distribution business model, we sell our products directly through various channels, including proprietary retail outlets, large-scale institutional purchases and online sales. As at 30 June 2013, we operated 234 proprietary retail outlets. Sales through our proprietary outlets accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We also sell a small proportion of products through large-scale institutional purchases, which offer attractive margins as they cut out intermediary expenses. Sales through large-scale institutional purchases accounted for approximately 0.4%, 0.7%, 1.4% and 0.5% and 0.9% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. In addition, we began to sell products to customers via the Internet since 2011. Online sales accounted for 0.5%, 2.0% and 1.4% and 2.3% of our total turnover for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We believe these direct sales provide us with additional channels to access end customers that would not otherwise be covered by our distribution network.

While we sell a majority of our products under our own brands to domestic distributors, we also manufacture footwear products on an OEM or ODM basis, primarily for foreign footwear brands such as "BLONDO", "COVANI" and "CONNI". For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the turnover generated from our OEM/ODM business accounted for 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover.

For the six months ended 30 June 2013, we manufactured approximately 63.1% of our footwear products in terms of turnover at our own production facilities in Shishi City, Fujian Province and outsourced the rest of our footwear and all of our menswear and leather accessories production to third-party subcontractors. We believe this combination of in-house and outsourced production provides us with significant flexibility that enables us to meet market demand on a timely and cost-effective basis. Our quality control team monitors each stage of our production process to ensure high quality of our products, which is one of our top priorities. We also work closely with our third-party subcontractors to ensure that all of our outsourced products meet our quality standards.

We grew rapidly during the Track Record Period. Our turnover grew from RMB1,070.1 million in 2010 to RMB1,932.1 million in 2012, representing a CAGR of approximately 34.4%, and the number of retail outlets selling our products grew from 1,820 as at 31 December 2010 to 3,231 as at 31 December 2012, representing a CAGR of approximately 33.2%. Our turnover also grew from RMB903.1 million for the six months ended 30 June 2012 to RMB1,084.4 million for the six months ended 30 June 2013.

OUR COMPETITIVE STRENGTHS

Since the establishment of our Company, our primary goal has been to offer high quality, comfortable footwear and menswear products at competitive prices. We believe our success and potential future growth are attributable to the following principal competitive strengths:

Leading, long-established PRC business casual footwear brand

Our Fuguiniao brand is a leading, long-established business casual footwear brand in China. According to the Frost & Sullivan Report, we were the second largest manufacturer of men's branded business casual footwear and the third largest manufacturer of branded business casual footwear in China as measured by retail revenue in 2012.

We believe that the strength of our brands and reputation have been principal drivers of our continuing success, particularly in attracting and retaining customers and enhancing our financial performance. The Fuguiniao brand was launched in 1991. Our Fuguiniao trademark was recognised by the Trade Mark Bureau of SAIC as a "China Well-known Trademark" (中國馳名商標) as early as in January 1999. From 1998 to 2012, our leather footwear products were awarded the "China Leather Shoes King" (中國真皮鞋王) or "China Leading Leather Shoes King" (中國真皮領先鞋王) four times by China Leather Industry Association. In 2002 and 2005, our Fuguiniao branded footwear was awarded "China Top Brand Product" (中國名牌產品) by AQSIQ. In 2006, our Fuguiniao brand was named as one of "The Most Competitive Brands" (最具市場競爭力品牌) by MOFCOM. For further details of our brand recognition, please refer to the paragraph headed "Honors and Awards" in this section.

Leveraging the strength and brand recognition of our Fuguiniao brand for footwear products, we were able to broaden our product portfolio to include a wide range of business casual menswear, such as suits, pants, jackets and shirts, which we began to sell in 2011 and leather accessory products, such as belts, bags, luggage and wallets sold under our Fuguiniao brand. We believe our broad product portfolio distinguishes us from many of our competitors and positions us well in the PRC footwear and apparel markets. In addition to expanding our product portfolio, our experience in managing our Fuguiniao brand and our industry expertise allowed us to successfully launched two additional brands, "AnyWalk" and "FGN" in 2010 and 2012, respectively. Our FGN branded products target consumers aged from 25 to 40 and offer middle to high end men's and women's leather shoes while our AnyWalk branded products target fashion-conscious population aged from 16 to 35 and offer men's and women's fashion casual shoes. We believe offering multiple brands of products helps us attract a wider range of customers and increase our pricing flexibility.

Strong product design and development capabilities and superior product quality

We believe that our design and development team has a proven track record in applying new materials and technologies to our products, which allows us to offer high-quality, comfortable footwear and menswear that keep up with market trends.

The strength of our production and design function is reflected in the fact that we were invited to formulate the relevant industry standards, including the ISO/TC16181 Critical Substance Phthalate Existed in Footwear and Footwear Leather Standard, the QB/T1002-2005 Leather Footwear Standard, the QB/T2955-2008 Casual Footwear Standard and the GB/T22756-2008 Leather Sandal Standard.

We have a team of award-winning designers, with an average of 15 years of industry experience and know-how. Our designers have won several national prizes for footwear design, including first prize in the National Leather Footwear Design Grand Prix (全國皮鞋設計大獎賽), the grand prize in the China Leather Design Grand Prix (中國皮革設計大獎賽) and first prize in the China Leather Footwear Quality Evaluation (Men's footwear A class) (全國皮鞋質量評比男鞋A類). For further details, please see "– Research, Design and Development – Our Design and Development Team". Since 2012, we have cooperated with our suppliers to design and develop leather footwear with waterproofing, sun protection, anti-bacterial, deodorizing or other healthcare effects. As at 30 June 2013, we have been granted 40 patents for footwear products with 38 utility model patents and two design patents, which we believe have added value to our products and brought us higher profit margin.

We have dedicated design and development teams that focused on developing distinctive designs for each of our brands. In March 2012, we established a research center in Dongguan, Guangdong Province, focusing on research and design of products we manufacture for third parties. As at 30 June 2013, our design and development teams comprised 307 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of over 15 years of design experience in the footwear and apparel industries. Our design and development teams identify new fashion trends by visiting major fashion shows and exhibitions as well as by drawing inspiration from design and market trend information we purchase from international third-party research institutions on a quarterly basis. On average, our design and development team has a current design capacity of over 1,500 SKUs for our footwear products and over 300 SKUs for our menswear products per season.

We have a strong focus on the quality of our products, grounded in a strong understanding of the anatomical structure of human feet, we dedicate significant research on the material, mold and size of shoes to make sure the shoes we make match feet of the majority of the public in China, are durable and can be comfortably worn for multiple purposes. We also take measures to ensure such quality both for products produced at our own factories as well as those produced by our subcontractors. For the products we make in our own facilities, we apply quality control measures at each stage of the production process, from raw materials procurement to testing of finished products, to ensure that we provide quality products to consumers. For the products we outsource to subcontractors, we send five to seven inspectors to stay at the premises of each subcontractor and monitor the production process of the subcontractors from raw materials procurement to testing of finished products to ensure the quality of such products is of the same quality as the products produced by us. In 1994, 2005 and 2008, we obtained ISO9001:1994, ISO9001:2000 and ISO9001:2008 quality control certification for our footwear production processes, respectively. In addition, in 2001, 2004 and 2007, our Fuguiniao branded footwear was awarded with the "Certificate for Products Exempt from Quality Supervision Inspection" (產品質量免檢證書) by AQSIQ. Please refer to "Quality Control" under this section in the prospectus. The consistent high quality of our products is also demonstrated by the fact that we have been engaged in manufacturing footwear for a number of overseas brands on an OEM or ODM basis since 2000.

Diversified product portfolio

We have established a diversified product portfolio consisting of men's and women's footwear, business casual menswear and leather accessories marketed under our three brands, Fuguiniao, FGN and AnyWalk. Products under each brand target distinct segments of the consumer base based on demographics such as age, gender, job status and wealth. The retail outlets in our sales and distribution network are categorized into two types: footwear outlets and menswear outlets. In cases we or our distributors believe it will be advantageous, we, our distributors or third-party retailers will sell leather accessory products in footwear outlets and select footwear products in menswear outlets to maximize cross-selling opportunities, whereby sales of one type of products may result in the increased sales of other types of products. As part of our expansion plan, we intended to open three integrated stores by the end of 2015 in which we will sell all types of products we offer under each of our brands. As at the Latest Practicable Date, we had already opened an integrated store in Quanzhou, Fujian Province. See "– Our Business Strategies – Further strengthen and expand our sales and distribution network" and "– Sales and Distribution – Expansion Plan" in this prospectus for details.

We believe a diversified product portfolio marketed under the different brands allows us to target a wide customer base, increase our turnover, enhance our market competitiveness and reduce the risk of reliance on any one particular market or demographic group. For example, our turnover grew significantly from RMB1,070.1 million for the year ended 31 December 2010 to RMB1,932.1 million for the year ended 31 December 2012 due in part to our starting to sell business casual menswear products in May 2011. As a result, our reliance on footwear sales decreased during the Track Record Period as the turnover from the sales of our footwear products as a percentage of our total turnover decreased from 99.8% in the year ended 31 December 2010 to 80.7% in the six months ended 30 June 2013.

Extensive nationwide retail network in the PRC with diversified sales channels

We sell our branded products through an extensive sales network covering Tier 1 to Tier 4 cities in the PRC. We sell a substantial portion of our branded products to our distributors who subsequently sell our products to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. As at 30 June 2013, we had a total of 60 distributors in the PRC, all of whom were Independent Third Parties. We have working relationships of ten years or more with 22 of these distributors. These distributors, together with third-party retailers operated a wide distribution and retail network consisting of 2,961 retail outlets across 31 provinces, autonomous regions and municipalities in China as at 30 June 2013. We believe distributing products primarily through our distributors and third-party retailers is cost-effective and has allowed us to increase our market penetration within a short period of time. The total number of the retail outlets selling our products increased from 1,820 as at 31 December 2010 to 3,195 as at 30 June 2013. Our distributors and third-party retailers sell our branded products through retail outlets consisting of department store outlets and stand-alone stores. According to Frost & Sullivan, department stores were the largest retail revenue contributor in 2012 for footwear products in China. We are able to capitalise on our presence in department stores to attract a wider customer base. As at 30 June 2013, 65.9% of our footwear retail outlets were department store outlets.

In addition, we have expanded our sales network to other direct distribution channels, including 234 proprietary outlets as at 30 June 2013, large-scale institutional purchases and online sales. Our proprietary outlets, which are operated directly by us, are primarily located in Tier 1 and other major cities in China, where we believe that we consider vital to the enhancement of our brand image and the strategic growth of our business as a whole, that have the most competitive markets or where the distributors lack the capacity to explore the market. We also currently sell a small proportion of products through large-scale institutional purchases, from which we generate a higher profit margin than our traditional distribution network as the number and cost of intermediaries are reduced. From 2011, we started to sell certain products through third-party online shopping platforms, including, notably, *www.tmall.com*, through which we are able to access end customers that are not otherwise covered by our distribution network. Our sales through both large-scale institutional purchases and online sales have grown rapidly during the Track Record Period. We believe with greater demand for personalized products in the market and the development of e-commerce business in the PRC, sales through such direct sales channels have a great potential to increase in the future.

We believe that our access to such an extensive and established retail network and diversified direct sales channels has facilitated the rapid growth of our branded product business over the Track Record Period and will facilitate further expansion in the future.

Vertically integrated business model with flexible manufacturing operations

We have adopted a vertically integrated business model which allows us to monitor and manage our main business operations from product design, raw materials procurement, production and outsourcing, to marketing and promotion, and sales and distribution of our products. This model enables us to strengthen our control over all of the key stages of the manufacturing process. It also enhances the communication amongst our different departments at different stages of production, which allows us to more effectively and efficiently conduct our planning and operations. Our design and development department is able to take advantage of the up-to-date market information provided by the sales department to design products catering to market trends. Our procurement department will only place orders for raw materials to the extent they receive production plans from our production department which are determined based on actual purchase orders received from customers. Our production department is able to arrange production of additional batches of certain products as soon as they learn from the sales department which products seem to be the best sellers. This provides our Company with direct access to information of our end customers and the latest market trends and a greater ability to arrange raw material procurement to better control the cost, quality and delivery time of such raw materials. Under this vertically integrated business model, the delivery cycle from receiving orders on initial batches of seasonal products to delivering finished products to our customers is between approximately seven to 50 days for footwear products and approximately ten to 60 days for menswear products, depending on the availability of raw materials, while the replenishment cycle from receiving replenishment orders to delivering finished products is approximately 20 days, which we believe are competitive in the industry.

Our production operations are also set up to maximize flexibility and our ability to respond quickly and efficiently to changing market conditions. While most of the footwear products we manufacture are sold under our own brands, we also produce footwear for third-party brands on an OEM or ODM basis and also outsource the manufacture of a portion of our branded footwear products and all of our menswear and leather accessories to subcontractors. We have long-term relationships with both our OEM/ODM customers and our subcontractors but do not enter into long-term contracts with either of them. Therefore, we possess production flexibility that allows us to increase our production capacity quickly and also allows us to utilise any excessive production capacity to produce footwear products for OEM/ODM customers. Such flexibility is reflected in our changing sales mix. For example, footwear products we manufactured for third-party brands on an OEM or ODM basis represented 36.2% of our turnover of footwear products in the year ended 31 December 2010 but decreased to 25.7% in the year ended 31 December 2012 and further decreased to 18.8% in the six months ended 30 June 2013. Footwear products for which we outsourced production represented 22.8% of our turnover of all of our footwear products in the year ended 31 December 2010 but increased to 32.7% in the year ended 31 December 2012 and further increased to 36.9% in the six months ended 30 June 2013.

Experienced management team with proven track record

Our senior management team, including our executive Directors and senior managers, have extensive knowledge and strong operational expertise in the footwear and apparel industries. Mr. Lam Wo Ping, our chairman, has over 20 years of industry experience. He was recognised as a “National Township Entrepreneur” (全國鄉鎮企業家) by the PRC Ministry of Agriculture in 2001 and was elected as the honorary president of the third council of Shishi Textile and Apparel Associate (石獅市紡織服裝商會). In 2007, he was awarded “National Model Worker in Light Industry” (全國輕工行業勞動模範) by the PRC Ministry of Personnel. Mr. Lin was also elected as a member of the Eleventh Committee of the Chinese People’s Political Consultative Conference of Fujian Province in 2013 and was elected as the vice chairman of Fujian Chamber of Commerce in September 2012. In addition, Ms. Han Ying, our executive Director and vice general manager, has over 40 years’ experience in the footwear industry, Mr. Hong Huihuang, one of our executive Directors and vice general manager, has over 20 years of experience in the menswear industry, and Mr. Tong Jinlong, our vice general manager, has over 30 years of experience in the footwear industry. Our Directors believe that the experience in design, manufacturing, distribution and marketing of our senior management in the footwear and apparel industries has been essential for us to grow rapidly during the Track Record Period, and will be critical to our continued success and the implementation our key strategies in the future.

OUR BUSINESS STRATEGIES

We intend to capitalise on our existing strong brand recognition, enhance our design capabilities and expand our sales network to achieve sustainable sales growth and to maintain and strengthen our position as one of the leading branded footwear and menswear companies in the PRC. Specifically, we plan to pursue the following strategies to achieve our objectives:

Further strengthen and expand our sales and distribution network

We plan to expand our current retail network to further expand our geographical coverage and increase our market penetration in the PRC footwear and menswear markets by adding approximately 1,600 new retail outlets by the end of 2015. As part of this plan, we intend to work closely with our distributors and third-party retailers to help them open 1,200 to 1,300 new retail outlets. We plan to continue to support our distributors’ operation by providing guidance on store location selection, store display and decoration and training to our distributors and retail outlet sales employees to improve their customer service and product knowledge. In addition, we plan to enhance our cooperation with them by assisting them in retail outlets opening and providing on-site operational instructions. Specifically, we plan to provide display racks, lighting fixtures and marketing materials (such as posters and billboards) for the new retail outlets to be operated by our distributors. These display racks, lighting fixtures and marketing materials will be paid for by us and delivered to the new retail outlets. We will also pay for the installation of such display racks, lighting fixtures and marketing materials. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, we provided display racks, lighting fixtures and marketing materials for 392, 756, 839, 318 and 248 retail outlets, respectively, operate by

46, 56, 60, 52 and 44 distributors, respectively. The amount we spent for the purchases of such display racks, lighting fixtures and marketing materials for our distributors was RMB14.3 million, RMB29.7 million, RMB42.9 million and RMB18.1 million and RMB11.3 million for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. We recorded the cost of purchasing the display racks, lighting fixtures and marketing materials as a selling and distribution expense in our consolidated statement of profit or loss and other comprehensive income.

We also plan to increase the number of proprietary outlets we directly operate by an additional 300 to 400 outlets by 2015 in order to enhance our control over our distribution channel. As part of the 300 to 400 new proprietary outlets we plan to open and operate, we intend to selectively establish and operate 20 flagship stores and 65 footwear and menswear image stores in prime commercial locations in certain Tier 1, Tier 2 and Tier 3 cities in the PRC, for brand building purposes. Flagship stores are those that have a gross floor area of approximately 150 square meters per store and are located in prime commercial areas of Tier 1 and Tier 2 cities in the PRC. Image stores are those that have a gross floor area between 100 and 150 square meters per store for our footwear image stores and between 60 and 150 square meters per store for our menswear image stores that showcase our brands and corporate image. These flagship stores and image stores are intended to showcase our latest product offerings and to enhance our brand profile in the local markets. We also planned to establish three integrated stores each with a gross floor area of 600 to 1,000 square meters in Fuzhou, Quanzhou and Zhangzhou, Fujian Province, in which we will sell all types of our products under each of our brands. We plan to open more integrated stores if these initial stores are successful. We believe the integrated stores can bring economies of scale to our sales and help further enlarge our market share. As at the Latest Practicable Date, we had already opened one integrated store in Quanzhou. The rest of the new retail outlets to be opened pursuant to our expansion plan will be standard retail outlets. Standard retail outlets are those that have a gross floor area between 60 and 100 square meters per outlet. 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. 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. As at the Latest Practicable Date, we and our distributors and third-party retailers had already added 105 new retail outlets since 30 June 2013, bringing the total number of our retail outlets to 3,300.

We also plan to expand our direct sales to large-scale institutional purchasers by increasing the number of staff dedicated to facilitating such sales. This will allow us to conduct more market promotion activities and approach more potential clients. In addition, although we believe sales generated by online retailers remain a small portion of overall sales in the footwear and apparel industries in the PRC with limited overall market penetration, this business has been growing rapidly. Therefore, we plan to increase our online sales through establishing cooperative relationships with more e-commerce platforms. We believe the expansion of our sales network will enable us to interact with our distributors and end customers more readily, and therefore, allow us to better understand market trends and consumer preferences.

Further promote our brands and enhance our marketing efforts to increase brand awareness

We believe that brand image is a key factor that affects our target consumers' purchasing decisions. We will continue our efforts to build our brand image as a comfortable, high quality and trendy brand of footwear as well as other clothing and leather accessory products by placing advertisements through television, broadcast and print media. We intend to continue to enhance our brand image in all retail outlets through uniform management of store decoration and storage rack displays to ensure that each retail outlet, whether operated by our distributors, the third-party retailers or ourselves, delivers a consistent brand image to consumers. In addition, we have engaged and will continue to engage Mr. Lu Yi (陸毅), a prominent actor in China, as our menswear brand ambassador to participate in our promotional activities. We believe this marketing strategy is an effective means of promoting our brands.

Furthermore, as part of our strategy to expand our business overseas, we plan to conduct international market promotion and advertising activities.

Continue to expand and diversify our product offering

We believe our brand recognition and our established reputation have provided us with a broad range of opportunities to introduce new products. We have leveraged our brand recognition to expand our product offerings in the past and plan to continue to offer new products and increase our coverage of the consumer fashion market in the future. We have introduced three brands into the market targeting different customer segments. We intend to further refine our existing product lines under each brand by offering more styles within our existing product categories and to launch additional footwear, menswear and leather accessory products that are complementary to our current product offerings.

In addition to expanding our existing product lines, we are currently developing plans to diversify our product portfolio under the theme of one-stop shop, which will enable our customers to purchase all types of footwear, menswear and leather accessory products we provide for themselves and their families in a single store. As part of this strategy, we planned to open three integrated stores in Fuzhou, Quanzhou and Zhangzhou by the end of 2015 and introduce children's shoes, shoes with healthcare functions and other types of products in the future. As at the Latest Practicable Date, we had already opened one integrated store in Quanzhou.

Continue to strengthen product design and development capabilities

We believe that further enhancing our market position and reputation for quality and performance will require increased research, design and development efforts. During the Track Record Period, our expenses for the research and development increased from RMB8.1 million for the year ended 31 December 2010 to RMB24.6 million for the year ended 31 December 2012, and was RMB19.9 million for the six months ended 30 June 2013, an increase of 131.4% from RMB8.6 million for the six months ended 30 June 2012. We plan to spend RMB40.0 million on our product research, design and development in 2013.

To achieve this goal, we plan to continue to retain highly qualified research and development personnel and provide systematic design training to our designers. For details, please refer to the paragraph headed "– Research, Design and Development" in this prospectus. We also intend to establish cooperative relationships with more external design studios and technological institutes.

Actively pursue business opportunities overseas

We plan to continue to explore business opportunities in overseas markets in order to capture the growth potential in such markets and increase our profitability. We believe that pursuing overseas business opportunities will enhance our competitiveness and reputation in the global footwear and apparel industries. In particular, we plan to:

- establish and develop overseas sales channels, such as building a retail distribution network in Hong Kong to enhance our brand recognition and further expand our product reach. We intend to conduct analyses to determine the viability of our international business strategy based on the overseas demand of our products and the costs associated with the expansion. In the event we determine to establish and develop additional sales channels overseas, we intend to cooperate with local brand operators and distributors, including, but not limited to, entering into joint ventures and other partnership opportunities in the Greater China area, including Hong Kong, Taiwan and Macao, to quickly exert our presence and gain market share;

- procure new overseas OEM/ODM customers and diversify the sources of our raw materials to compliment our current product mix. Our OEM/ODM business has made stable contribution to our total turnover during the Track Record Period. An increasing number of our overseas OEM/ODM customers have requested that we use designated raw materials procured outside the PRC. In addition, we also use higher quality raw materials for our FGN branded products from overseas suppliers. Accordingly, we plan to continue to expand the list of qualified overseas suppliers who can provide high quality raw materials at competitive prices;

- leverage our brand name and reputation to selectively pursue potential strategic overseas acquisition opportunities that will be complementary to our existing business. In exploring acquisition opportunities, we plan to target those footwear and/or menswear manufacturers with substantial research and design capabilities, established retail distribution network, or those companies with substantial growth potential. We believe we can achieve growth, expand our product penetration and increase our market share through selective acquisitions. As of the Latest Practicable Date, we have not identified specific acquisition plans or targets, and have not entered into any definitive agreements with any potential targets; and

- increase our international marketing and advertising efforts and continue to expand our talent pool commensurate with our anticipated overseas business growth. We believe enhanced marketing efforts will increase our brand awareness and allow us to establish a firm foothold in select overseas markets. Furthermore, the success of our overseas business strategy depends on our ability to expand our talent pool with global core competency to suit our business expansion strategy. We intend to attract qualified personnel for our overseas business primarily through professional development and recruitment and enhancing performance-based appraisals and remuneration mechanisms.

Enhance our information systems technology so as to strengthen our vertically integrated business model

We believe that comprehensive information systems are important to the operation and function of our vertically integrated business model. We have already established an information management center in our headquarters that is responsible for setting up and operating the information network and information exchange system within our Company. We plan to further develop comprehensive information systems, including installment of core applications including, among others, an ERP system, production management system and DRP system. We intend to leverage the comprehensive information systems to monitor and manage our research and design, supply chain, production, quality and inventory control, logistics, sales, finance and daily operations. For example, we plan to install a DRP system at all retail outlets to allow us to track sales and inventory levels on a real-time basis and forecast demand for our products across these retail outlets. We expect such broader implementation would allow us to plan our production levels more effectively based on increased information. Our research and development department will also be able to analyze such information to gain a better understanding of consumer preferences and create product designs accordingly. We also plan to use an ERP System to link up our design, procurement, production and inventory systems to reduce our production cost and improve our delivery punctuality and our customer service satisfaction.

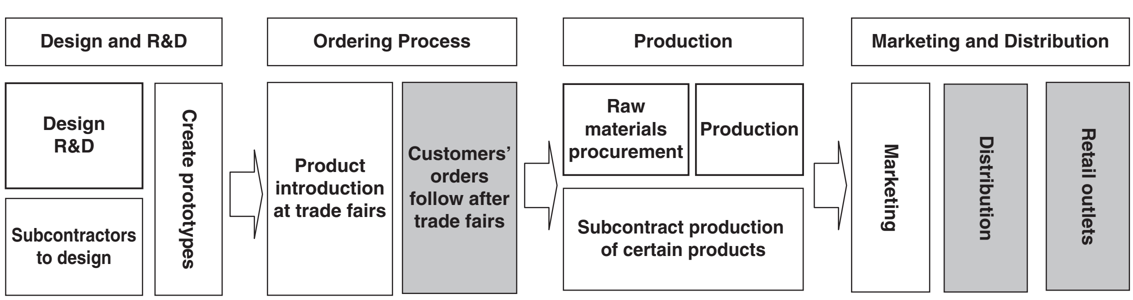
Our Directors believe that such information system will further strengthen our vertically integrated business model, keep our product designs in pace with changing consumer demand and preferences and help us maintain a competitive market position.

OUR BUSINESS MODELS

We conduct our business under two main models: a branded product business model and an OEM/ODM business model. Under our branded product business model, we sell products under our own brands. We produce a majority of branded footwear products and outsource the remainder of our footwear products and all of our menswear products and leather accessories to our subcontractors. We sell a majority of our branded products on a wholesale basis to authorised distributors, who in turn retail these products directly to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. We also retail branded products through proprietary outlets or through other direct sales channels in China, such as large-scale institutional purchases and online sales. In addition to manufacturing our branded products, we also manufacture footwear for third-party brands on an OEM or ODM basis under our OEM/ODM business model.

Branded Product Business Model

The following diagram illustrates our current business model for our branded product business:

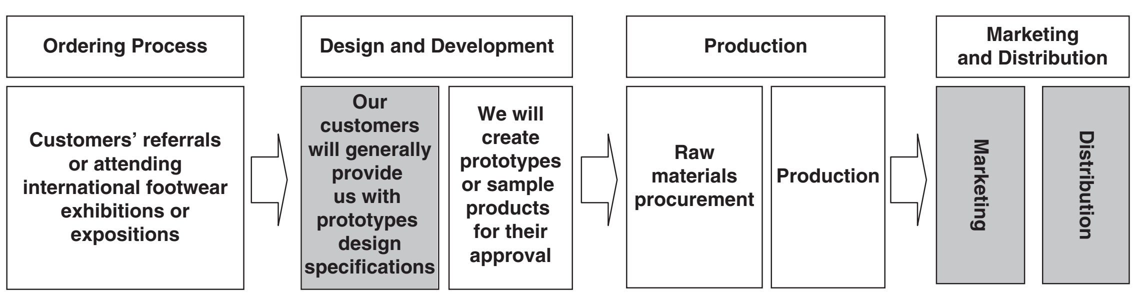


Note: Unshaded components of our business model diagram represent those aspects of the value chain controlled by us, while shaded components represent those not controlled by us. However, we enter into a distributorship agreement with each of our distributors which can be renewed annually and we rely on the conditions and restrictions set forth therein as a means to manage our distributors. Please see the sub-section headed "– Sales and Distribution – Branded Product Sales – Distribution – Distributorship agreements" below for further details. We also directly operated 234 proprietary outlets as at 30 June 2013 for which outlet marketing and distribution are directly controlled by us.

Under our branded product business model, we generally manage all aspects of the design, research and development of our products. We also work with external research centers and design studios to come up with innovative product designs and materials for use in our products. After a design is developed and approved, prototypes of our products will be created and showcased in our trade fairs. Our distributors generally place a large portion of their orders with us during our trade fairs. We will then procure the necessary raw materials, manufacture the products or subcontract the production of certain products to third-party subcontractors. We provide design specifications for the third-party subcontractors to produce sample products for our approval before mass production. We generally coordinate the delivery of our products to our distributors. They then sell our products directly to end consumers at various retail outlets they operate or which are operated by third-party retailers with whom they contract. We also coordinate delivery of our products to those retail outlets we operate directly, and in the case of the small percentage of products sold via large-scale institutional purchases and online sales, directly to our end customers.

OEM/ODM Business Model

We commenced manufacturing women's footwear products for certain overseas customers on an OEM or ODM basis since 2000. Our clients include "BLONDO", "COVANI" and "CONNI". We have since expanded our OEM/ODM business by manufacturing both men's and women's footwear products for certain overseas customers and men's footwear products for certain domestic customers. Sales of the OEM/ODM products we produce for third-party brands, most of which we export overseas, accounted for 36.1%, 24.2%, 19.9% and 20.2% and 15.2% of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. The following diagram illustrates our current OEM/ODM business model:



Note: Unshaded components of our business model diagram represent those aspects of the value chain controlled by us, while shaded components represent those not controlled by us.

Under our OEM business model, we generally manufacture products based on our customers' designs and specifications, while under our ODM business model, we also design products in accordance with our ODM customers' requirements and standards. In either case, we first create a prototype or sample product, as applicable, for our customer's approval before commencing mass production. We are generally responsible for procuring the necessary raw materials in accordance with our customers' instructions, including components, and manufacturing the products. We also coordinate the delivery of products to our overseas OEM/ODM customers on a free on board basis.

OUR BRANDS AND PRODUCTS

We offer a wide range of footwear and apparel products, including men's and women's footwear and business casual menswear products, sold under our three brands, Fuguiniao, FGN and AnyWalk as well as leather accessories sold under our Fuguiniao brand. Each of these brands targets distinct segments of the consumer base in China and has its own design team responsible for its product design and development.

The following table sets forth the market positioning of our three brands as at 30 June 2013:

	Fuguiniao	FGN	AnyWalk
Primary distribution channels	Department store outlets and stand-alone stores in Tier 2, Tier 3 and Tier 4 cities	Department store outlets in Tier 1 and Tier 2 cities	Department store outlets and stand-alone stores in Tier 1 and Tier 2 cities
Target end customers	Footwear and leather accessories: members of the public aged from 28 to 45 Menswear: middle class men aged from 25 to 48	Urban population aged from 25 to 40	Fashion-conscious population aged from 16 to 35
Type of products	Men's and women's leather shoes, business casual menswear and leather accessories	Middle to high end men and women's leather shoes	Men's and women's fashion casual shoes
Suggested price ranges (for footwear products and leather accessories) and suggested retail prices (for menswear products)	Leather shoes: RMB400 to RMB2,300 Menswear: Range from RMB300 to RMB1,500 Leather accessories: Range from RMB50 to RMB1,500	RMB1,000 to RMB2,800	RMB600 to RMB1,500

Brands

Fuguiniao

Fuguiniao brand was launched in 1991 and we began producing men's leather footwear ourselves in 1995. We focused solely on the design, manufacture and sale of men's leather footwear under this brand until 1997, when we expanded into the design, manufacture and sales of women's footwear. Currently, the Fuguiniao brand mainly offers a range of formal and business casual footwear targeting the members of the working and professional classes aged from 25 to 48. Footwear in this line is generally priced between RMB400 and RMB2,300 per pair. Beginning in 2004, we authorised the design, manufacture and sale of business casual menswear under the Fuguiniao brand to an Independent Third Party as we intended to enhance our brand recognition at that time but did not have any expertise or know-how in the marketing and selling of menswear products. During the Track Record Period and up to the Latest Practicable Date, there were no disputes between our Group and such Independent Third Party. Going forward, we do not intend to license our trademarks to any third party other than our distributors and their authorised third-party retailers in accordance with our distributorship agreement. We began selling menswear products ourselves in 2011, targeting middle class men aged from 25 to 48. Apparel in this line is generally priced between RMB300 and RMB1,500 per piece. We also sell our leather accessory products, such as belts, bags, luggage and wallets, under our Fuguiniao brand. Leather accessories in this line are generally priced between RMB50 to RMB1,500 per piece. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our turnover generated from the sales of Fuguiniao branded products was RMB681.5 million, RMB1,230.2 million, RMB1,394.8 million and RMB694.9 million and RMB830.2 million, respectively, accounting for 63.7%, 74.5%, 72.2% and 76.9% and 76.5%, respectively, of our total turnover for these periods. We own the trademarks related to our Fuguiniao brand.

FGN

In 2012, we launched our FGN brand as our middle to high end brand. With FGN, we offer a range of formal and business casual footwear targeting the urban population aged from 25 to 40. Footwear in this line is generally priced between RMB1,000 and RMB2,800 per pair. For the year ended 31 December 2012 and the six months ended 30 June 2012 and 2013, our turnover generated from the sales of FGN branded products was RMB105.5 million and RMB3.4 million and RMB72.1 million, respectively, accounting for 5.5% and 0.4% and 6.7% of our total turnover. We own the trademarks related to our FGN brand.

AnyWalk

We launched our AnyWalk brand in 2010. Under AnyWalk, we offer a range of middle to high end fashion and casual footwear targeting a fashion-conscious population aged from 16 to 35, catering towards individualistic style of the new generation fashion consumers. Footwear in this line is priced between RMB600 and RMB1,500 per pair. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our turnover generated from the sales of AnyWalk branded products was RMB2.1 million, RMB21.1 million, RMB46.8 million and RMB22.6 million and RMB17.3 million, respectively, accounting for 0.2%, 1.3%, 2.4% and 2.5% and 1.6%, respectively, of our total turnover for these periods. We own the trademarks related to our AnyWalk brand.

Products sold under our Fuguiniao brand include:

- Men's and women's shoes



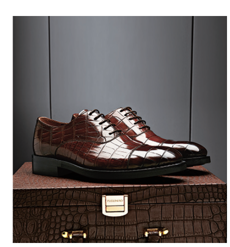

- Business casual menswear

- Leather accessories



Products sold under our FGN brand include:

- Men's and women's shoes


Products sold under our AnyWalk brand include:

- Men's and women's shoes



The following table sets forth the breakdown of our revenues by each brand during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Our Brands										
Fuguiniao	681,458	63.7	1,230,200	74.5	1,394,785	72.2	694,876	76.9	830,182	76.5
FGN	–	–	–	–	105,515	5.5	3,401	0.4	72,143	6.7
AnyWalk	2,062	0.2	21,103	1.3	46,797	2.4	22,630	2.5	17,346	1.6
OEM/ODM Brands	386,570	36.1	400,257	24.2	385,032	19.9	182,212	20.2	164,735	15.2
Total	**1,070,090**	**100.0**	**1,651,560**	**100.0**	**1,932,129**	**100.0**	**903,119**	**100.0**	**1,084,406**	**100.0**

Honors and Awards

Our Fuguiniao brand, trademarks and products have been highly recognised in the PRC since 1995. The following table sets forth certain key awards and honors we received since our inception:

Award/Honor	Issuance Authority	Date of Issue
1995 National Best-Selling Domestic Commodity Golden Bridge Award (1995 全國暢銷國產商品金橋獎)	Ministry of Internal Trade, State Economic and Trade Commission, China Light Industry Association, China Textile Association, State Bureau of Technical Supervision and two other institutions.	November 1995
China Leather Shoes King (中國真皮鞋王)	China Leather Industry Association	February 1998
Fujian Famous Brand (福建省著名商標) (valid for three years each time of award) . . .	Famous Brand Accreditation Committee of Fujian, Administration for Industry and Commerce of Fujian	November 1998; March 2002; August 2005; September 2008; December 2011
China Well-known Trademark (中國馳名商標)	Trade Mark Bureau of SAIC	January 1999
Certificate of Product Exemption from Quality Supervision Inspection (產品質量免檢證書)	AQSIQ	March 2001; September 2006; December 2007

Award/Honor	Issuance Authority	Date of Issue
Brand-name Export Commodities with Key Support and Development (重點支持和發展的名牌出口商品) (Third Batch)	Ministry of Foreign Trade and Economic Co-operation (對外貿易經濟合作部)	April 2001
China Top Brand Product (中國名牌產品)	AQSIQ	September 2002; September 2005
Fujian Famous Brand (福建名牌產品)	Fujian Provincial People's Government	May 2005; November 2010
China Leading Leather Shoes King (中國真皮領先鞋王).	China Leather Industry Association	February 2006; April 2009; April 2012
The Most Competitive Brands (最具市場競爭力品牌) (Fuguiniao)	MOFCOM	2006
2008-2009 Fujian International Famous Brand (福建省國際知名品牌)	Fujian Provincial Department of Foreign Trade & Economic Cooperation	September 2008
Year 2011-2013 International Famous Brand to be Fostered and Developed by Fujian Province (福建省重點培育和發展的國際知名品牌).	Fujian Provincial Department of Foreign Trade & Economic Cooperation	December 2011

Products

Our branded products

We offer a wide range of branded products in three categories: footwear, business casual menswear and leather accessories. The table below sets forth our main product types under each of these product categories:

Footwear	Business Casual Menswear	Leather Accessories
Men's leather shoes	Pants	Bags
Men's canvas shoes	Shirts	Wallets
Women's high-heel shoes	Suits	Belts
Women's mid-heel shoes	Jackets	Key cases
Women's low-heel shoes	Woollen sweaters	Luggage
Women's wedge-heel shoes	Cotton-padded clothes	
Women's flat shoes	Wind breakers	
Boots	Leather clothes	
Sandals	Coats	

Our OEM/ODM products

In addition to manufacturing and selling footwear under our own brands, we also accept orders to manufacture a wide range of footwear with various designs for all seasons on an OEM or ODM basis for certain overseas footwear brands, including "BLONDO", "COVANI" and "CONNI" and certain domestic footwear brands. Since we manufacture most of our OEM/ODM products for overseas customers, such products are usually exported. For the years ended 31 December 2010 and 2011, we had 23 and 18 OEM/ODM customers, respectively. For the year ended 31 December 2012, we had 20 OEM/ODM customers, including 12 from Europe, two from North America and four from the PRC. For the six months ended 30 June 2013, we had 14 OEM/ODM customers, with ten from Europe, one from North America and three from the PRC.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, turnover generated from the sales of OEM/ODM products was RMB386.6 million, RMB400.3 million, RMB385.0 million and RMB182.2 million and RMB164.7 million, respectively, representing 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover for these periods.

SALES AND DISTRIBUTION

Based on our business models, we sell (i) branded products under our own brands and (ii) products manufactured for our OEM/ODM customers. During the Track Record Period, sales of our branded products represented the majority of our total turnover.

Branded Product Sales

General

We sell our branded products through our network of distributors and certain direct sales channels. We primarily sell our branded products on a wholesale basis to our distributors, who then sell them to end customers through retail outlets they operate or which are operated by third-party retailers with whom they contract. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, turnover from sales to our distributors accounted for approximately 57.3%, 73.2%, 72.1% and 76.9% and 71.0%, respectively, of our total turnover.

We also sell our products directly to end customers through proprietary outlets we operate. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, turnover from sales through our proprietary outlets accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6%, respectively, of our total turnover. In addition, we sell our products through other direct sales channels, including direct large-scale institutional purchases and online sales. Large-scale institutional purchases are purchases made by large PRC institutions or government entities directly from our headquarters. We are usually selected as the supplier for such large institutions or government entities via a bidding process. We also sell our products through third-party e-commerce platforms such as *www.tmall.com* and *www.360buy.com*.

To increase our sales, we plan to add additional retail outlets in our sales network, including those operated by our distributors and third-party retailers and those we operate directly, by approximately 1,600 by the end of 2015. The majority of such new retail outlets will be owned and operated by our distributors or third-party retailers. However, in order to widen our sales channels and enhance our brand image, which we believe is better realized through the proprietary outlets we directly control and operate, we also plan to open 300 to 400 new proprietary outlets by the end of 2015. For further details of our expansion plans, please see "– Sales and Distribution – Branded Product Sales – Expansion Plan" and "Future Plans and Use of Proceeds".

The table below sets out a breakdown of our turnover through different channels during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Channel										
Distributors	613,364	57.3	1,208,986	73.2	1,392,784	72.1	694,584	76.9	770,115	71.0
Proprietary outlets	66,635	6.2	22,166	1.4	88,020	4.6	8,901	1.0	115,369	10.6
Large-scale institutional purchases	3,521	0.4	12,203	0.7	28,269	1.4	4,855	0.5	9,826	0.9
Online sales	–	–	7,947	0.5	38,024	2.0	12,568	1.4	24,361	2.3
OEM/ODM customers	386,570	36.1	400,258	24.2	385,032	19.9	182,211	20.2	164,735	15.2
Total	**1,070,090**	**100.0**	**1,651,560**	**100.0**	**1,932,129**	**100.0**	**903,119**	**100.0**	**1,084,406**	**100.0**

Retail network for our branded products

We distribute our branded products through an extensive nationwide retail network consisting of 3,195 retail outlets across 31 provinces, autonomous regions and municipalities in the PRC as at 30 June 2013. Among them, 1,259 retail outlets were owned and operated by our distributors, 1,702 retail outlets were owned and operated by third-party retailers and the remaining 234 outlets were operated by us. As at 30 June 2013, of our 3,195 retail outlets, 2,104 were department store outlets and the remaining were stand-alone stores.

We leverage the local knowledge and expertise of our distributors and their third-party retailers to primarily penetrate and explore the markets in Tier 2 to Tier 4 cities in the PRC. As at 30 June 2013, we had 60 distributors in the PRC, all of whom were Independent Third Parties. We have working relationships of ten years or more with 22 of these distributors.

We believe that distributing our products through our distributors' network has enabled us to (i) expand the geographical coverage of our products and increase our market share at lower costs and a faster growth rate; and (ii) enhance our brand recognition throughout the PRC.

In recent years, we have also begun focusing on operating our own proprietary outlets in several Tier 1 and other major cities to enhance our brand image through high quality store decoration and rack displays as well as superb customer service, which we believe are vital to our reputation and strategic growth of our business as a whole. Among the 233 proprietary outlets operated by us as at the Latest Practicable Date, seven were stand-alone stores and 226 were department store outlets.

The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by sales channel during the Track Record Period:

	As at 31 December			As at 30 June
Sale Channels	**2010**	**2011**	**2012**	**2013**
Retail outlets operated by our distributors and third-party retailers	1,815	3,026	2,999	2,961
Proprietary retail outlets . . .	5	5	232	234
Total	**1,820**	**3,031**	**3,231**	**3,195**

We once operated as many as 152 proprietary retail outlets during 2010. In connection with our strategy to focus on the areas we believe were more strategic to our operations at the time, we subsequently allowed the contracts of 147 of these proprietary outlets with the department stores where they were located to expire throughout the course of 2010. Certain of our independent distributors subsequently assumed the operations of some of these retail outlets by entering into new contracts with the department stores where they were located. The following tables sets for the movement of our proprietary retail outlets during the Track Record Period.

	2010			2011			2012			2013		
	Opened	Closed	As at 31 December 2010	Opened	Closed	As at 31 December 2011	Opened	Closed	As at 31 December 2012	Opened	Closed	As at 30 June 2013
Number of proprietary retail outlets. .	1	147	5	-	-	5	231[(1)]	4	232	8[(2)]	6	234

Notes:

(1) Includes 205 proprietary outlets out of the 208 proprietary outlets whose operations we took over from the Related Distributor beginning in July 2012.

(2) Includes three remaining proprietary outlets out of the 208 proprietary outlets whose operations we took over from the Related Distributor beginning in July 2012.

The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by type during the Track Record Period:

	As at 31 December			As at 30 June
Product Type	**2010**	**2011**	**2012**	**2013**
Department store outlets . . .	1,384	1,960	2,144	2,104
Stand-alone stores	436	1,071	1,087	1,091
Total	**1,820**	**3,031**	**3,231**	**3,195**

The retail outlets in our sales and distribution network are categorized into footwear outlets and menswear outlets based on the primary products they sell. The following table sets forth the number of retail outlets operated by us, our distributors and third-party retailers by product during the Track Record Period:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
Footwear	1,820	2,274	2,412	2,336
Menswear	–	757	819	859
Total	**1,820**	**3,031**	**3,231**	**3,195**

The following table sets forth the number of distributors and retail outlets operated by us, our distributors and third-party retailers by region in the PRC during the Track Record Period:

	As at 31 December						As at 30 June	
PRC Regions	2010		2011		2012		2013	
	No. of Retail Outlets(1)	No. of Distributors(2)	No. of Retail Outlets(1)	No. of Distributors(2)	No. of Retail Outlets(1)	No. of Distributors(2)	No. of Retail Outlets(1)	No. of Distributors(2)
Northeastern PRC	182	5	321	7	382	7	377	7
Northern PRC	436	6	641	10	690	11	682	11
Eastern PRC	510	15	804	17	861	17	838	17
Central Southern PRC	374	9	602	14	621	12	611	12
Northwestern PRC	92	2	232	4	260	5	261	5
Southwestern PRC	226	3	431	8	417	8	426	8
Total	1,820	40	3,031	60	3,231	60	3,195	60

Notes:

(1) The number of retail outlets refer to retail outlets operated by us directly, and by our distributors and third-party retailers.

(2) The number of distributors are categorised in accordance with their locations.

The following map illustrates the geographical distribution of the retail outlets operated by us, our distributors and third-party retailers in the PRC as at 30 June 2013:

There is no overlapping of distributors within our distribution network since each distributor is only permitted to sell authorised products under designated brands within its respective Distribution Region. Given the growing market for footwear and menswear in the PRC, we believe there is the potential for significant expansion of business within these distribution areas. Therefore, we do not believe that there is any over-concentration of retail outlets within our distribution network.

The following table sets forth a breakdown of our turnover generated from the sales of our own branded products at our proprietary outlets and through retail outlets operated by our distributors and the corresponding percentage of our turnover by regions in which our proprietary outlets and retail outlets operated by our distributors are located in the PRC during the Track Record Period.

	Year ended 31 December						Six months ended 30 June			
PRC Region	**2010**		**2011**		**2012**		**2012**		**2013**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Northeastern PRC	77,582	11.4	104,720	8.5	108,933	7.4	44,960	6.4	66,506	7.5
Northern PRC .	136,572	20.1	282,204	22.9	340,462	23.0	170,206	24.2	169,573	19.2
Eastern PRC . .	173,423	25.5	337,360	27.4	366,122	24.7	172,327	24.6	235,811	26.6
Central Southern PRC	169,495	24.9	241,880	19.6	356,151	24.1	157,203	22.3	226,389	25.6
Northwestern PRC	25,049	3.7	41,945	3.4	59,511	4.0	27,752	3.9	39,393	4.4
Southwestern PRC	97,878	14.4	223,043	18.2	249,625	16.8	131,037	18.6	147,812	16.7
Total	679,999	100.0	1,231,152	100.0	1,480,804	100.0	703,485	100.0	885,484	100.0

During the Track Record Period, our turnover was largely driven by the number of retail outlets in our distribution network and the average sales at each retail outlet. For example, for the years ended 31 December 2011 and 2012, we added 1,211 and 200 new retail outlets, respectively. We added more retail outlets in 2011 primarily due to the fact that we began selling our menswear products in May of that year. Our distributors generally place orders with us based on their sales forecast and their existing inventory levels, which were generally in line with the increased sales during the Track Record Period. We recognise the importance of tracking the inventory levels at our distributors more closely, therefore, we intend to utilise 10% of the total proceeds from the Global Offering to, among other things, enhance our information systems, including an ERP system and a DRP system.

Expansion plan

According to Frost & Sullivan, the footwear and menswear markets in the PRC have experienced significant growth since 2007. From 2007 to 2012, the retail revenue for the PRC footwear and menswear markets grew at a CAGR of 13.7% and 15.3%, respectively, and the per capita consumption for footwear and menswear products in the PRC increased at a CAGR of 13.2% and 14.5%, respectively. To take advantage of the growth in the industries in which we operate and to meet the growing demand for our products, we have significantly increased the number of retail outlets in our distribution network from 1,820 as at 31 December 2010 to 3,195 as at 30 June 2013. In addition, the sales volume of our footwear products increased from 6.2 million pairs for the year ended 31 December 2010 to 7.8 million pairs for the year ended 31 December 2012, and from 3.9 million pairs for the six months ended 30 June 2012 to 4.4 million pairs for the six months ended 30 June 2013, whereas the sales volume of our business casual menswear products increased from 1.9 million pieces for the year ended 31 December 2011 to 2.8 million pieces for the year ended 31 December 2012, and from 1.4 million pieces for the six months ended 30 June 2012 to 1.5 million pieces for the six months ended 30 June 2013. Accordingly, we aim to continue to expand our sales network by opening approximately 1,600 retail outlets by the end of 2015 to meet the increasing demand of our footwear and menswear products and to expand our business operations.

As part of this expansion plan, we aim to open 1,200 to 1,300 retail outlets to be operated by our distributors and 300 to 400 proprietary outlets to be operated directly by ourselves, which will include integrated stores, flagship stores, image stores and standard retail outlets. Whether a new retail outlet in our expansion plan will be operated directly by ourselves will be determined by us based on a number of factors, including, but not limited to, whether (i) the location of the new proprietary outlet is within close proximity to our existing proprietary retail outlets so we can maximize our management synergy; (ii) the city, where the new proprietary outlet will be located, can promote the sales of our distributors in the neighboring areas; and (iii) the rent for the new retail outlet space will be too high and cost-prohibitive for our distributors. With respect the new proprietary retail outlets, we anticipate purchasing the buildings outright for approximately 10% of the new proprietary outlets and lease the premises for the remainder of the retail outlets.

We expect to complete our expansion projects by the end of 2015. We currently anticipate that the proceeds from the Global Offering will be sufficient to complete the opening of approximately 920 retail outlets, with the opening of remaining outlets to be funded by cash generated from our operations and/or bank borrowings.

Retail outlets to be operated by our distributors

Of the 1,200 to 1,300 new retail outlets to be operated by our distributors in the PRC, we anticipate approximately 70% will be footwear and/or leather accessory outlets and the remaining 30% will be menswear outlets. In the six months ending 31 December 2013 and each of the years ending 31 December 2014 and 2015, we estimate we will add approximately 125, 550 and 605 outlets to our retail distribution network, respectively. A substantial majority of the new footwear retail outlets to be operated by our distributors will be located in Tier 2, Tier 3 and Tier 4 cities in Central Southern PRC, Northern PRC and Eastern PRC, whereas most of the new distributor-operated menswear retail outlets will be located in Tier 2, Tier 3 and Tier 4 cities in Central Southern PRC, Northern PRC, Eastern PRC and Southwestern PRC.

We intend to provide assistance to our distributors with respect to the new retail outlets to be operated by them, including, among other things, providing guidance on store location selection, purchasing display racks, lighting fixtures and marketing materials (including posters and billboards) for these outlets, reviewing operating plans and renovating/decorating such outlets. For certain distributors who have limited capacity or resources to manage newly opened retail outlets, we intend to provide on-site sales and marketing and operational instructions and support to these outlets through our growing team of highly skilled professionals. We estimate that the average financial assistance to be provided to each new retail outlet to be operated by our distributors will be approximately RMB76,000. We intend to utilise approximately 10% of the proceeds from the Global Offering in connection with such financial assistance. Our distributors are not required to reimburse us for any financial assistance we provided for the new retail outlets.

Proprietary retail outlets

We plan to open approximately 25, 150 and 145 proprietary outlets in the six months ending 31 December 2013 and each of the years ending 31 December 2014 and 2015, respectively. Approximately 90% of such proprietary outlets will sell footwear products and the remainder will sell menswear products. We will open these proprietary outlets primarily in Tier 1, Tier 2 and Tier 3 cities across the PRC, including Beijing, Shanghai, Tianjin, Chengdu, Fuzhou and Wuhan, where we believe are strategic to building our brand image and growing our business operations. These proprietary outlets will include approximately three integrated stores, 20 flagship stores and 65 image stores, in addition to standard retail outlets. We currently estimate that we will purchase buildings for approximately 10% of these proprietary retail outlets and lease real properties for the remaining retail outlets. We determine whether to purchase or lease the premises based on a number of factors, including, among other things, the strategic importance of the location, the current estimated sales volume of our products in the short term and the expected time and return of our investment. It is our expectation that approximately 35% of the proceeds from the Global Offering will be used to purchase and lease the premises for our new proprietary retail outlets.

We estimate that the average initial cost for each retail outlet with purchased premises will be approximately RMB6.8 million, including a capital expenditure for the purchase of premises of approximately RMB6.5 million. For years ending 31 December 2013, 2014 and 2015, we estimate total capital expenditure for our proprietary retail outlets with purchased premises to be approximately RMB Nil, RMB85.0 million and RMB110.0 million, respectively. We estimate that the average initial cost for each retail outlet with leased premises will be approximately RMB420,000, including a capital expenditure for display racks and decoration of approximately RMB200,000. For the years ending 31 December 2013, 2014 and 2015, we estimate total capital expenditure for our proprietary retail outlets with leased premises to be approximately RMB5.9 million, RMB27.2 million and RMB25.2 million, respectively. Average breakeven point for proprietary retail outlets is estimated to be approximately RMB700,000 per store in terms of annual turnover and payback periods for all proprietary retail outlets as a whole is estimated to be four and half years.

The foregoing represents our expansion plan formulated on the basis of the current market and operating conditions, our estimated production capacity and forecasted customer demand as of the date of this prospectus, and may be subject to changes and adjustments as our Directors believe necessary and appropriate to expand our sales network. Please see "Risk Factors – We may not be able to maintain our growth or manage our expansion effectively".

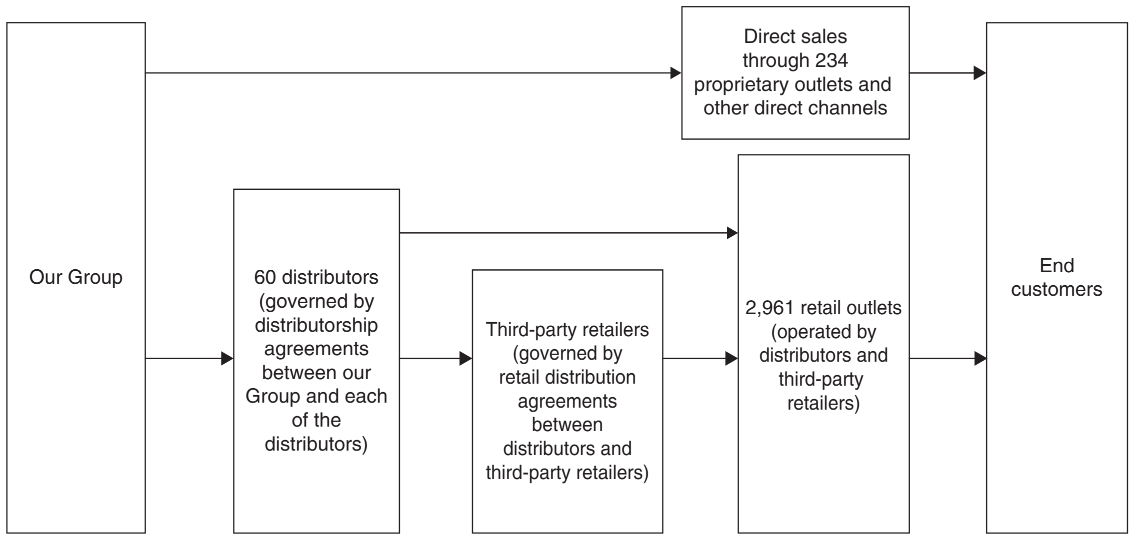
Distribution

We employ a distribution model commonly used by brand owners in China. We sell most of our branded products through our distributors in their Distribution Regions as we believe this allows us to distribute our products to more geographical regions in the PRC and penetrate markets more quickly and effectively by leveraging the local market knowledge of our distributors and third-party retailers. This business model reduces inventory and sales risk to our Group and allows us to focus on our core competitive strengths of brand management and product development.

We recognise turnover from the sales of goods to our distributors when they take possession of our goods. During the Track Record Period, we did not experience any sales returns from our distributors.

We enter into one-year distributorship agreements with each of our distributors which are reviewed and renewed annually by agreement of the parties. We manage our distributors solely through such distributorship agreements and we do not have any other direct control over them. If any of our distributors breaches its respective distributorship agreement, our results of operation may be adversely affected. For further details, please see "Risk Factors – We rely on a small number of distributors for the sale of our products and our failure to renew distributorship agreements with our major distributors or any breach of such distributorship agreement by them may materially and adversely affect our results of operation". Distributors are permitted to sell authorised products to end customers through the retail outlets they operate or which are operated by third-party retailers.

The following diagram illustrates the relationship among our Group, our distributors and third-party retailers, retail outlets and end customers as at 30 June 2013:



Criteria for selection of distributors

We strategically select our distributors based on the following conditions:

- number and quality of sales channels, local recognition and social resources;
- operation and management experience in the footwear and menswear industry; and
- financial strength.

Reasons for terminating distributorships

We terminated distributorship agreements with certain of our distributors during the Track Record Period for the following reasons:

- reorganisation of our distribution network – some of our distributors, whose Distribution Regions were comparatively small or whose sales performance were unsatisfactory to our standards, were downgraded by us to become third-party retailers authorised by our other distributors, or were terminated completely and their respective Distribution Regions were merged into the Distribution Regions of our other distributors;
- changing the operating entities of the distributors – some of our distributors changed their operating entities based on their own business judgment and accordingly, we terminated the distributorship agreements with the original operating entities and entered into distributorship agreements with the new ones; and
- termination of distributorship agreements based on our judgments of our existing and future business needs.

Distributorship agreements

We enter into one-year distributorship agreements with each of our distributors which are reviewed and, at the discretion of the contractual parties, renewed annually. Under the distributorship agreements, our distributors are authorised to sell specific products under one or more of our brands within a specified Distribution Region. Distributors are permitted to sell authorised products to end customers via their own retail outlets or through third-party retailers who sell our products to end customers through retail outlets they operate. Distributors are also required to comply with uniform standards in respect of, among other things, store location, decoration, displays, marketing activities and daily operations as decided by us from time to time or as set out in our retail outlet operation rules. If a distributor fails to comply with certain material clauses in the relevant distributorship agreement relating to its qualification as our distributor, we have the right to terminate the agreement.

The distributorship agreements we enter into with our distributors generally include the following principal terms:

- Distribution restriction – Each distributor is authorised to sell our products under one or several brands within a specific Distribution Region. Distributors are not allowed to sell products manufactured by other companies that compete with our products. Without our prior written approval, distributors are not allowed to sell our products online.

- Minimum purchase targets – Each distributor must commit to minimum purchase targets of our products when they enter into the distributorship agreement with us each year.

- Retail model – Distributors may sell our products through the retail outlets they operate or which are operated by third-party retailers with whom they contract.

- Opening new retail outlets – Distributors are required to come up with detailed expansion scheme and increase retail outlets within its Distribution Region in accordance with our market expansion plan. Distributors are required to obtain our written approval prior to their or third-party retailers' opening any new retail outlets, including our approval in respect of the location and decoration of such new retail outlets.

- Restrictions on authorising third-party retailers – Distributors are required to obtain our prior written approval before authorising any third-party retailers to sell our products. Distributors are required to ensure third-party retailers abide by the terms of the distributorship agreements and any breach thereof will be treated as a breach by such distributors.

- Pricing policy – We set up suggested price ranges for our footwear products and suggested retail prices for our menswear products and leather accessories. Our distributors and third-party retailers are required to sell our products within the applicable price ranges. In limited circumstances, our distributors may sell our products at a price outside the suggested price ranges with our written consent.

- Payment and products delivery – We grant our distributors certain credit limits and payment periods of up to 90 days. Products are delivered from our factories to the warehouses of our distributors and our distributors bear the relevant cost, insurance and risks.

- Return policy – Our distributors are asked to conduct quality checks upon receipt of our products and may return defective goods to us if notice of complaint about the defects is given within seven days. Unless the products we sold are defective, we generally do not allow any returns by our distributors.

- Trademark license – We authorise our distributors and their authorised third-party retailers to use our registered trademarks, Fuguiniao, FGN and AnyWalk, in connection with their relevant sales and marketing activities.

- Sales and inventory reports – Our distributors are required to provide us with sales reports and inventory reports on behalf of themselves and third-party retailers regularly and/or upon our request.

- Duration – The agreements generally have a term of one year and are subject to annual renewal by agreement of the parties.

Effective monitoring of our distributors and their retail outlets is critical to our success. We have a dedicated team to monitor the performance of our distributors and third-party retailers. Under the distributorship agreements, we have the right to require our distributors to provide us with (i) weekly sales reports reflecting information on the top 20 best selling products within their Distribution Regions to help us understand the latest market trends and arrange our production accordingly and (ii) quarterly inventory reports for themselves and third-party retailers to allow us to monitor their overall sales. Each of our distributors is subject to an annual review of its retail expansion status, credit and payment history, purchase amount and compliance with our operating standards.

Each year, we negotiate with our distributors a minimum purchase target before renewing the distributorship agreements. This requirement is set up mainly for our budget planning purposes. Failure to meet the minimum purchase target will not subject a distributor to any adverse consequences, except that we have the discretion not to renew the relevant distributorship agreement. We encourage distributors to meet such targets by providing them with advertisement support or subsidies in connection with their opening of new retail outlets and free display racks for those who meet their targets.

We manage our distributors only through distributorship agreements and we do not have any other direct control over them. We do not have direct contractual relationships with third-party retailers engaged by our distributors and only have limited control over the retail outlets operated by our distributors or third-party retailers. However, we are able to exert a certain degree of influence over them through the terms of our distributorship agreements. For example, our distributors are contractually required to ensure that any third-party retailers they authorise comply with the terms set out in the distributorship agreements they enter into with us and they are required to obtain our approval before authorising any such third-party retailers. If any third-party retailer breaches any terms under the relevant distributorship agreement, the distributor that authorised it would be responsible for such breach to us.

Management of distributors' and third-party retailers' retail outlets

All of the retail outlets operated by our distributors and third-party retailers are required to exclusively sell our products. To provide uniform, quality services across our retail network, we set out in our operations manual uniform standards for, among other things, store decoration and displays, marketing activities and daily operations for our distributors and third-party retailers, and we require our distributors and their third-party retailers to obtain our approval for the final location of each retail outlet.

To further implement our retail policies, we conduct random on-site inspections at individual retail outlets to ensure that the decorations, displays and retail prices in each retail outlet comply with our requirements. Through these inspections and visits, we seek to ensure that the terms and conditions of the distributorship agreements are being complied with throughout our distribution network. We identify and inform distributors of any non-conforming individual retail outlets and require them to rectify the problems within a certain period of time. We also require our distributors to conduct regular site visits to the retail outlets operated by third-party retailers they have authorised to check whether our operating standards are being followed. In addition, third-party retailers and/or their store managers visit our Group from time to time, particularly during the trade fairs and exchange first-hand local market information and trends with us. We believe this system of uniform operating standards and periodic checks and visits helps us to ensure all retail outlets are efficiently operated and provide a pleasant experience to our retail customers. We are not aware of any breach of our retail policies by the retail outlets operated by our distributors and third-party retailers during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth the breakdown and movement of our distributors during the Track Record Period.

	As at 1/1/2010	Engaged	Expired/ Terminated	As at 31/12/2010	Engaged	Expired/ Terminated	As at 31/12/2011	Engaged	Expired/ Terminated	As at 31/12/2012	Engaged	Expired/ Terminated	As at 30/06/2013
Number of Distributors .	32	14	6	40	22	2	60	7	7	60	3	3	60

The number of our distributors increased significantly in 2011 primarily because we began selling Fuguiniao brand menswear products ourselves during the year, and engaged 17 new menswear distributors to sell such products.

Customer Service

We provide various services to distributors and their authorised third-party retailers free of charge. We provide certain qualified retail outlets with whom we maintain good working relationships free product brochures, goods racks and other display equipment catering to market trends and our product marketing plan. We also conduct brand promotion activities regularly and assist our distributors with their sales and marketing efforts.

We also provide training for our distributors and third-party retailers in the areas of retail strategies, management, customer service, product knowledge, inventory management, product display and market trends during the trade fairs. We also organise on-site training programmes for key distributors and third-party retailers several times a year pursuant to their needs and requirements. We believe that these investments help to improve the operations of our retail network and provide the added benefit of motivating our distributors and third-party retailers.

Upon receiving weekly best sellers' lists submitted by our distributors, we will analyse and compile a list of the most popular products which we subsequently circulate to our distributors. Such information exchange enables our distributors to be informed of products that are selling very well in other regions that they might not have ordered during the trade fairs and provide them with opportunities to place supplemental orders with us.

In respect of our return of goods policy, our distributors are asked to conduct quality checks upon receipt of our products and may exchange defective goods with us or require us to repair such defective goods if notice of complaint about the defects is given within seven days. Distributors are deemed to have considered the goods as satisfactory in the absence of any such complaint. Our distributors are generally not allowed to return goods to us once they have been accepted.

Our retail outlets provide standard product warranties to our end customers as required under the PRC Product Quality Law, the PRC Consumer Rights and Interests Protection Law and other relevant rules and regulations. An end customer can return products to our retail outlets within seven days after the purchase if the product is defective. Occasionally, retail outlets may, on a case-by-case basis, allow return of goods even after the seven days period has expired. Footwear retail outlets generally provide repair services for footwear products that have minor defects. Footwear products with major defects will be shipped back to us and repair will be handled by us. If any footwear products cannot be repaired, we will arrange for either a full refund if a product is returned by the end customer within one month from the date of sale, or 50% refund if the product is returned between one and three months after the date of sale. During the Track Record Period, we did not make any provision for product warranty primarily because refund requests for most of our defective footwear and menswear products were handled within three months after the respective date of sale and consequently, we did not consider provision to be necessary. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant refund after the sale that would be materially adverse to our results of operations and financial condition.

Trade fairs

We hold national trade fairs in March, May, September and October each year for the autumn, winter, spring and summer collections of our Fuguiniao and FGN branded footwear and Fuguiniao branded leather accessories, and in April and September each year for the autumn/winter and spring/summer collections of our AnyWalk branded footwear and Fuguiniao branded menswear, such trade fairs are attended by our existing or potential distributors, as well as for certain third-party retailers and retail store managers. Our distributors can place orders with us directly and third-party retailers and retail store manager can place orders through our distributors. Our national trade fairs generally take place in Shishi City at our headquarters or in hotels of Shishi City or surrounding cities such as Xiamen. During these meetings, we introduce latest fashion trends to the participants, arrange fashion shows of our seasonal collections and organise training for our distributors. The national trade fairs often last for a week. One to two weeks after such national meeting concludes, we may hold regional trade fairs in selected regions as required by our distributors. During such trade fairs, we seek and obtain feedback on local fashion trends and market demand which allows us to further enhance our product design and adjust our merchandising strategy. Our distributors place orders in accordance with their expectation of demand with respect to each product. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the orders we received at these trade fairs constituted 64.7%, 56.0%, 64.3% and 58.6% and 62.0%, respectively, of our total orders for each of these years. We believe that booking the majority of sales in advance at trade fairs provides us with a large degree of visibility of demand and allows us to efficiently utilise our production capacity and third-party subcontractors, respond quickly to market demand and manage our inventory more efficiently.

As advised by our PRC legal adviser, any purchase order placed by our distributors and accepted by us at the trade fairs is legally binding between them and us and we are entitled to sue the distributors under PRC laws for breach of contract if the distributors do not fulfill their obligations. During the Track Record Period, our distributors did not cancel any orders that they placed with us and we did not sue any distributor for breach of contract.

Pricing strategy

We sell our branded products to all of our distributors at wholesale prices. Based on the cost of design, raw material and production costs and prevailing market conditions, among other things, we set up suggested price ranges for our footwear products to be sold to retail consumers and suggested retail prices for our menswear products and leather accessories by displaying the price on the tags we attach to such products. In limited circumstances, our distributors may sell our products at a price outside the suggested price ranges with our written consent. We may adjust such suggested price ranges and suggested retail prices from time to time. Distributors are required to, and additionally must ensure that their third-party retailers, sell our products at a price within the suggested price ranges for our footwear products and leather accessories or at suggested retail prices for our menswear products, as applicable. In the first half of 2013, the suggested prices of our footwear products and leather accessories ranged from RMB400 to RMB2,800 and RMB50 to RMB1,500, respectively, and the suggested retail prices for our menswear products ranged from RMB300 to RMB1,500. We have limited control over the prices at which our distributors or customers are willing to purchase our products as prices are driven mainly by economic factors such as demand and supply. Distributors and third-party retailers have discretion, with our prior approval, to determine their own discounted prices to promote products or clear slow-moving or out-of-season items. Our PRC legal adviser, Zhong Lun Law Firm, is of the view that our requirement for distributors to sell our products at the suggested price ranges would not constitute a breach of the PRC Anti-monopoly Laws.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, the average sales price for our footwear products was RMB170.95, RMB179.68, RMB193.36 and RMB179.07 and RMB199.19, respectively, the average sales price for our menswear products was RMB Nil[(1)], RMB140.03, RMB150.67 and RMB146.20 and RMB135.73, respectively, and the average sales price for our leather accessory products was RMB261.86, RMB307.04, RMB37.66 and RMB36.07 and RMB97.15, respectively. The above average sales price figures were in relation to the sales of our products to both distributors and via direct sales channels.

Payment terms and credit policy

Our distributors receive invoices within one month after our products are delivered. We recognise turnover from the sales of goods to our distributors when they take possession of our goods. According to our internal policies, we generally grant our distributors credit limits and payment periods of no longer than 90 days based on their annual purchase targets, credit history and historical sales performance. We require our distributors to comply with our credit policy and our finance and sales departments carry out regular reconciliations of outstanding balances. Our management team monitors our receivable balances on an ongoing basis and will make appropriate assessment on a timely basis as to whether or not a bad debt provision will need to be made. For details of our policy on provision for bad debt, please see "Financial Information – Trade and Other Receivables" in this prospectus.

Direct Sales

Proprietary outlets

As at 30 June 2013, we operated 234 proprietary retail outlets in the PRC, including department store outlets and stand-alone stores, and in the six months ended 30 June 2013, approximately 10.6% of our total turnover was generated from the sales made through these outlets. These proprietary outlets are concentrated in Tier 1 and other major cities that we consider vital to the enhancement of our brand image and the strategic growth

1 We began to sell our menswear products in May 2011.

of our business as a whole, and that have the most competitive markets or in areas where the distributors lack the capacity to explore local markets. Turnover from our proprietary outlets in aggregate accounted for approximately 6.2%, 1.4%, 4.6% and 1.0% and 10.6%, respectively, of our total turnover for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013. As we believe our proprietary outlets help to establish our brand image and keep us well informed on changes in local market trends and demands, we gradually took over the operations of 208 department store outlets beginning in July 2012 from the eight companies comprising our largest distributor during the Track Record Period (the "**Related Distributor**"), which have an average of five years of relationship with us, before and after they were sold to several Independent Third Parties. In connection with the takeover, we entered into new contracts with the relevant department stores where the 208 retail outlets were located after their then-existing contracts with such department stores have expired or were terminated by the Related Distributor. For further details, please see "– Major and Related Customers". As at the Latest Practicable Date, all of our proprietary retail outlets were located in Beijing, Tianjin, Shanghai, Chongqing, Wuhan, Changsha, Chengdu, Xi'an, Hangzhou, Fuzhou, Quanzhou and Shishi. In the future, we plan to open additional proprietary outlets across the country, especially in other major cities. For details of our plan on opening more proprietary outlets, please see the sub-section "– Our Business Strategies – Further strengthen and expand our sales and distribution network" in this prospectus.

Large-scale institutional purchases

In 2002, we began to sell our products through large-scale institutional purchase channels to certain large PRC enterprises, governmental and other entities so as to largely provide customised footwear and menswear products pursuant to their design specifications and requirements. Our target customers include governmental departments such as police offices, industry and commerce administration bureaus, tax bureaus and road management bureaus as well as certain large businesses such as petrol companies and airlines. We obtain most of our large-scale institutional purchase orders via bidding process according to the relevant PRC laws. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, we had turnover of approximately RMB3.5 million, RMB12.2 million, RMB28.3 million and RMB4.9 million and RMB9.8 million, respectively, attributable to sales of our branded products via large-scale institutional purchases, representing 0.4%, 0.7%, 1.4% and 0.5% and 0.9%, respectively, of our total turnover. As the products we sold through large-scale institutional purchases are sold directly to our clients and not through our distributors or through retail stores operated by us, we normally obtain higher gross profit margin from these products. We plan to further expand our large-scale institutional purchase team and we estimate that our turnover from large-scale institutional purchase will increase in the future.

Online sales

Since 2011, a small percentage of our branded products has been sold via third-party online shopping platforms. For the years ended 31 December 2011 and 2012, and the six months ended 30 June 2012 and 2013, turnover of approximately RMB7.9 million, RMB38.0 million and RMB12.6 million and RMB24.4 million, respectively, was attributable to sales of our branded products via the Internet. These sales represented approximately 0.5%, 2.0% and 1.4% and 2.3%, respectively, of our total turnover for the same periods. We have opened our flagship online store at *www.tmall.com* and have entered into strategic cooperation relationships with *www.360buy.com, www.yihaodian.com, www.coo8.com, www.okbuy.com, www.meituan.com* and other e-commerce platforms. The products we sell online are specially designed and differ from our offline products in style and design. They are normally less complicated in style and more reasonable in price to cater to the online shopping demographic. Although our gross profit margin through online sales tend to be lower than those through other sales channels, we believe it is an important channel to build up our brand image and gain access to end customers that are not sufficiently covered by other sales channels. In addition, we believe online shopping will become increasingly important in China in the future and our turnover from online platforms will increase.

OEM/ODM Sales

We started manufacturing women's footwear for certain overseas footwear companies on an OEM or ODM basis in 2000. We have also produced footwear for certain domestic apparel companies which expanded their product offerings into men's footwear on an ODM basis since 2010. Our turnover from products manufactured on an OEM or ODM basis for third-party companies for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2012 and 2013 was approximately RMB386.6 million, RMB400.3 million, RMB385.0 million and RMB182.2 million and RMB164.7 million, respectively, accounting for 36.1%, 24.2%, 19.9% and 20.2% and 15.2%, respectively, of our total turnover.

We generally obtain OEM/ODM orders through marketing campaigns and by participating in or attending international footwear exhibitions or expositions. We generally sell our OEM/ODM products to our OEM/ODM customers directly. We do not have long-term purchase commitments with our OEM/ODM customers, and our sales are made on the basis of individual purchase orders. Our top five OEM/ODM customers for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2012 and 2013 were companies that primarily engaged in the production, distribution or sale of footwear and other fashion products, and trading companies that traded in footwear and other products. Our customers include domestic fashion menswear producers as well as overseas footwear brands, including "BLONDO", "COVANI" and "CONNI".

We believe this business segment keeps us up-to-date on new fashion trends and production technologies globally as well as providing us opportunities to improve our management efficiency and product quality. In order to continue to improve our overall production efficiency and diversify our customer basis, we intend to maintain a significant OEM/ODM manufacturing business in the future. Our OEM/ODM manufacturing business will continue to focus on customers with which we have established long-term relationships.

Unlike the products we sell to large-scale institutions, which comprise customised footwear and menswear products, the products we sell to our OEM/ODM customers comprise only footwear products. With respect to our pricing policy, normally, large-scale institution purchase orders are obtained via bidding processes, which are highly competitive and we are generally required to set our prices within the bidding price range determined by our customers. For our OEM/ODM orders, we generally have more pricing flexibility, and higher capability to negotiate with our customers, based on an established history of stable product quality and timely delivery. Cost structures for both business segments are similar.

For the export sales of our products to overseas customers on OEM/ODM basis, our Company considers that the compliance with the local laws and regulations in jurisdictions where we export such products is not directly applicable to us as:

- although we export products to regions including the North America, East Asia, Europe and Russia, we do not have any local operation in these regions. In addition, we export products to such overseas customers based on OEM/ODM basis and the risks and responsibilities associated with the exported products generally pass to the overseas customers when such products pass the ship's rail at the port of shipment and such overseas customers are generally responsible for compliance with the local laws and procedures (including import clearance and local standards relating to security, hygiene, technology, environmental protection, product quality and safety assurance, consumer protection, etc.), while we are not legally obligated to comply with local laws and regulations once our products enter into overseas markets after they have been cleared for export from the PRC;

- as long as our Group is in compliance with applicable PRC laws and regulations and obtains the requisite product certifications and complies with the applicable export laws and regulations in the PRC, we can legally export our products. According to our PRC legal adviser, Zhong Lun Law Firm, during the Track Record Period, we were in compliance with all applicable PRC laws and regulations in material respects and have obtained all of the required products certifications under the PRC laws and regulations necessary to legally export our products overseas; and

- with respect to any product liability issue, it is essentially a commercial matter in that the relevant contracting parties will resolve through traditional dispute resolution mechanism, such as arbitration or litigation.

Pricing

The prices we charge for the products we manufacture for third parties are determined based on negotiations reflecting our production costs and expenses plus reasonable profits. We also take into account prevailing market conditions, prices set by competitors for similar products and the order volume by the relevant customer.

Credit policy

We generally do not grant credit to our OEM/ODM customers, except for several domestic and Russian customers. They are required to pre-pay us with letters of credit or by wire transfer either after their orders are placed or immediately before we deliver the products via documents against payment.

Policies on returns and exchanges

Our OEM/ODM customers conduct quality inspection of our products at our production facilities prior to delivery. Our sales return policy only permits our OEM/ODM customers to return defective products when we are responsible for such defects. As confirmed by our Directors, we did not receive any return or exchange requests from our OEM/ODM customers during the Track Record Period.

MARKETING AND PROMOTION

We target our marketing activities at the middle to high end footwear and business casual menswear markets 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:

Advertising

Our national advertising primarily focuses on building our Fuguiniao brand and other brands. We promote our brand image and generate consumer attention through national television advertising and advertisements in fashion magazines and newspapers. Since 2009, we have engaged a well-known PRC actor, Mr. Lu Yi (陸毅), to be the ambassador of our menswear products. In such role, he has appeared in TV and print commercials for our menswear products and has participated in our fashion shows and promotional events to enhance our brand image. We also use department store showcases and highway billboards displaying images of our brand ambassadors and products to advertise and enhance our brand image. In addition, we will continue to broadcast advertisements on CCTV and several local television stations, some of which are broadcast during evening prime time.

Fashion shows

We hold fashion shows during our trade fairs each year. During the show, we display advertising videos to promote our brands and present our newly-released footwear and menswear collections, highlighting those designs we believe combine the latest fashionable elements and technologies to our distributors and other potential customers.

Department Store Promotions

We organise product theme promotions in department stores in which our outlets are located each season when our new collections are launched into the market. We also set up display boards in our retail outlets showing newly arrived products to further familiarize end customers with our newest products and styles. At such events, we usually invite singers, actors and other celebrities to participate in order to further enhance our brand image and to attract more customers.

In addition, department stores where our outlets are located may, from time to time, organise promotions offering discounts on the merchandise of participating retailers for a limited period of time. We usually participate in such promotions to benefit from the increased customer traffic during the promotion period.

Promotional Events

We also hold sales and other promotional events through our proprietary outlets around public holidays, typically lasting 10 days. In addition, our distributors may decide to hold promotional events at their own retail outlets within their Distribution Regions and we may provide assistance for such events as appropriate.

Product Catalogs and Brochures

We prepare product catalogs and brochures featuring a range of designs in our collections every season. Such catalogs and brochures are displayed at each of our retail outlets.

RESEARCH, DESIGN AND DEVELOPMENT

We place great emphasis on offering comfortable and high quality footwear in a variety of styles in line with the latest fashion trends and customers' needs. We engage in the research, design and development of footwear systematically via our own design and development department, focusing on our branded products and products we sell to our OEM customers. In the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our research and development expenses amounted to approximately RMB8.1 million, RMB15.2 million, RMB24.6 million and RMB8.6 million and RMB19.9 million, respectively, representing approximately 0.8%, 0.9%, 1.3% and 1.0% and 1.8% of our total turnover for the corresponding periods.

Our new footwear designs are generally created and developed in accordance with the distinctive features of each of our brands. Our Fuguiniao branded products, designed for members of the public aged 28 to 45 for footwear products and 25 to 48 for menswear products, use high quality materials and offer classic designs and comfort. Our FGN branded products target members of the urban population aged 25 to 40 and use high-quality materials and offer fashionable designs. Our AnyWalk branded products target the more fashion-conscious population aged 16 to 35 and use trendy design elements and unconventional materials in line with the latest international fashion trends.

We have the capacity to introduce over 1,500 SKUs into the market for our branded footwear and approximately 300 SKUs for our menswear products each season. As a supplement to our own design capacity, we also outsource the design, together with the manufacturing, of some of our branded products to third parties.

Our Design and Development Team

For each of our brands, Fuguiniao, FGN and AnyWalk, we have a separate research, design and development team. We further subdivide our Fuguiniao design and development team into Fuguiniao men's footwear team and Fuguiniao women's footwear team. We also have a menswear design and development team responsible for overall product planning and design for our menswear products. Each footwear design team consists of one design director, one to two chief designers, three to ten senior designers, assistant designers and other staff and is responsible for creating designs for a wide variety of products for their particular market segment based on domestic and international fashion trends, distinctive features of the brand and market demand. As at 30 June 2013, our research, design and development team comprised 307 members, including five design directors, six chief designers and several senior designers, who possessed an approximate average of 15 years of design experience in the footwear industry. In particular, our brand directors for Fuguiniao men's footwear and women's footwear each has over 20 years of experience in footwear design. Our brand director for FGN women's footwear, Mr. Wang Wenlong, won first prize in the National Leather Footwear Design Grand Prix (全國皮鞋設計大獎賽) for two consecutive years in 1999 and 2000 and second prize in 2001. Our men's footwear chief designer, Ms. Zhang Cuiling, won the grand prize in the China Leather Design Grand Prix (中國皮革設計大獎賽), while our AnyWalk chief designer, Mr. Zhou Mingjian, won first prize in the China Leather Footwear Quality Evaluation (Men's footwear A class) (全國皮鞋質量評比男鞋A類) in 1999 and the Rising Star Award in the Capital Youth Design Competition (首都青年設計評比) in the same year. In addition, our accessories design team and our menswear design team each comprises one chief designer.

In order to continue to improve our design capabilities, we periodically organise training for our brand design directors, chief designers, assistant designers and other staff and invite external design companies and international designers to conduct training each quarter. Such training includes internal design courses, internal training on management and corporate culture, field studies in both domestic and overseas markets and design courses provided by PRC colleges.

Market Research

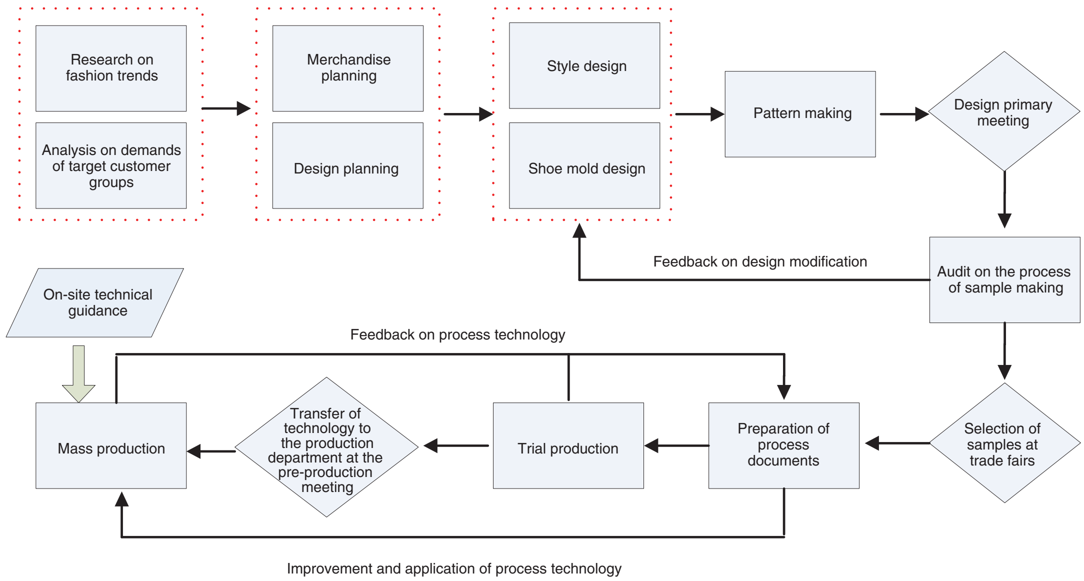
We have adopted a systematic approach to create a wide variety of products that keep up with contemporary international fashion trends and cater to the preferences of our target consumer groups in China. This approach is based on detailed product research involving the collection of market and fashion information. To this end, members of our design and development team regularly attend various trade shows and fashion shows in China and overseas to understand the latest trends and market developments that capture the latest trend in footwear and menswear in terms of design, material usage and color schemes. Our branch offices and distributors across the PRC also conduct market research regarding the sales of our products by us, our distributors and their third-party retailers, and provide us with feedback regarding the prevailing preferences of their customers as well as information with respect to our competitors every month. We also purchase reports on design and market trends and global fashion trends from third-party research institutions on a quarterly basis. Such information often provides insights to our designers with respect to potential trends and preferences currently existing in the other markets.

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

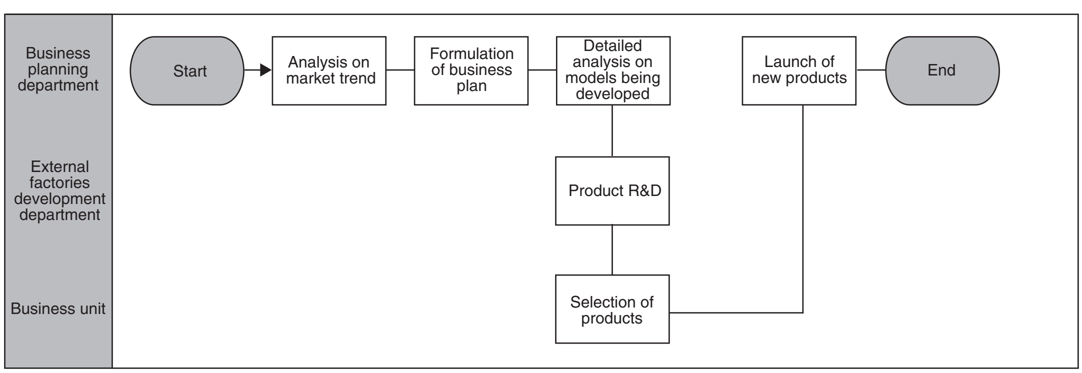
Product Design and Development

Based on detailed research on fashion trends, domestic consumer preferences and certain other relevant information, our designers discuss with our brand design directors to determine seasonal themes with respect to the styles, colors, materials and other features of footwear to be developed. After the seasonal themes have been determined, our design team commences design of the collections by preparing drawings and sketches of the style and shoe last. Our platemaking team subsequently develops the first batch of plates of shoes based on these drawings and sketches. Plates that passed the preliminary selection are matched with suitable colors and made into prototypes. Our technical team analyses and approves the technologies used in making the prototype before they are submitted to the prototype selection meeting. In the prototype selection meeting, we consider a number of factors such as adherence to our initial design concepts and suitability for mass production before the prototypes can finally be displayed at trade fairs. We typically also invite several representatives from among our distributors to participate in our design process. They are asked to preview and evaluate the mold, style and color of our new footwear products. We are thus able to draw upon their market sensitivity and local knowledge to make products catering to the end customers' tastes.

The following table sets forth the design and development process of our footwear products:



With respect to design and development of our menswear products, we maintain a design and development process for our jacket products and outsource the design and development of our other menswear products, such as pants and sweaters. The following chart illustrates our design and development process for our jacket products:



Our subcontractors design outsourced menswear products in accordance with our specifications and requirements and make prototypes or sample products for our review and selection. Mass production only commences after we place orders. Our representatives also monitor the quality of the finished products from these third-party subcontractors and their production schedules.

In relation to our ODM products, we design and make prototypes in accordance with our ODM customers' requirements. The prototypes are delivered to our ODM customers for approval before mass production.

PRODUCTION

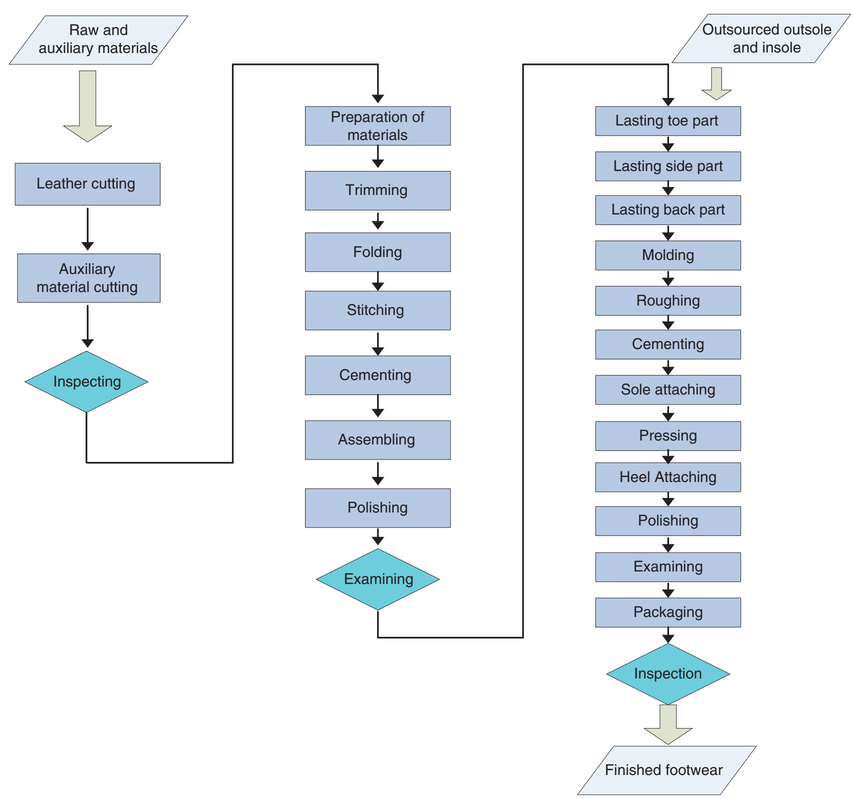
During the Track Record Period, we manufactured a majority of our footwear products at our own production facilities and outsourced the production of the remaining portion of our footwear products and all of our menswear and leather accessory products to third-party subcontractors. In addition, we manufacture all of our OEM/ODM footwear products ourselves.

Our Production Policy

We determine the amount of our footwear products to be manufactured at our own production facilities or outsourced to third-party subcontractors for production primarily based on our existing production capacity and actual sales orders we receive from our customers. This policy also applies to our branded products as we do not give priority in allocating production capacity to any of our brands. According to the sales contracts we entered into with our OEM/ODM customers, we generally produce OEM and ODM footwear products at our own production facilities.

Our Production Process

Our production department works closely with our design and development department to determine special manufacturing processes for specific products, and, if necessary, to make sample test products before beginning mass production of any new products. Before mass production, our technical team will hold a meeting with our production department and procurement department to discuss the materials to be used and to streamline the production process to make sure that procurement will be carried out accurately and production will be conducted smoothly. During mass production, our technical team monitors production on-site to ensure timely resolution of any technical problems that may arise. The diagram below sets forth the production process for our footwear products:



Our Production Facilities

We have three production facilities strategically located in Shishi City, Fujian Province, the PRC, which have easy access to sea ports, airports and expressways. Many of our raw material providers are located relatively closely to these facilities. The table below sets out certain information relating to our production facilities as at 30 June 2013:

Facilities	Location	Gross floor area	Number of assembly lines	Principal products	Combined annual production capacity(1) in million pairs
		(in square meters)			
Shishi Production Facility I	Qianyuan Village, Baogai Town, Shishi City, Fujian Province, the PRC	62,079	11	Footwear	2.9
Shishi Production Facility II	Baqi Road, Shishi City, Fujian Province, the PRC	95,579	8	Footwear	1.7
Shishi Production Facility III	Science Park, Hongshan Town, Shishi City, Fujian Province, the PRC	60,312	5	Footwear	1.2

Note:

(1) Calculated on the basis that our production facilities are operating at eight hours per day and 300 days per year.

As at 30 June 2013, we had a combined annual production capacity of approximately 5.8 million pairs of footwear (calculated on the basis that our production facilities operate for eight hours per day and 300 days per year).

The table below sets forth further information on our production facilities:

	Production volume	Utilization rate (%)
Periods	**Footwear**	**Footwear**
	(pairs'000)	
For the six months ended 30 June 2013	2,586	89.8
For the year ended 31 December 2012	4,924	85.5
For the year ended 31 December 2011	5,192	90.1
For the year ended 31 December 2010	4,423	76.8

We use machines in most of our production processes. As at the Latest Practicable Date, We have 4,497 machines, including toe laster machines, heel laster machines, computerized feeding machines and heel moulding machines imported from Italy, which we believe would help keep our production efficiency high and maintain quality and consistency of our products across product types. We conduct regular maintenance of our machinery every month.

Relocation Plan

According to the Shishi City Urban Master Plan (2011-2030) issued by the Shishi Housing and Urban-Rural Development Bureau on 7 September 2012, the Old Land, which was owned by our Group at the relevant time and on which the facilities housing approximately half of our current production capacity are located, has been re-classified as commercial use land and is not allowed to be used for industrial purposes. We therefore were required to move our production facilities out of the Old Land by the end of 2016. According to the Reply Letter Regarding the Use of the Two Pieces of Land by Fuguiniao Company Limited (關於富貴鳥股份有限公司兩宗土地使用有關問題的覆函) (Shi Zheng Ban Han [2012] No. 10) issued by the office of Shishi municipal government (the "**Land Notice**") on 17 October 2012, we were allowed to keep our office buildings on the Old Land and build a new research center on it. Under the Land Notice, the Shishi municipal government agreed to sell to us the land use right of the New Land to which we could relocate our production facilities by the end of 2016 and we have the right to use the existing production facilities on the Old Land before the new facilities are built on the New Land and put into use. In addition, according to the Land Notice and as further confirmed by our PRC legal adviser, Zhong Lun Law Firm, we will receive compensation from the Shishi municipal government in respect of our relocation according to relevant local regulations of Fujian Province, including the Regulations of Quanzhou on the Administration of Demolishment of Urban Houses (泉州市城市房屋拆遷管理規定) issued by the office of Quanzhou municipal government in May 2003.

However, as no further definitive information in relation to the relocation plan was available, there were uncertainties and/or risks to our Group with regard to (i) how to arrange our internal resources, particularly our working capital resource, to cater to the needs of different major stages of the relocation, (ii) whether the New Land would be obtained at reasonable price, (iii) whether we would be able to construct new plants at reasonable cost on the New Land. In addition, we expected that during the relocation process, our Group might need to devote much efforts for the communication with relevant local government authorities so as to, including without limitation, complete various prescribed official procedures and obtain relevant required permits, approvals and/or licenses, all of which might be quite burdensome and time-consuming and the results of which might be uncertain. Further, our Directors and senior management were likely to be interrupted by relevant affairs in relation to the relocation, the management of the Old Land (together with all buildings and plants thereon) after the relocation and the construction of new plants on the New Land. In consideration of the above and for the purpose of minimizing any such uncertainties or risks in relation to the relocation, maintaining the stability of the assets of our Group, and allowing our Directors and senior management to focus on the business operation of our Group by avoiding any such interruption, we transferred the Old Land (together with all buildings and plants thereon) to a connected person of our Group, namely, Shishi Fuguiniao, for a consideration of RMB216.00 million, which was determined with reference to the valuation report prepared by an independent property valuer, as well as the carrying value of such Old Land (together with all buildings and plants thereon) in the amount of approximately RMB184.6 million according to the Company's financial statements as at 30 June 2013. According to such valuation report, the value of the Old Land (together with all buildings and plants thereon) was determined based on factors including (i) the benchmark price as announced by the local government for the relevant category of the lands within which the Old Land is located, (ii) specifics of the Old Land, including without limitation, location, size, shape, infrastructure and planning, (iii) the fact that the Old Land is used for industrial purpose as at the time of the valuation, (iv) the cost for the re-construction of the buildings and plants on the Old Land as at the time of the valuation, and (v) any depreciation of such buildings and plants. Shishi Fuguiniao is owned as to 25% by each of Mr. Lam Wo Ping, Mr. Lam Wo Sze, Mr. Lam Wing Ho and Mr. Lam Kwok Keung, the Controlling Shareholders and Directors of our Company. Such transfer was completed in November 2013 and the consideration of RMB216.00 million is expected to be settled by end of December 2013. Immediately upon the completion of the transfer of the buildings and plants on the Old Land, our Group entered into two lease agreements with Shishi Fuguiniao on 1 November 2013 for the leasing of all such buildings and plants. As disclosed in the section headed "Connected Transactions" in the prospectus, as confirmed by DTZ Debenham Tie Leung Limited, an independent property valuer, rent payable by our Group under each of these lease agreements represents the prevailing market rates for properties of similar quality in neighbouring areas to which the premises are located, and the terms of these lease agreements are fair, reasonable and on normal commercial terms. For details of such lease agreements, please refer to the section headed "Connected Transactions" in the prospectus.

On the other hand, pursuant to our communication with Shishi municipal government, Shishi Fuguiniao, as the owner of the Old Land, will be responsible for the relocation process and will assume all rights and obligations of our Group in relation to the relocation, including, (i) to move all production facilities out of the Old Land by the end of 2016, (ii) to be allowed to keep the office buildings on the Old Land, (iii) has the right to use or to grant us the right to use the existing production facilities on the Old Land before the new production facilities are built on the New Land and put to use, and (iv) to be entitled to the New Land and the compensation in respect of the relocation. Shishi Fuguiniao also, by way of two written undertakings dated 20 September 2013, and 2 December 2013, respectively, undertook to our Group (i) to build the new plants on the New Land according to the specifications provided by us as soon as possible, (ii) to lease the new plants to our Group at prevailing market rate once such plants have been built on the New Land and put to use and that our Company shall have the right to renew the lease agreement in relation to such new plants at prevailing market rate, (iii) to indemnify any expenses and losses (including any loss of turnover) incurred by our Group in connection with the relocation, which will be in the total amount of approximately RMB1.2 million as estimated by our Group and (iv) that upon expiration of the existing lease agreements between our Company and itself regarding leasing of all buildings and plants on the Old Land, our Company shall have the right to renew such lease agreements under similar terms with Shishi Fuguiniao. As advised by our PRC legal adviser, Zhong Lun Law Firm, these written undertakings from Shishi Fuguiniao are legally binding and enforceable under the PRC law. As at the Latest Practicable Date, our Company had no intention to acquire the New Land and new plants from Shishi Fuguiniao after the construction completes.

As advised by our PRC legal adviser, Zhong Lun Law Firm, Shishi municipal government is the appropriate and competent authority to issue the Land Notice and to provide relevant assurance therein. In addition, as advised by our PRC legal adviser, Zhong Lun Law Firm, pursuant to Regulation on the Expropriation of Buildings on State-owned Land and Related Compensation (國有土地上房屋徵收與補償條例), the compensation to be entitled by Shishi Fuguiniao in relation to the relocation shall include (i) the fair market value of all buildings on the Old Land, (ii) the expected expense of Shishi Fuguiniao in relation to the relocation and (iii) the loss incurred by any possible suspension of production due to the relocation, and unless and until Shishi Fuguiniao is fully and legally compensated by Shishi municipal government, Shishi Fuguiniao will not be obligated to comply with the relocation plan and our Group will also be able to continue to use all the buildings and production facilities on the Old Land pursuant to the lease agreement between our Group and Shishi Fuguiniao. As advised by our PRC legal adviser, Zhong Lun Law Firm, according to the

Regulations of Quanzhou on the Administration of Demolishment of Urban Houses (泉州市城市房屋拆遷管理規定), upon filing of the lease agreement entered into between our Company and Shishi Fuguiniao with relevant government authorities, the above-mentioned compensation in connection with loss of turnover due to relocation to be granted by local government will represent three months' rental as prescribed in the lease agreement.

The leasing of plants on the Old Land is important to our Group, as we use such plants to produce approximately 50% of our products, and therefore, any disruption caused by the relocation may adversely affect our results of operation. However, as the Old Land (together with all buildings and plants on it) had been transferred to Shishi Fuguiniao, the future financial impact of the relocation will be minimal to our Group, and the relocation cost and write-off of property and plant, if any, will be borne by Shishi Fuguiniao. In addition, our Group has taken or will take below measures to minimize the disruption of our operations during the relocation process:

– we have identified alternative production facilities suitable for the production of our products and available for rent at prevailing market rate within the Shishi area, to, if required, accommodate our Group's production requirement during the relocation process. As at the Latest Practicable Date, our Company had not entered into any lease agreement in relation to any such alternative production facilities, as such alternative production facilities are quite readily available for rent in the local market of the Shishi area;

– we have established an internal working group for identifying additional external subcontractors to, if required, accommodate our Group's production requirement at comparable cost and with quality. As at the Latest Practicable Date, we have identified 224 such qualified subcontractors for manufacturing footwear products, whom we previously had engaged to produce our products and the quality of whose products satisfied relevant national standards and specifications set by us. Among these 224 subcontractors, ten of the largest subcontractors have by way of written confirmations agreed to retain an annual production capacity of about five million pairs of leather shoes for us each year in the coming five years on a preferential basis, accounting for approximately 86% of the annual production capacity of our Group, with the purchase price and other major subcontracting terms to be agreed between relevant parties through negotiation and with reference to prevailing market level. Our Directors believe that the above-mentioned subcontracting arrangement is feasible. As advised by our PRC legal adviser, Zhong Lun Law Firm, these written confirmations provided by the ten largest subcontractors are legally binding and enforceable under the PRC law and in the event that any of these ten subcontractors breaches its written confirmation, our Group will be entitled to require such subcontractor to compensate our Group for any loss due to such breach under the PRC law. Even if, as mentioned above, any of these ten subcontractors does breach its written confirmation, our Company will still be able to engage substitute subcontractors (from the rest of these 224 identified subcontractors) to, if required, accommodate the Group's production requirement at comparable cost and with quality;

– we have made relevant arrangements so that the production capacity of our other production facilities that are not on the Old Land could be increased during the relocation process, so as to accommodate our production requirements, if required;

– we will utilise our internal and external resources in a more efficient manner during the relocation process, such as relocating different production lines with carefully arranged order so as to cater to the then different needs for different types of our products, as well as planning in advance the proportion of each of self-manufactured products and products manufactured by external subcontractors during the relocation process; and

– as agreed with Shishi Fuguiniao, the relocation work will be carried out during the night and the daytime of the weekends, so as to minimize the negative impact on our production output and schedule and our company expects that the relocation will be mostly completed within seven to ten days.

Although the Shishi municipal government has promised to provide Shishi Fuguiniao with the New Land, Shishi Fuguiniao has not yet, as at the Latest Practicable Date, received any further notice regarding particulars of such potential New Land including its location, area and timing of entry. Furthermore, Shishi Fuguiniao will need to obtain the New Land through bid-inviting, listing or auction process as required under the PRC law, and therefore, cannot currently calculate the consideration Shishi Fuguiniao may need to pay for the New Land. Our Directors cannot foresee the timing for such relocation at this stage though they believe, based on the favorable policies set by local governments on the continuing development of enterprises, as well as the above-mentioned measures that have been taken or will be taken by our Group to minimize the disruption of our operation during the relocation process, such disruption will be minimal to our operations.

Please refer to "Risk Factors – Change of our main production site may adversely affect our business" for detailed discussion of risks relating to the relocation.

Subcontracting

We primarily seek to fulfill footwear orders through production at our own production facilities. However, we utilise external subcontractors to produce a portion of our footwear products as we optimize our cost structure and improve efficiency of our production facilities. We believe this arrangement is cost effective and offers us greater flexibility to adjust our production schedules and to meet unforeseen demand. We also outsource the production of all of our menswear products and leather accessories to subcontractors because we believe it is more cost efficient to outsource the production of these products than to build new production lines in our production facilities.

Our Directors consider that by engaging third-party subcontractors, our internal production resources can be deployed more efficiently for core production work. We believe that such subcontracting strategy allows us to adjust our product mix in a timely manner without significant capital outlay requirement.

The table below sets forth a breakdown of our sales volume into those we produce ourselves and those we subcontract to external producers by sales volume and percentage of the total sales volume during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
Type	**2010**		**2011**		**2012**		**2012**		**2013**	
	Volume (pairs'000)	**%**	**Volume (pairs'000)**	**%**	**Volume (pairs'000)**	**%**	**Volume (pairs'000)**	**%**	**Volume (pairs'000)**	**%**
Self-produced footwear . . .	4,499	72.0	5,319	69.6	4,952	63.8	2,473	64.1	2,587	58.9
Subcontracted footwear . . .	1,750	28.0	2,327	30.4	2,808	36.2	1,388	35.9	1,807	41.1
Total	**6,249**	**100.0**	**7,646**	**100.0**	**7,760**	**100.0**	**3,861**	**100.0**	**4,394**	**100.0**

Based on our current production capacity, we anticipate that a significant portion of our footwear products will continue to be manufactured by our third-party subcontractors in order to meet the increasing demand of our products.

Criteria for selection of third-party subcontractors

We adopt a strict selection and evaluation system to select our subcontractors. We typically identify potential subcontractors from public information, third-party referrals or self-introductions. We select qualified subcontractors from these potential candidates after considering their production capacity, production cost, design and development capabilities, punctuality of delivery, management and product quality. We do not restrict our subcontractors from manufacturing products for other companies, though we require our subcontractors to reserve certain annual production capacity for our products. Our subcontractors can only be selected from our qualified subcontractor list. We also conduct quality control over the manufacturing process of semi-finished and finished products we outsource to our subcontractors.

We choose subcontractors located in certain areas that are considered to be production bases for manufacturing of footwear, apparel and/or leather accessories. These areas include Fujian, Zhejiang and Guangdong Provinces. For the six months ended 30 June 2013, we had business with 103 subcontractors for footwear products, 93 subcontractors for menswear products and 28 subcontractors for leather accessories. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, purchases from our top five subcontractors accounted for 35.1%, 15.3%, 17.2% and 17.6% and 26.8%, respectively, of our total purchase of finished products from all subcontractors. Purchases from our largest subcontractor accounted for 9.4%, 3.7%, 4.9% and 5.2% and 6.8%, respectively, of our total purchase of finished products for the same periods. The Directors confirm that all of the subcontractors are Independent Third Parties and none of the Directors, or their respective associates, or any Shareholder, who or, to the knowledge of the Directors, owns more than 5% of our issued share capital had any interests in any of these five largest subcontractors throughout the Track Record Period.

Subcontracting agreements

We do not enter into long-term agreements with our third-party subcontractors but instead maintain flexibility by entering into one-year framework contracts with them. We place individual purchase orders, which set out the terms regarding, among other things, quantity, quality, price and specifications.

Some of the major terms of the framework contracts that we enter into with third-party subcontractors are set out below:

- Quality and specifications – subcontractors produce products in accordance with national quality standards and specifications set by us. We have the right to inspect the final products before accepting them.

- Raw material procurement – raw materials used for the production are provided by us or our designated suppliers, except as otherwise specified.

- Payment terms – payment shall be made within 60 days after we receive a VAT invoice from our subcontractors which they are required to issue upon our taking over the delivered products. We retain at least 10% of the payment in accounts payable by us as guarantee deposit for two sales seasons.

- Packaging – subcontractors are required to use packaging we provide for our products in accordance with our requirements and specifications.

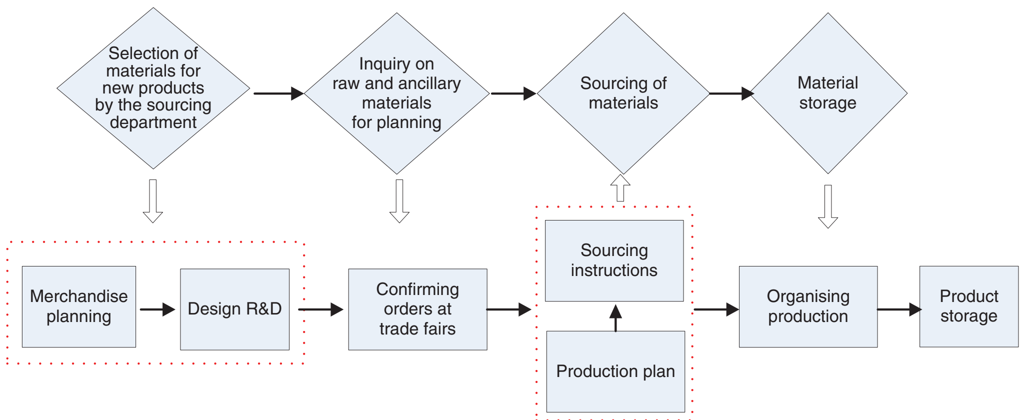
RAW MATERIALS AND SUPPLIERS

The principal raw material used in the manufacturing of our footwear and leather accessories is natural leather. Other raw materials used include fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. The principal raw materials used in the production of our menswear products are fabrics. Raw materials represented approximately 39.6% of our cost of sales for the six months ended 30 June 2013. We sourced approximately 80.6% of our raw materials from sources within China with the balance, which consisted of materials required by our OEM/ODM customers, sourced from overseas. In particular, we purchased most of our raw materials from Shandong, Henan, Fujian and Jiangsu Provinces, where the raw material markets for footwear and menswear products are well-developed and the prices are competitive. We try to purchase raw materials from areas near our production facilities to save transportation cost.

We purchase raw materials in bulk. We typically purchase approximately 60% of our raw materials after having confirmed purchase orders with our distributors following each seasonal trade fair. As a supplement to such bulk procurement, we also place individual orders with our suppliers on a periodic basis upon receiving top-up orders from our customers. We believe such purchase model increases our bargaining power and efficiency in inventory management.

Our procurement department works closely with our design and development department during our product design and development stage, to search for the most suitable raw material adhering to the original design concept. After we receive orders from our distributors during the trade fairs, our procurement department will make enquiries with at least three of our suppliers and select a supplier on the basis of the price, quality and delivery schedule.

The table below sets forth the raw material procurement process and the relationship between our procurement department with other departments:



Pursuant to our purchase agreements with them, suppliers are required to prepare the raw materials in accordance with the samples we approved and deliver such materials at their own expense, to the warehouses or other locations we designate. Upon delivery of the raw materials, we have the opportunity to check for quality and raise complaints, if any, or accept them within ten days after receipt. Payment is made by us in accordance with the quantity stipulated in the purchase agreement or as separately confirmed by both parties, if the actual delivered quantity deviates more or less from the one stipulated in the agreement. We are entitled to claim compensation from our suppliers for any product that fails to meet the quality and technical supervision standards stipulated in the relevant purchase agreement.

We have adopted a supplier development system to identify and develop potential suppliers. We identify potential suppliers from leather exhibitions, publicly-available information and third-party referrals. We will evaluate the production capacity, technology, quality and price of the potential suppliers and place a small order with them first. Suppliers who have passed our tests will be placed onto our qualified suppliers list. All qualified suppliers are classified into regular suppliers and strategic suppliers, according to their size, quality of products, manufacturing capacities, our cooperation history and experience. Strategic suppliers have priority in terms of order placing and payment. We evaluate our suppliers' performance annually and will implement certain economic penalties on those who have failed to meet our requirements, including, among others, seeking discounts on payments, or even ceasing to purchase from them next year. We typically pay our suppliers by wire transfer. Our raw materials suppliers and third-party subcontractors generally grant us credit terms of up to 45 days and 60 days, respectively.

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, our five largest raw material suppliers accounted for approximately 24.6%, 17.5%, 35.2% and 49.1% and 29.2%, respectively, of our total raw material purchases, and our largest raw material supplier accounted for 9.6%, 4.3%, 14.5% and 28.0% and 9.9%, respectively, of our raw material total purchases. None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our share capital has any interest in any of these five largest suppliers during the Track Record Period.

We also purchase finished products from subcontractors for our distribution. We outsource all production of our menswear products and leather accessories. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and

2013, we also outsourced the production of approximately 35.7%, 34.8%, 44.0% and 44.2% and 45.5%, respectively, of the total production of our branded footwear products, in terms of turnover. For more information on our management of outsourcing and quality control of outsourced products, see "– Production – Subcontracting" above.

MAJOR AND RELATED CUSTOMERS

As at 30 June 2013, our customers primarily consisted of 60 distributors of our products as well as a limited number of OEM/ODM customers. We have maintained business relationships with 22 of these distributors for more than ten years, with the longest period of relationship being 22 years. We believe that our ability to maintain distributors' loyalty is important to our success. For the years ended 31 December 2010, 2011, 2012 and the six months ended 30 June 2012 and 2013, sales attributable to our top five customers were RMB553.1 million, RMB714.4 million, RMB668.1 million and RMB380.7 million and RMB207.1 million, respectively, accounting for 51.7%, 43.3%, 34.6% and 42.2% and 19.1%, of our turnover. Sales to our largest customer accounted for 26.1%, 25.8%, 18.0% and 24.4% and 4.6%, respectively, of our turnover for the same period. Our largest customer represents purchases of eight individual companies all controlled by the same individual, as described below.

All of our existing customers are Independent Third Parties and we do not have ownership or management control over any of our distributors or third-party retailers. Save for Mr. Lam Wo Sze, one of our Directors and Shareholders, and Mr. Lin Congbin, Mr. Lam Wo Sze's nephew in law, none of our Directors or Shareholders or their respective associates who or which to the knowledge of our Directors hold more than 5% of our issued Shares had any interests in any of our customers throughout the Track Record Period. Mr. Lam Wo Sze was the beneficial owner of the Related Distributor at various times over the Track Record Period until disposing his interests in the Related Distributor to several Independent Third Parties in October 2012. As at the Latest Practicable Date, these purchasers remained as Independent Third Parties. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, 26.1%, 25.8%, 18.0% and 24.4% and Nil, of our turnover was derived from the Related Distributor, respectively. Certain background information of these eight companies are set forth below:

Name of the companies comprising the Related Distributor	Number of outlets operated by the companies comprising the Related Distributor			Our amount of sales to the companies comprising the Related Distributor (% to our turnover) when they were related to us during the Track Record Period		
	by 31 December			by 31 December 2012	by 31 December 2011	by 31 December 2010
	2012	2011	2010			
				RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)
成都美雅特商貿有限責任公司 (Chengdu Meiyate Trading Co., Ltd)	91	144	115	72,842/3.8	101,848/6.2	80,815/7.6
上海福林鞋業有限公司 (Shanghai Fulin Footwear Co., Ltd.)	116	145	107	49,576/2.6	52,870/3.2	21,070/2.0
北京錦潤豐商貿有限責任公司 (Beijing Jinrunfeng Trading Co., Ltd.)	145	167	134	81,659/4.2	97,104/5.9	59,319/5.5
西安丹普妮商貿有限責任公司 (Xi'an Danpuni Trading Co., Ltd.)	34	48	27	20,867/1.1	19,341/1.2	13,730/1.3
武漢和源祥商貿有限責任公司 (Wuhan Heyuanxiang Trading Co., Ltd.)	36	78	60	30,256/1.6	39,432/2.4	25,804/2.4
廈門帝一貿易有限公司 (Xiamen Diyi Trading Co., Ltd.)	135	103	74	42,639/2.2	57,037/3.5	37,122/3.5
福州達維貿易有限公司 (Fuzhou Dawei Trading Co., Ltd.)	27	35	30	13,615/0.6	16,674/0.9	9,574/0.9
長沙市足步鞋服貿易有限公司 (Changsha Zubu Footwear and Apparel Trading Co., Ltd.)	91	113	80	36,186/1.9	41,187/2.5	31,464/2.9
			Total:	347,640/18.0	425,493/25.8	278,898/26.1

For the years ended 31 December 2010, 2011 and 2012, our Group's net profit was RMB118.7 million, RMB253.9 million and RMB323.6 million, respectively. Considering that for the years ended 31 December 2010, 2011 and 2012, (i) the sales made to the companies comprising the Related Distributor only accounted for 26.1%, 25.8% and 18.0%, respectively, of our Group's total turnover, and (ii) the net profit margin of our Group was 11.1%, 15.4% and 16.7%, respectively, our Directors and the Sole Sponsor are of the view that our Company is still able to meet the minimum profit requirement under Listing Rule 8.05(1)(a), if sales made to the Related Distributor during the Track Record Period were excluded.

Mr. Lam Wo Sze believed that the sales in the cities identified in the table above had the potential to grow rapidly and the above-mentioned cities were strategically important to our market position and brand image. As a result, in order to enhance our sales performance in the provinces in which the Related Distributor operated, Mr. Lam Wo Sze established the Related Distributor in 2007 through trust arrangements with third-party individuals, including his nephew in law. The establishment and daily operation of such Related Distributor were all funded by Mr. Lam Wo Sze with his own resources and neither our Group nor any of the other Directors or their respective associates provided any funding or other support for the establishment of the Related Distributor. Leveraging Mr. Lam Wo Sze's extensive experience in retail and sales in the footwear and menswear industry in the PRC, the number of retail outlets in, and the sales attributable to, these provinces have increased since the establishment of the Related Distributor in these provinces.

During the first quarter of 2012, we started planning for a listing of our Shares and Mr. Lam Wo Sze was elected as one of our non-executive Director. In order to avoid any potential conflict of interests and to ensure that future transactions with our customers (including the Related Distributor) would continue to be entered into on an arm's length basis without being influenced by Mr. Lam Wo Sze, the Board requested that Mr. Lam Wo Sze dispose of his ownership of the Related Distributor. As there was no liquid market for the sale of brand distributors and there were limited potential buyers specifically familiar with the brand control and distributorship of our products, he disposed of his respective equity interests in the Related Distributor to several Independent Third Parties, which had their own financial resources to acquire these equity interests and some of which were also owners of some other independent distributors of our Company and therefore, were familiar with our Group's products and operations. The transaction was completed on 15 October 2012 and those Independent Third Parties paid an aggregate of RMB33.8 million in consideration for the equity interests in the Related Distributor. The amount of consideration was based on the negotiated valuation of the Related Distributor as at 31 August 2012. None of our Group, our Directors or any of their respective associates provided any funding or support to these purchasers for their acquisitions of these equity interests. As at the Latest Practicable Date, the eight companies comprising the Related Distributor remained our distributors.

To strengthen our own retail channel, beginning in July 2012, we gradually took over the operation of 208 department store outlets from the Related Distributor before and after the above-mentioned disposal was conducted, completing the takeover of most of these department store outlets by December 2012 with the remaining few completed in January 2013. During this period, to the extent that we had taken over their operations, we no longer made any sales to such department store outlets. However, we made sales to those department store outlets that the Related Distributor continued to operate until we took over the operation of the last several department store outlets in January 2013. For the six months ended 30 June 2013, the turnover generated from these the department store outlets we took over in 2012 and 2013 was approximately RMB90.5 million for the six months ended 30 June 2013, accounting for 8.3% of our total turnover for that period. We did not pay any consideration for such takeover because instead of purchasing such retail outlets directly from the Related Distributor, we entered into new contracts with the relevant department stores where the 208 retail outlets were located after their then-existing contracts with such department stores have expired or were terminated by the Related Distributor. The new contracts were based on various forms of contracts provided by the relevant department stores and were entered into by us on substantially the same terms as the previously expired or terminated contracts, including revenue distribution between the relevant department store and us, allocation of expenses, decoration requirements and termination. Considering that it was more convenient and cost-effective for us to use the existing inventories, which were stored near the retail outlets that we took over, we made cash payments to the Related Distributor for such inventories of these department store outlets in the aggregate amount of RMB40.8 million, including applicable taxes, at the time of the takeover, which was the book value of the inventories on the Related Distributor's books at the time. These inventories were accounted for at purchased cost we paid to the Related Distributor and were recognised as turnover on our consolidated statements of profit or loss and other comprehensive income after they were sold by us subsequent to our takeover. Prior to the takeover, we sold our products to the Related Distributor in accordance with the relevant distributorship agreements. The distributorship agreements we entered into with the Related Distributor did not differ from those we entered into with our other distributors, including in relation to sales and credit terms. For details of the distributorship agreements, please see "– Sales and Distribution – Branded Product Sales – Distribution – Distributorship agreements" of this prospectus.

Based on the facts that (i) the payments for the equity interests in the eight companies comprising the Related Distributor were made by several Independent Third Parties to Mr. Lam Wo Sze, (ii) the eight companies comprising the Related Distributor remained our distributors as at the Latest Practicable Date, (iii) we only made cash payments of approximately RMB40.8 million for the existing inventories at the 208 department store retail outlets in connection with our taking over of these outlets in 2012 and 2013, and there was not an acquisition of business from the Related Distributor and thus, the transaction was not accounted for as business combination in our consolidated financial statements during the Track Record Period, and (iv) the turnover generated from these department store outlets we took over was approximately RMB90.5 million for the six months ended 30 June 2013, accounting for only 8.3% of our total turnover for that period, our Directors are of the view that the disposal of the Related Distributor by Mr. Lam Wo Sze to several Independent Third Parties and our takeover of the 208 department store retail outlets did not have a material impact on our Group's financial results during the Track Record Period.

All of the 208 department store outlets are located in Tier 1 and Tier 2 cities in the PRC, including, among others, Beijing, Shanghai, Chengdu, Wuhan and Chongqing, which we believe are strategic for our operations and brand image.

The Related Distributor has its own business operation sites and warehouses for their operations and none of them uses any operational facilities of our Group. Having taken over the management team and staff of the Related Distributor and with the support of the supply chain management and inventory control system previously established by Mr. Lam Wo Sze, and with the credit terms generally offered by us to our customers, so far as the Directors are aware of, the operational capital and the additional managerial and operational support required by these Related Distributor after the disposal by Mr. Lam Wo Sze of his ownership of the Related Distributor is not significant and the Related Distributor are able to operate independently and finance their operation and purchases out of purchase price received from third-party retailers, retail shops and their internal generated cashflow. Save for the support we provide to our distributors pursuant to the distributorship agreements and with the exception of the 208 department store outlets that we took over the operations beginning in July 2012 and now operating directly, neither our Group nor any of the Directors have provided any funding or other support for management or operation of these Related Distributor after the disposals thereof by Mr. Lam Wo Sze. Save for Mr. Lam Wo Sze, none of our Directors and, so far as the Directors are aware of, none of the senior management, and/or their associates have participated in the management and operation of the Related Distributor during the Track Record Period and up to the Latest Practicable Date. The Directors are of the view that the sales and distribution agreements entered into with the Related Distributor during the Track Record Period were on normal commercial terms and comparable to those with independent distributors and the Sole Sponsor concurs with the Directors. Our sales to the Related Distributor have been and will be made on arm's length basis and on normal commercial terms.

INVENTORY MANAGEMENT

Our inventories mainly consist of (i) raw materials; (ii) work-in-progress; and (iii) finished products. We recognise that controlling levels of inventory is important to our overall profitability. We generally purchase raw materials from our suppliers and semi-finished or finished products from our subcontractors after each of our trade fairs, where we confirm sales orders with our distributors. We normally purchase 1.2 to 1.3 times the current of leather needed for the production of first batch of seasonal products and also stock up on leather of commonly used colors, such as black, when the price of leather is relatively low during the year. Sales orders from our trade fairs enable us to manage our inventory of raw materials and finished products more efficiently. For this reason, we typically have low inventory levels of unused raw materials and unsold or obsolete finished products at the end of the year. As at 31 December 2010, 2011, 2012 and 30 June 2013, our average inventory turnover days were 99.4 days, 67.4 days, 59.3 days, and 61.8 days, respectively.

The above figures do not include inventory held by our distributors in the form of finished products as such products are considered sold at the time of delivery. Our Directors have confirmed that we did not experience any sales returns from our distributors during the Track Record Period. To facilitate our distributors in managing their inventory levels, we plan to launch an in-house developed online trading platform, whereby our distributors may, for a limited period of time and subject to prices predetermined by us, exchange with each other certain of our products in their inventories that may be considered out-of-season or less popular within their respective Distribution Region. Currently, we have completed the initial development of this online trading platform, which is in the process of going through the testing phase. While we are not aware of any material legal risk that our Company may be exposed to by the implementation and operation of such online trading platform, we will conduct requisite reviews and procedures to minimize any legal risk prior to launching this online trading platform, including, among others, (i) conducting thorough review to ensure that our online trading platform does not infringe the intellectual property rights of any third party; (ii) implementing adequate online security protocols to protect our distributors' personal data; and (iii) seeking advice from our in-house legal department and/or external legal counsels on any matters associated with the operation of such online trading platform. We expect to launch and operate this online trading platform by the end of 2013.

It is our policy to review the obsolescence of our inventories annually based on the age of the inventories. We also carry out physical stock counts each month to identify obsolete or damaged goods. For obsolete, unused or damaged goods or raw materials, specific provision will be made on an item of inventory if we foresee any difficulty in selling or disposing it, and such policy has been consistently applied by us throughout the Track Record Period. For the year ended 31 December 2010 we made write-downs of obsolete inventory in the amount of RMB481,000. For the year ended 31 December 2011 and 2012, we had write back of inventory impairment of RMB717,000 and RMB45,000, respectively. As at 30 June 2013, we did not have any write-downs or write back of inventory impairment. See "Financial Information – Inventory Analysis" in this prospectus for details.

QUALITY CONTROL

We place considerable emphasis on product quality and have an established quality control system. We have obtained the ISO 9001:2008 certification for our design and production of adhesive leather shoes and leather sandals produced in faculties located at Baqi Road, Shishi City, Fujian Province with a term of three years commencing from 17 May 2011. This certification demonstrates that our quality control management system meets international standards. We also received a "Certificate for Products Exempted from Quality Supervision Inspection" (產品質量免檢證書) with a term of three years commencing from December 2007, which was the last year during which such certificate was given by AQSIQ.

As at 30 June 2013, we had a team of 127 staff members in our quality control department. Our quality control team monitors each stage of the production process. Raw materials and ancillary components provided by our suppliers must pass our quality control and meet certain mandatory national health, safety and environmental standards. We conduct tests on raw materials and other components to detect defects at our own quality control center. We may also require our suppliers to provide third-party inspection reports to prove the quality of the raw material. Raw materials that fail to meet our standards will be returned to the suppliers for replacement.

Our quality control team conducts tests on sample products to discover any design defects and confirm suitability of materials. During the production process, we carry out inspections at important stages of our production process, including a final inspection on finished products to ensure that they comply with our specifications and are free from defects.

Our quality control team also carries out quality control on products manufactured by our subcontractors. We conduct strict inspections on third-party subcontractors before we approve them as qualified subcontractors and enter into a business relationship with them. During the production period, we dispatch five to seven inspectors at their production facilities to monitor the production process of such subcontractors from raw materials procurement to finished products testing to ensure the quality of the products produced by such subcontractor is at the same level as those produced by us. Before packing and delivery, every pair of shoes manufactured by our subcontractors will be inspected by our on-site inspectors to ensure no defective product can be delivered to our customers.

We may receive customer complaints from time to time regarding the defects of our products, our after-sales customer service personnel would be actively engaged to resolve these complaints. Any unresolved complaints will be escalated to a designated senior officer in our sales and marketing department for further handling. Such complaints are usually resolved within seven day after receipt.

During the Track Record Period, we received an average of 20 complaints per 30-day period from our distributors and end customers, which mainly consisted of requests for exchange or refund for defective products. Our standard complaints handling procedures are as follows:

- if the defective products were purchased from retail outlets operated by our distributors, the distributor will handle the complaints first; and

- if the defective products were purchased directly from our proprietary outlets, or our distributors are unable to handle the relevant complaints, such complaints will be escalated to our Company and we will conduct inquiries and settle with our end customers.

In addition, we also have set up two telephone hot-lines to receive complaints from our distributors and end customers.

EMPLOYEES

As at 30 June 2013, our Group had a total of 5,650 full-time employees, all located in the PRC. The following table sets forth a breakdown of our employees by function as at 31 May 2013:

	Number of employees	Percentage of total employees
Management and administration, finance and quality control	762	13.5%
Manufacture and production	3,306	58.5%
Product design, research and development	307	5.4%
Sales and marketing management	1,275	22.6%
Total	5,650	100.0%

We provide introduction training programs to our new employees to introduce them our corporate culture, rules and bylaws and safety procedures. We also provide on-going internal training to our employees according to their requirements and the need to enhance their industrial, technical and product knowledge, their work ethic as well as their knowledge of industry quality standards and work safety standards. We encourage our employees to take advanced courses and obtain professional certifications. We also organise and pay for external trainings for certain employees whom we believe are particularly dedicated to our Group.

We believe that we maintain a good working relationship with our employees, and we have not experienced significant problems with our employees or disruption to our operations due to labor disputes.

PROPERTIES

As at the Latest Practicable Date, we owned one parcel of land in China. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. We use our land for our production facilities, office buildings, residential units and other ancillary facilities with an aggregate gross floor area of approximately 68,399 square meters. Since no single property interest that forms part of our non-property activities as a carrying amount of 15% or more of our total assets, our Directors are of the view that this prospectus is exempt from compliance with requirements of Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, both of which require a valuation report with respect to all of the Group's interests in land or buildings.

Owned Properties

As at the Latest Practicable Date, we owned one parcel of land with a total site area of 60,312 square meters in Shishi City, Fujian Province. We have obtained the land use rights certificate for this parcel of land. We primarily use this parcel of land for our production facilities office buildings, ancillary facilities and employee dormitories.

As at the Latest Practicable Date, we owned ten buildings or units with a total gross floor area of approximately 68,399 square meters which were located in Shishi, Fujian Province. We have obtained building ownership certificates to all such properties. We primarily use these buildings for offices, production facilities, ancillary facilities and dormitories for our employees.

Leased Properties

As at the Latest Practicable Date, we leased 47 properties with a total gross floor area of 179,384.77 square meters which were located in Shishi, Fujian Province. We primarily lease these properties for office and business purposes.

Among the 47 leased properties, five buildings or units with a total gross floor area of approximately 7,775.6 square meters have been leased from lessors who were unable to provide the relevant building ownership certificates.

We do not deem these properties crucial to our operations as they are not used as our production facilities and we believe our relocation from these property, if compelled, is not expected to materially interrupt our manufacturing process or sales of our products. If we are compelled to relocate our operations due to title defects, such relocation is expected to take approximately 30 days and cost approximately RMB1.0 million, which is not expected to have any material adverse effect on our financial conditions. Please refer to "Risk Factors – Certain defects in title of our own properties and in our lease agreements relating to certain properties occupied by us in China may materially and adversely affect our ability to use such properties" for detailed discussion of risks relating to defects in title of our lease agreements.

COMPETITION

The PRC footwear manufacturing industry and business casual menswear industry are highly competitive. According to Frost & Sullivan, the PRC footwear market is relatively fragmented. In 2012, the top ten domestic brands had total retail revenue of approximately RMB52.8 billion, representing approximately 50.2% of the total retail revenue for PRC branded footwear. We primarily compete with domestic branded footwear manufacturers based on brand recognition, footwear quality, distribution network and sales channel diversity. See "Risk Factors – Risks Relating to Our Industry – The PRC footwear and menswear manufacturing industry is highly competitive".

Our significant domestic competitors include, among others, Belle International, Daphne International, Aokang International, Red Dragonfly, C. Banner International, Kangnai and Foshan Saturday.

Our competitors may have more resources with which to design and market their products, and offer better products and/or lower prices than we do, and they may increase their market share at our expense. In addition, some of our competitors are publicly-listed companies on domestic stock exchanges or on foreign stock exchanges and therefore, may have better access to financing from capital markets than we do. However, we plan to continue to (i) expand our sales and distribution network, (ii) offer excellent design, quality and comfort of our products, (iii) maintain strong research and development capabilities and (iv) expand and diversify our product portfolio.

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights and rely on intellectual property laws and related registration procedures to protect our intellectual property rights.

As at the Latest Practicable Date, we had 194 registered trademarks, including 富 贵 鸟, FGN and AnyWalk, with the Trademark Office of the State Administration for Industry and Commerce in the PRC. We have also registered our 富贵鸟 FU GUI NIAO in Hong Kong and Taiwan, our FGN in Taiwan and our AnyWalk in Macau, Hong Kong, Taiwan, Russia and Singapore.

As of the Latest Practicable Date, we have been granted 41 patents for footwear products, including 39 utility model patents and two design patents. As at the Latest Practicable Date, we also had six registered domain names. Please see "Appendix VII – Statutory and General Information – 3B. Our intellectual property rights" to this prospectus for further details.

We safeguard our intellectual property rights through the registration of trademarks, and have included and will continue to include relevant protective provisions in contracts with third parties, including our distributorship agreements. We have encountered instances of counterfeit products sold in certain locations in the PRC market from time to time. We do not believe any of these instances, however, significantly affected our business and operations. When such counterfeit products are discovered, our distributors are required to report the instances to us and to take appropriate actions to stop and prevent such counterfeit products from causing further damage to us.

Further, we have established internal policies to manage the risk of inadvertently infringing third parties' intellectual property rights in the designs of our branded products. In particular, we have set up Chinese Walls between designers working on our branded products and the products we manufacture for third parties. Our design and development department is also required to ensure that our branded products sold to our ODM customers are not identical or bear a close resemblance to any designs that are already made public. We only employ designs developed by third parties in the products manufactured for our OEM customers, where we obtained the licence or authorisation via the OEM contracts. Our distributors are required to promptly report to us any infringement of our intellectual properties by any third parties or if they find any counterfeit products on the market and to assist us in protecting our intellectual properties. Our employees are required to promptly report any intellectual property infringement or potential infringement by our Group to research, design and development department, who will then liaise with our senior management and legal advisers to assess the relevant risks and report their assessment to our Directors for further action. Our Directors are not aware of any material infringement of our intellectual property rights by third parties or any material infringement by us of third party intellectual property rights during the Track Record Period and up to the Latest Practicable Date.

INSURANCE COVERAGE

We carry insurance to protect against a range of contingencies, including, among others, damage caused by fire, explosion or lightning stroke to property, plant, equipment and inventory in all of our production facilities and warehouses, and social insurance of the type required under PRC law. For information on the requirements as to insurance under PRC law, please see "Regulations" of this prospectus. We did not make any material insurance claims during the Track Record Period.

We do not have insurance coverage for product liability. However, we believe this practice is in line with the general industry practice in the PRC and, as confirmed by Zhong Lun Law Firm, our PRC legal adviser, we are not required to carry any product liability insurance under the relevant PRC laws. As such, our Directors consider that it is not necessary for us to purchase such insurance and that our insurance coverage in general is adequate for our operations.

ENVIRONMENTAL PROTECTION

We are subject to PRC environmental laws and regulations, including the Environment Protection Law of the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions, discharge of waste water and waste residues. We consider the protection of the environment to be important and have obtained ISO14001:2004 certification for design and production (outsourcing) of western-style clothes and trousers, jackets, shirts, T-shirts, casual trousers, production (outsourcing) of belts, wallets, purses, luggage for our production facility located at Changfu Village, Shishi City, Fujian Province, and design and production of adhesive leather shoes and leather sandals for our production faculties located at Baqi Road, Shishi City, Fujian Province. This certification is valid until 16 May 2014.

We require that all raw materials and accessories we use meet certain environmental standards, including obtaining China Environmental Labeling certification. However, certain processes of footwear production including cementing and sole polishing generate gas containing benzene, volatile organic compounds and dusts which are hazardous to our workers. To limit the spread of such compounds and dusts, we have installed air extractors, waste gas purification equipment and dust collectors in our workshops and provide and require our workers to wear protection masks and gloves in these processes. We also arrange the workers working in these processes to shift with those working in other processes every three months. We collect and store glue containers and transfer them to certain resource recycling institution for safely disposal. We have obtained all relevant pollutant discharge permits and we believe that our environmental protection measures are adequate to comply with all applicable current local and national PRC regulations. We paid approximately RMB0.6 million, RMB0.5 million, RMB1.6 million and RMB0.3 million and RMB0.3 million as costs of compliance with the applicable environmental rules and regulations for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively. The expected cost of compliance with applicable environmental rules and regulations for the year ending 31 December 2013 is approximately RMB800,000.

As at the Latest Practicable Date, no administrative sanctions, penalties or punishments had been imposed upon us for the violation of any environmental laws or regulations.

SAFETY CONTROL

We are subject to PRC laws and regulations on labor, safety and work-related incidents. All of our employees working in our factories must undertake safety training and a physical examination before commencing work and participate in relevant periodic training on an on-going basis. Such safety training includes work-related safety training and fire safety training. For certain working positions that expose workers to possible personal injuries, such as jobs involving cutting, heating or pressing, we provide our relevant employees with special training and protective measures before they commence work. We conduct safety inspections and hold safety inspection meetings on a monthly basis to eliminate potential safety hazards in our production process. We have obtained OHSAS 18001:1999 certification for our design and production of adhesive leather shoes and leather sandals for our production faculties located at Baqi Road, Shishi City, Fujian Province, with a term of three years commencing from 28 December 2010. This certification demonstrates that our occupational health and safety management system meets international standards.

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 AND NON-COMPLIANCE

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our operating results or financial condition. Our PRC legal adviser, Zhong Lun Law Firm, has confirmed that the Company and its PRC subsidiaries have obtained all licences, permits and certificates necessary to conduct their operations and save as disclosed below, operations of the Company and its PRC subsidiaries comply with all the relevant PRC rules and regulations in all material aspects.

We set out below the non-compliances and irregularities relating to our Group during the Track Record Period:

Non-compliance incidents and reasons	Legal consequences and potential maximum penalties and other financial losses	Latest status	Measures taken/to be taken to prevent any future breaches and ensure on-going compliance
PRC employee social insurance scheme contribution regulations			
During the Track Record Period, we did not fully comply with the relevant requirements for making contributions to the social insurance scheme for our relevant employees. We estimate that the social insurance contributions that we may be required to pay as at 31 December 2012 amounted to approximately RMB1.86 million, for the Track Record Period, which is equivalent to the amount of underpayment for (i) employees who participate in the new type of rural social pension insurance; (ii) employees, for whom we are not able to pay unemployment insurance due to their participation in new type of rural social pension insurance instead of social pension insurance; (iii) foreign staff; (iv) employees who participate in the new type of rural medical insurance.	Based on the advice from our PRC legal adviser, besides the outstanding social insurance contributions which we may be required by the relevant authorities to pay up, we may be subject to potential surcharge and fine that could be imposed on us by the relevant authorities.	As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant authorities with respect to the non-compliance with the social insurance scheme contribution requirements, and thus we have not settled the outstanding amount of social insurance contribution up to 30 June 2013. Our PRC legal adviser has advised us that, based on the written confirmation issued by Shishi Human Resources and Social Security Bureau on 24 October 2013, and their understanding of relevant regulations, they are of the view that we will not be penalised by Shishi Human Resources and Social Security Bureau for our underpayment of social pension insurance and unemployment insurance for employees who participate in the new type of rural social pension insurance, and the risk of us being penalised for our underpayment for foreign staff and employees who participate in the new type of rural medical insurance is relatively low, and therefore, we did not make any provision for the underpayment of social insurance contributions. Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us due to our non-compliance of the social insurance contribution regulations (except where any amounts have been provided for in the financial statements of our Company or any of its subsidiaries up to 30 June 2013).	We are in the process of arranging for payment of social insurance for eligible employees in accordance with the PRC laws and regulations. Currently, due to several reasons set forth in the paragraph below, we are not able to settle the outstanding amount of social issuance contribution. However, we expect to comply with relevant PRC laws and regulations as soon as practicable. We will disclose the progress of rectification in the interim or annual reports subsequent to the Listing.

Our underpayment of social insurance contribution for some of our employees was primarily due to (i) the impracticability of paying social insurance contributions to certain local human resources and social security bureaus, as a result of the incompatibility between the relevant PRC regulations and the existing practice involving employees who came from rural areas in the PRC; and (ii) the wishes of certain of our employees who do not want to participate in the social insurance scheme or choose to participate in the new type of rural social pension insurance; (iii) according to the confirmations issued by Shishi Human Resources and Social Security Bureau (石獅市人力資源和社會保障局) on 24 October 2013, employees who participate in the new type of rural social pension insurance scheme shall not participate in social pension insurance, and unemployment insurance should be paid together with social pension insurance. Therefore, we are not able to pay for those employees, who participated in new type of rural social pension insurance during the Track Record Period, the relevant social pension insurance and unemployment insurance. According to "Notice of the Ministry of Human Resources and Social Security, the Ministry of Health and the Ministry of Finance on Issuing the Interim Measures for the Transfer and Continuation of Basic Medical Security Relationships of Migrant Employees" (關於印發流動就業人員基本醫療保障關係轉移接續暫行辦法的通知) and "Guidance Concerning Strengthening and Developing the New Type of Rural Medical Insurance "(關於鞏固和發展新型農村合作醫療制度的指導意見),employees can choose to participate in either medical insurance or new type of rural medical insurance. Accordingly, some of our employees from countryside chose to participate in the new type of rural medical insurance but not medical insurance; (iv) Shishi Human Resources and Social Security Bureau refused to collect social insurance payment for our foreign employees. The estimated amount of our underpayment is relatively insignificant compared to our total turnover. We believe that our underpayment will not have material adverse impacts on our Group's business and operations.

Non-compliance incidents and reasons	Legal consequences and potential maximum penalties and other financial losses	Latest status	Measures taken/to be taken to prevent any future breaches and ensure on-going compliance
PRC Lending General Provisions			
During the Track Record Period, we, in contravention of Lending General Provisions, issued by the PBOC, extended loans to our related parties, in an aggregate amount of RMB1,787 million, RMB2,442 million and RMB1,379 million in the years ended 31 December 2010, 2011 and 2012, respectively, which was primarily used by our related parties for their working capital and operation purposes, and received aggregate interest from those loans in an amount of RMB24.5 million, RMB26.2 million and RMB10.3 million for the years ended 31 December 2010, 2011 and 2012, respectively. The reason for the non-compliance was that we were unfamiliar with the Lending General Provisions, which were promulgated in 1996 and we thought they were only applicable to financial institutions rather than manufacturing companies. These loans have been fully repaid by our related parties by 10 August 2012.	Our Directors are of the view that the maximum penalty for the non-compliant loans would be RMB89.9 million, which has been confirmed by our PRC legal adviser, Zhong Lun Law Firm. However, on 12 September 2013, our PRC legal adviser, Zhong Lun Law Firm, conducted interviews with the competent authorities, Shishi Banking Regulatory Bureau and the Shishi branch of the PBOC, with regard to our extending loans to our related party, Shishi Fuguiniao, during the Track Record Period. Both Shishi Banking Regulatory Bureau and the Shishi branch of the PBOC have confirmed that they would not penalize our Group for such non-compliance incidents. Based on the results of the interviews, our PRC legal adviser, Zhong Lun Law Firm, is of the view that we will not be penalized by relevant competent authorities for such non-compliance incidents.	As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the PBOC with respect to the non-compliance with the loans we lent to Shishi Fuguiniao. Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us due to our non-compliance with the loans we lend to Shishi Fuguiniao.	We have stopped providing any loans to other entities beginning in August 2012, and will not engage in any financing activities as a lender in the future without authorisation from the PBOC. In addition, we have set up a securities and legal department to provide legal support for our daily operations.

We extended loans to our related parties during the Track Record Period to provide working capital for their business operations. The following table sets forth the outstanding balance with each related party as at 31 December 2010, 2011 and 2012 and 30 June 2013.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Shishi Fuguiniao	233,827	101,560	–	–
Shishi Andy	54,905	23,393	–	–
Xuzhou Fuxingyuan	107,177	91,175	–	–
Shishi Henglin	4,481	4,650	–	–
Lina Real Estate	31,245	5,410	–	–
Quanzhou Tianyuan	2,378	2,467	–	–
	434,013	228,655	–	–

In addition, we have implemented the following internal control measures to prevent recurrence of similar non-compliance incidents and also to ensure our ongoing compliance with the relevant PRC laws and regulations: (i) we have adopted relevant rules regarding connected transactions in 2012, in accordance to which all connected transactions, if any, should obtain appropriate level of approval from our Shareholders, Board of Directors or our chief executive officer, based on the amount of the connected transaction. We will adopt relevant rules in connection with connected transactions in accordance with the Listing Rules upon Listing; (ii) we have engaged an outside domestic legal adviser to provide us with legal advice on an as-needed basis; (iii) we plan to engage an outside Hong Kong legal adviser and a compliance adviser to provide relevant training on a regular basis for our internal control staff to bolster their knowledge and understanding; and (iv) we have established a securities and legal department to monitor our compliance with the relevant PRC laws and regulations in connection with our business operations.

The major functions of our securities and legal department include, among others, (i) monitoring our compliance with PRC and Hong Kong laws and regulations; (ii) drafting, reviewing and providing comments on all contracts and legal documents needed for our daily operation; (iii) preparing quarterly reports, interim reports, annual reports and other announcements required by the Listing Rules; (iv) coordinating and liaising with the CSRC, the SFC, the Hong Kong Stock Exchange and other government and administrative agencies; (v) filing applications for trademarks, patents and copyrights and providing proactive advises regarding protection of our intellectual property rights; (vi) arranging and preparing for Board meetings and Shareholders' meetings; (vii) conducting preliminary research and analysis of relevant laws and regulations to assess legal risks and provide internal legal advice to the extent appropriate; and (viii) liaising with, and seeking legal advice from, our outside legal counsels.

Currently, our securities and legal department consists of seven personnel and is led by Mr. Liu Guodong, as manager, and Mr. Huang Shunyu, as vice manager. Mr. Liu Guodong was qualified as a Certified Public Accountant both in Hong Kong and the PRC. For details of Mr. Liu Guodong's background, please see "Directors, Supervisors and Senior Management – Company Secretary" in this prospectus. Mr. Huang Shunyu has over eight years of experience in capital markets, including five years of experience in other PRC-listed companies. We also have two legal counsels in our securities and legal department, Ms. Li Xiaoying and Mr. Wang Xuming, who have over three years and five years legal experience, respectively. We plan to recruit another legal counsel to act as legal manager for our securities and legal department by the end of November 2013. In addition, we will expand our legal department if our business and operations expand in the future.

On the basis of the preventive measures mentioned above, our Directors are of the view that we have adequate internal control procedures in place for purpose of Rule 3A.15(5) of the Listing Rules. Furthermore, having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section and our Group's internal control measures to avoid recurrence of these non-compliance incidents, our Directors are of the view that these past non-compliance incidents do not affect their suitability to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules.

During the Track Record Period, we were subject to administrative penalties from Shishi Quality and Technical Supervision Bureau in connection with certain of our products not meeting relevant quality and technical standards. The details of these administrative penalties are set forth below:

Administrative action	Administrative Penalties	Latest status	Measures taken/to be taken to prevent future breaches and ensure on-going compliance
On 8 June 2010 and 14 September 2010, Shishi Quality and Technical Supervision Bureau issued penalty decision letters, No. Z15 "Administrative Penalty Decision Letter" (獅質監罰字[2010]第Z15號《行政處罰決定書》) and No. Z28 "Administrative Penalty Decision Letter" (獅質監罰字[2010]第Z28號《行政處罰決定書》), respectively, requesting us to terminate manufacturing two series of our women's footwear products, F009907K and H915111C in 2010, which did not meet the relevant quality and technical supervision standards.	We were required to terminate manufacturing series F009907K and H915111C women's footwear and were given administrative penalty in the amount of RMB17,950 and RMB11,910, respectively. The penalty has been fully paid as at the Latest Practicable Date.	We have terminated manufacturing these two series of women's footwear and fully paid the administrative penalties.	Since 14 September 2010, we have improved our manufacturing procedures that require us to wait 24 hours for the glue's adhesive effect to take place before the footwear products are sent to our finished-product warehouse for distribution, and Shishi Quality and Technical Supervision Bureau has issued us a letter, which confirmed that we did not have any material non-compliance with all the relevant quality and technical control standards during the Track Record Period.

The relevant quality and technical supervision standards of the relevant defective products are that the peel strength of sole should be higher than 40 N/cm. The defect was discovered during the aperiodic inspections from Shishi Quality and Technical Supervision Bureau. The reason the series F009907K and H915111C women's footwear products were deemed defective was their peel strength did not meet the relevant standards. This was primarily because we sent the relevant footwear products to our finished-product warehouse only two hours after they were produced, while according to the nature of the glue used, 12 to 24 hours are generally needed to properly enhance the peel strength of the sole. We have implemented procedures that require us to wait 24 hours for the glue's adhesive effect to take place before the footwear products are sent to our finished-product warehouse for distribution. Other than disclosed herein, we are not aware of any other material non-compliance with all applicable quality and technical standards during the Track Record Period. In addition, we separated our quality control department from our production department so that the quality control staff can more independently monitor the quality standards of our products.

As to series F009907K women's footwear products, for the year ended 31 December 2010, the sales volume was 925 pairs and the amount of turnover generated was approximately RMB145,000. We did not make any product recall because the transportation of these products took three to seven days and when the products reached our customers, the peel strength of the products has naturally enhanced and the products will meet all of the relevant qualify standards since 12 to 24 hours are generally needed to properly enhance the peel strength of the sole. Thus, we did not receive any complaint from our customers with regard to these products.

As to series H915111C women's footwear products, during 2010 we only produced 40 pairs, which were not sold to our customers. We subsequently recalled all of these products after the inspection. The relevant quality and technical supervision standards used in the inspection, the way the defect was discovered and the underlying reason for such defect were the same as the above-mentioned series F009907K women's footwear products.

Since Shishi Quality and Technical Supervision Bureau has confirmed that we did not have any material non-compliance with the relevant quality and technical control standards during the Track Record Period, we believe that the above-mentioned administrative penalties will not have any material adverse impact on our Group's business and results of operations.

The Directors are of the view that they have taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with the PRC laws and regulations.

Our Group reviewed the internal control procedures and as at the Latest Practicable Date, our Group had implemented all of the recommendations identified in the internal control report. On the basis of the Sole Sponsor's review of the enhanced internal control procedures of our Group, the due diligence discussions carried out with our Company's Directors and PRC legal advisors on the reasons for and remedial measures that our Company has taken to prevent the recurrence of similar non-compliance incidents, the Sole Sponsor is not aware of any evidence suggesting that our Group's current internal control system does not comply with paragraph (b)(v) in Appendix 19 to the Listing Rules.