

SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading domestic sportswear enterprises in the PRC. As of the Latest Practicable Date, our 361° products were sold at more than 5,900 361° authorised retail outlets in 31 provinces and most major cities in the PRC. According to Frost & Sullivan, among the ten major participants of the PRC sportswear market (selected based on revenue for 2008), we were the fastest growing brand in terms of revenue growth rate for 2008 as compared to 2007, a top five domestic brand in terms of revenue for 2008, accounting for 4.2% of the total revenue of the PRC sportswear market for the same period, and a top five brand in terms of the number of retail outlets in the PRC as of 31 March 2009.⁽¹⁾ We design, develop, produce, market and distribute high performance, innovative and stylish sportswear products, including athletic footwear, apparel and accessories. Our 361° products are marketed primarily to the fast-growing, up-and-coming consumer group comprised of sports-minded consumers between the ages of 16 and 25. Founded in 2003, we have grown rapidly in recent years in terms of sales and number of authorised retail outlets. We believe our growth has been driven principally by the successful promotion of our 361° brand, rapid expansion of the 361° retail network, improved product designs, expansion of our range of product offerings, and our conversion to an exclusive distributorship business model. Increasing market demand for sportswear products and improving economic conditions in the PRC also contributed to our growth.

Our brand, 361°, represents the 360 degrees of a complete circle plus one extra degree, symbolising our goal of establishing our brand to provide complete satisfaction in athleticism and functionality, plus an added degree of innovation and creativity. It also represents our continuous commitment to always pursuing one more degree of management and operational excellence and highlights our goal of distinguishing 361° from other competitors by this one degree.

We place great emphasis on brand building and promoting our 361° products. We produce integrated, theme-based print, television and Internet advertising that promote 361°'s spirit of passion and individualism. We also create influential co-marketing campaigns through our selection of top athletes, such as Olympic badminton gold medallists Ms. Zhang Ning (張寧) and Mr. Lin Dan (林丹), as our spokespersons and the sponsorship of high quality, brand enhancing sporting events, such as the 361° China University Basketball Super League (361° 中國大學生籃球超級聯賽), the Xiamen International Marathon (廈門國際馬拉松賽) and various other promotional activities. This allows us to develop product tie-ins that are cross-marketed during the events' promotional campaigns and, in turn, stimulate in-store sales of our 361° products. Our 361° trademark has been recognised as a “China Well-Known Trademark” (中國馳名商標) by the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局) and a “China Famous Brand” (中國名牌) (for 361° sports footwear) by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局).

In collaboration with external design agencies, our in-house design team of 49 staff develops stylish and functional sportswear products for a wide variety of sporting activities. Our team caters to consumer trends while echoing thematic elements from our integrated marketing campaigns to establish a unified image for our brand and products.

We also pride ourselves on creating high performance sportswear products for our consumers. Our team of 57 dedicated research and development staff is engaged in developing new technologies and applications to

Note:

(1) Please refer to “Industry Overview — The PRC Sportswear Industry” section in this prospectus for more information.

SUMMARY

enhance the technical innovations and performance of our 361° products. Our two laboratories, the primary role of which is quality control testing, also provide data to our research and development department to assist them in developing new technologies and applications. Key achievements of our research and development departments include patented sportswear technologies, such as NFO Tech soles, which enhance the shock absorbing characteristics of soles, and Hold Ground Tech, which enhances the gripping power of soles. We currently hold six patents related to footwear.

To better manage our growth, enhance our market penetration in retail channels and focus our resources on overall brand building and product design and development, we shifted our business model in the beginning of 2008. Under the new business model, we sell our 361° products exclusively to our distributors, who in turn sell our 361° products to authorised retailers within the exclusive geographic areas assigned to them pursuant to annual distributorship agreements. The authorised retailers then sell our 361° products to consumers in 361° authorised retail outlets (including individual outlets and store counters in department stores) which have been specifically authorised by our distributors, with our consent, to sell exclusively our 361° products. The new business model improves our efficiency in the distribution of our 361° products and reduces our selling and distribution expenses as we only need to manage a relatively small number of customers compared to hundreds of customers under the previous business model. In addition, by leveraging our distributors' local resources and business networks, we are able to expand the 361° retail network more efficiently. Since the adoption of our new business model, we ceased entering into new purchase contracts with customers who are not our distributors. However, since we continued to honour our obligations under the purchase contracts entered into prior to 2008 up to December 2008, approximately 4.6% and 0.4% of our 361° product sales during the six months ended 30 June 2008 and the nine months ended 31 March 2009, respectively, were made to these customers pursuant to such purchase contracts. No sales have been made to such customers who are not our distributors since January 2009.

Prior to 2008, substantially all of our revenues were generated from sales of our 361° products to customers who were primarily wholesalers and authorised retailers (including department stores) of sportswear products pursuant to purchase contracts which covered orders for a particular season. These customers either resold our 361° products to authorised retailers or sold our 361° products at their self-operated authorised retail outlets. The purchase contracts set out the sales terms including price, purchase quantity, delivery terms and settlement terms. As we did not adopt a wholesale distribution business model before 2008, we did not enter into any long-term agreements which governed our relationship with our pre-2008 customers.

We select our distributors based on their capital base, financial stability, expertise in retail distribution, retail management and history of operation in the sportswear industry, as well as their commitment to the expansion of the 361° retail network. We have entered into an annual distributorship agreement with each of our distributors since February 2008. The terms of each of our distributorship agreements are substantially the same and include such terms as geographical exclusivity, product exclusivity, payment terms, minimum purchases, minimum number of new 361° authorised retail outlets to be opened and certain other undertakings. Under the new distributorship business model, we have adopted a uniform pricing policy with a national suggested retail pricing system. We sell our 361° products to our distributors at a uniform discount to the suggested retail price, and our distributors, in turn, sell our 361° products to their authorised retailers at a uniform price that has been approved by us. We do not have any contractual relationship with our authorised retailers.

As of the Latest Practicable Date, the distribution network of our 361° products consisted of 30 distributors who oversaw 3,173 authorised retailers. These authorised retailers owned and operated 5,925 361° authorised retail outlets, covering 31 provinces and more than 450 district-level cities, as well as more than 1,200 county-level cities in the PRC. Currently, we do not have any interest in, or operate, any of our distributors, authorised retailers, or 361° authorised retail outlets. While we do not have direct contractual relationships with authorised retailers, our distributors enter into separate agreements with authorised retailers and require them to comply with our standard operating procedures, some of which include guidelines on the design and layout of 361° authorised retail outlets, product pricing and customer service. To ensure compliance with these procedures and to assist authorised retailers with marketing and sales, our regional sales managers routinely visit 361° authorised retail outlets. In addition, we offer authorised retailers and 361° authorised retail outlets training programmes several times a year.

SUMMARY

We introduce our new products to our distributors and authorised retailers at our sales fairs, which have historically been held three times a year, in February, May and August, approximately four to six months before a new season's products are introduced to consumers. Our distributors place their orders for the products featured at a sales fair, and we then use these orders to determine production schedules and quantities, and either manufacture the ordered products at our own production facilities or outsource the manufacturing to various contract manufacturers. As we manufacture products only after receipt of purchase volume indications from our distributors, and in the quantities ordered, we are able to coordinate raw material supplies and inventory levels with manufacturing and distribution, which allows us to better control inventory levels and achieve timely delivery of products to our distributors.

Our production facilities are located in Jinjiang City, Fujian Province, the PRC. As of the Latest Practicable Date, we operated 16 footwear production lines, with an aggregate annual production capacity of approximately 13.6 million pairs of footwear. We do not operate any production facilities for apparel or accessories and have, during the Track Record Period, outsourced all production of those products to third-party contract manufacturers.

Our revenues for the financial years ended 30 June 2006, 2007 and 2008 were RMB262.9 million, RMB373.3 million and RMB1,317.1 million, respectively, representing a CAGR of 123.8%. Our gross profits for the financial years ended 30 June 2006, 2007 and 2008 were RMB27.1 million, RMB76.9 million and RMB348.0 million, respectively, representing a CAGR of 258.6%. Our net profits for the financial years ended 30 June 2006, 2007 and 2008 were RMB11.0 million, RMB22.9 million and RMB179.0 million, respectively, representing a CAGR of 303.3%. Our revenues for the nine months ended 31 March 2008 and 2009 were RMB853.7 million and RMB2,423.7 million, respectively, representing an increase of 183.9%. Our gross profits for the nine months ended 31 March 2008 and 2009 were RMB202.4 million and RMB791.3 million, respectively, representing an increase of 291.1%. Our net profits for the nine months ended 31 March 2008 and 2009 were RMB102.7 million and RMB364.2 million, respectively, representing an increase of 254.8%. The significant growth in our profits for the financial year ended 30 June 2008 and the nine months ended 31 March 2009, as compared to the financial year ended 30 June 2007 and the nine months ended 31 March 2008, respectively, was primarily due to the successful promotion of our 361° brand, rapid expansion of the 361° retail network, improved product design, expansion of our range of product offerings, and our conversion to an exclusive distributorship business model, which encouraged our distributors to concentrate their resources exclusively on the wholesale distribution of our 361° products and helped us to develop and expand the 361° retail network.

COMPETITIVE STRENGTHS

We have grown quickly to become one of the leading sportswear brands in the PRC, and according to Frost & Sullivan, we were the fastest growing sportswear brand among the ten major participants of the PRC sportswear market (selected based on revenue for 2008) in terms of revenue growth rate for 2008 as compared to 2007. We believe that our ability to rapidly expand our business and capture the increasing opportunities in the PRC sportswear market is underpinned by the following competitive strengths:

- A leading and one of the fastest growing sportswear brands in the PRC
- Extensive nationwide distribution network
- Innovative design and product development capability
- Innovative marketing and promotion strategies
- Experienced and professional management team

SUMMARY

BUSINESS STRATEGIES

We aim to become the leading domestic sportswear brand in the PRC in terms of brand recognition and market share and to maximise shareholder value. The following sets forth our key business strategies which we expect to implement to meet our overall goal of increasing market share in the PRC sportswear market:

- Expand our ten core markets and distribution network
- Further develop and increase awareness of our 361° brand
- Leverage our 361° brand into sub-brands and broaden the 361° authorised retail outlet format
- Increase investment in product research and development
- Increase production efficiency by improving supply chain management

RISK FACTORS

We believe that our business is subject to a number of risk factors, a summary of which is set out in the section headed “Risk Factors” in this prospectus. These risks can be broadly classified into:

- Risks relating to our business
- Risks relating to the PRC sportswear industry
- Risks relating to conducting business in the PRC
- Risks relating to the Global Offering and our Shares

Set out below is a summary of the risks referred to above.

Risks relating to our business

- We rely heavily on our 361° brand. Failure to effectively promote or maintain our 361° brand may materially and adversely affect our future success
- Our 361° brand has a limited history in the branded sportswear industry and our new exclusive distributorship business model has a short track record
- Consumer sales of our 361° products are conducted by authorised retailers over whom we have no direct control
- Our sales depend on the popularity of our 361° brand and the market perception and consumer acceptance of our 361° products, which in turn depends on our ability to anticipate and respond in a timely manner to rapid changes in consumers’ tastes
- A distributor’s failure to perform its obligations under its distributorship agreement with us could materially and adversely affect the business of the authorised retailers of an entire geographic area, as well as our reputation, brand, image and future prospects
- We rely on a small number of customers for a significant portion of our sales; we rely on third-party distributors and authorised retailers for sales of our 361° products and our failure to maintain good relationships with our distributors or failure by them to ensure that authorised retailers adhere to our retail policies may adversely affect our business
- We rely on our distributors to oversee authorised retailers and to expand the 361° retail network
- Our ability to accurately track the sales and inventory levels at our distributors and 361° authorised retail outlets may be limited
- We may fail to execute our growth strategy or maintain our growth rate

SUMMARY

- We are dependent on a small number of contract manufacturers for the production of a portion of our footwear and all of our apparel and accessories
- We are dependent on certain of our key personnel. Our inability to attract, retain and motivate qualified key personnel could materially and adversely affect our business and prospects
- Historical financial performance should not be used as an indicator for our future financial performance
- We rely on a small number of suppliers for certain raw materials. Unfavourable fluctuations in the price, availability and quality of raw materials could cause material production delays and materially increase our production costs
- Prices of our products are subject to factors beyond our control
- Any significant damage to our administrative or production facilities could have a material adverse effect on our results of operations
- If our distributors do not pay us for their purchases in a timely manner or at all, our financial condition and results of operations could be materially and adversely affected
- We recorded negative operating cash flow for the two financial years ended 30 June 2006 and 2007, and recorded positive operating cash flow for the financial year ended 30 June 2008 and the nine months ended 31 March 2009, and may not be able to continue to record positive operating cash flow in the future
- The registration in the PRC of certain patents are still pending and may not be approved
- We may not be able to adequately protect our intellectual property rights, which could harm our 361° brand and our business
- Our business could be materially and adversely affected by claims of third parties for possible infringement of their intellectual property rights
- Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies
- Labour disputes could significantly affect our operations
- We may be exposed to product liability, property damage or personal injury claims, which may materially and adversely affect our reputation and business

Risks relating to the PRC sportswear industry

- We operate in a highly competitive market and the intense competition we face may result in a decline in our market share and lower profit margins
- Our sales are subject to seasonality and weather conditions, which could cause our results of operations to fluctuate

Risks relating to conducting business in the PRC

- Fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC may significantly affect our business, financial condition, results of operations and prospects
- Our business may be materially and adversely impacted by recent financial difficulties and economic conditions in the United States, Europe and elsewhere
- Changes in the laws, regulations and policies adopted by the PRC Government, including in relation to the environment, labour and taxation, may materially and adversely affect our business, financial condition, results of operations and prospects

SUMMARY

- Restrictions on foreign exchange and payments of dividends may limit our operating subsidiaries' ability to remit payments to our Company
- We are a holding company that heavily relies on dividend payments from our subsidiaries for funding
- Fluctuations in foreign exchange rates may materially and adversely affect our financial condition and results of operations
- Any change in our tax treatment, including an unfavourable change in preferential enterprise income tax rates in the PRC, may have a material adverse impact on our financial condition and results of operations
- Gains on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes
- It may be difficult to effect service of process on, or to enforce judgements obtained outside the PRC against, us, our Directors or our senior management members who reside in the PRC
- The PRC legal system is not fully developed and has inherent uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could limit the legal protections available to investors
- Changes in existing laws and regulations or additional or stricter laws and regulations on environmental protection in the PRC may cause us to incur additional capital expenditures
- Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business
- Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose vehicles by our beneficial owners may materially and adversely affect our business operations
- Increases in labour costs and other costs of production in the PRC could materially and adversely affect our profitability
- New labour laws in the PRC may materially and adversely affect our results of operations

Risks relating to the Global Offering and our Shares

- There has been no prior public market for our Shares and an active trading market for our Shares may not develop
- The liquidity, trading volume and trading price of our Shares may be volatile
- The sale or availability for sale of substantial amounts of our Shares could materially and adversely affect their market price
- Prior dividend distributions are not an indication of our future dividend policy
- The interests of our Controlling Shareholders may not always coincide with the interests of our Company and our other Shareholders, and our Controlling Shareholders may exert significant control or substantial influence over us and may take actions that are not in, or may conflict with, our other Shareholders' best interests
- Investors will experience immediate dilution in net tangible asset value per Share and may experience further dilution if we issue additional Shares in the future
- The costs of share options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme may materially and adversely affect our results of operations and any exercise of the options granted may result in a material dilution to our Shareholders
- You should not rely on any information contained in press articles or other media regarding our Group and the Global Offering

SUMMARY

SUMMARY FINANCIAL INFORMATION

The tables below summarise our combined financial information for the financial years ended 30 June 2006, 2007 and 2008 and the nine months ended 31 March 2008 and 2009, and as of 30 June 2006, 2007 and 2008 and 31 March 2009. Financial results for the nine months ended 31 March 2009 are not necessarily indicative of the results that may be expected for the year ending 30 June 2009. Our combined financial information as of and for the nine months ended 31 March 2008 has not been audited. The following summary was extracted from our combined financial statements included in the accountants' report set out in Appendix I to this prospectus. You should read the entire financial statements, including the notes thereto, included in Appendix I to this prospectus for more details.

Summary Combined Income Statement Information

	For the financial year ended 30 June			For the nine months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenues	262,923	373,346	1,317,069	853,651	2,423,679
Cost of sales	(235,865)	(296,423)	(969,041)	(651,292)	(1,632,354)
Gross profit	27,058	76,923	348,028	202,359	791,325
Other revenue	824	1,591	2,467	1,031	5,827
Other loss	—	—	(1,948)	—	(54)
Selling and distribution expenses	(9,977)	(36,484)	(106,409)	(62,507)	(286,288)
Administrative expenses	(5,668)	(12,699)	(39,595)	(24,561)	(68,209)
Profit from operations	12,237	29,331	202,543	116,322	442,601
Finance costs	(1,250)	(3,026)	(5,371)	(3,457)	(11,883)
Profit before taxation	10,987	26,305	197,172	112,865	430,718
Income tax	19	(3,394)	(18,199)	(10,209)	(66,513)
Profit for the year/period	11,006	22,911	178,973	102,656	364,205
Dividends payable to equity shareholders of the Company attributable to the year/period:					
Dividends declared during the year/period	—	—	—	—	45,342
Dividends declared after the balance sheet date	—	—	—	—	31,400
	—	—	—	—	76,742
Basic earnings per share (RMB)	0.007	0.015	0.119	0.068	0.243

SUMMARY

Summary Combined Balance Sheet Information

	As of 30 June			As of 31 March
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Current assets	249,064	350,030	1,040,235	1,950,639
Non-current assets	20,266	40,892	112,080	244,937
Total Assets	<u>269,330</u>	<u>390,922</u>	<u>1,152,315</u>	<u>2,195,576</u>
Equity and Liabilities				
Current liabilities	197,592	263,791	831,145	1,541,814
Non-current liabilities	—	—	3,584	16,555
Total Equity	<u>71,738</u>	<u>127,131</u>	<u>317,586</u>	<u>637,207</u>
Total Equity and Liabilities	<u>269,330</u>	<u>390,922</u>	<u>1,152,315</u>	<u>2,195,576</u>

Summary Combined Cash Flow Statement Information

	For the financial year ended 30 June			For the nine months ended 31 March	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash (used in)/generated from operating activities	(39,868)	(52,540)	4,734	(7,685)	162,483
Net cash used in investing activities	(5,113)	(9,378)	(121,487)	(44,177)	(149,660)
Net cash generated from financing activities	49,337	73,696	202,101	116,991	8,122
Net increase in cash and cash equivalents	<u>4,356</u>	<u>11,778</u>	<u>85,348</u>	<u>65,129</u>	<u>20,945</u>
Cash and cash equivalents at end of year/period	<u>11,769</u>	<u>23,547</u>	<u>108,895</u>	<u>88,676</u>	<u>129,840</u>

Summary Revenue Components

	For the financial year ended 30 June						For the nine months ended 31 March					
	2006		2007		2008		2008		2009			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%		
Revenues												
Footwear	240,325	91.4	345,890	92.6	866,134	65.8	599,087	70.2	1,133,237	46.8		
Apparel	21,229	8.1	22,739	6.1	432,737	32.8	248,211	29.1	1,232,942	50.9		
Accessories and others ⁽¹⁾	1,369	0.5	4,717	1.3	18,198	1.4	6,353	0.7	57,500	2.3		
Total	<u>262,923</u>	<u>100.0</u>	<u>373,346</u>	<u>100.0</u>	<u>1,317,069</u>	<u>100.0</u>	<u>853,651</u>	<u>100.0</u>	<u>2,423,679</u>	<u>100.0</u>		

Note:

(1) "Others" include revenues from sales of TPR and TPU pellets for the three financial years ended 30 June 2008 and sales of certain packaging materials for the nine months ended 31 March 2009, respectively.

SUMMARY

PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 30 JUNE 2009

Estimated combined net profit of our Group^{(1)&(2)} *not less than RMB552.5 million (HK\$627.9 million)*

Estimated earnings per Share

• pro forma fully diluted ⁽³⁾	<i>RMB0.276 (HK\$0.314)</i>
• weighted average ⁽⁴⁾	<i>RMB0.368 (HK\$0.418)</i>

Notes:

- (1) The bases and assumptions on which the above profit estimate for the year ending 30 June 2009 have been prepared are summarised in Appendix III to this prospectus.
- (2) The estimated combined net profit of our Group for the financial year ending 30 June 2009 prepared by our Directors is based on, in the absence of unforeseen circumstances, the audited combined accounts of our Group for the nine months ended 31 March 2009, the unaudited management accounts of our Group for the one month ended 30 April 2009 and a forecast of the combined results of our Group for the two months ending 30 June 2009. Our Directors were not aware of any unforeseen circumstances which have arisen during the nine months ended 31 March 2009. The estimate has been prepared on the basis of the accounting policies being consistent in all material respects with those currently adopted by our Group as set out in note 1 "Significant accounting policies" under section C of the accountants' report set out in Appendix I to this prospectus.
- (3) The calculation of the estimated earnings per Share on a pro forma fully diluted basis is based on the estimated combined net profit for the year ending 31 March 2009, assuming that our Company had been listed since 1 July 2008 and a total of 2,000,000,000 Shares have been in issue during the entire year. The calculation of the estimated earnings per Share on a pro forma fully diluted basis does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme.
- (4) The calculation of estimated earnings per Share on a weighted average basis is based on the estimated combined net profit for the financial year ending 30 June 2009 and a weighted average number of 1,501,369,863 Shares expected to be in issue during the year. This calculation assumes that the Over-allotment Option will not be exercised and the Shares issued pursuant to the Global Offering will be issued on 30 June 2009.

GLOBAL OFFERING STATISTICS⁽¹⁾

	<u>Based on an Offer Price of HK\$3.15</u>	<u>Based on an Offer Price of HK\$4.35</u>
Market capitalisation of the Shares ⁽²⁾	HK\$6,300.0 million	HK\$8,700.0 million
Prospective price/earnings multiple		
• Pro forma fully diluted ⁽³⁾	10.0 times	13.9 times
• Weighted average ⁽⁴⁾	7.5 times	10.4 times
Unaudited pro forma net tangible asset value per Share ⁽⁵⁾	HK\$1.09	HK\$1.38

Notes:

- (1) All statistics in this table do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme.
- (2) The calculation of market capitalisation is based on 2,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalisation Issue.
- (3) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the estimated earnings per Share for the financial year ending 30 June 2009 on a pro forma fully diluted basis at the respective Offer Prices of HK\$3.15 and HK\$4.35.
- (4) The calculation of the prospective price/earnings multiple on a weighted average basis is based on the estimated earnings per Share for the financial year ending 30 June 2009 on a weighted average basis assuming the Global Offering occurs on 30 June 2009, at the respective Offer Prices of HK\$3.15 and HK\$4.35.
- (5) The unaudited pro forma net tangible asset value per Share has been arrived at after adjustments referred to in the section headed "Financial Information—Unaudited pro forma net tangible assets" in this prospectus and on the basis of 2,000,000,000 Shares in issue at the respective Offer Price of HK\$3.15 and HK\$4.35 per Share immediately following completion of the Global Offering and the Capitalisation Issue.

DIVIDEND AND DIVIDEND POLICY

Our Company declared a dividend of RMB45.3 million in December 2008 and a dividend of RMB31.4 million in June 2009. All such dividends were paid out prior to the Listing. Save as above, no other dividends were paid by us or any of our subsidiaries to their then shareholders during the Track Record Period.

SUMMARY

No dividends may be declared or paid other than out of profit and reserves of our Company lawfully available for distribution, including share premium. We may declare dividends via a general meeting but the amount may not exceed the amount recommended by our Directors. We may from time to time also pay interim dividends as determined by our Directors to be justified by our profit and may also pay half yearly or at other intervals at a fixed rate if our Directors are of the opinion that the profit available for distribution justifies the payment.

Our Board of Directors will declare dividends, if any, in Hong Kong dollars on a per Share basis and will pay such dividends in Hong Kong dollars. The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profit, the constitution of our Company, the Companies Law, applicable laws and regulations and other factors that our Directors may consider as relevant. Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the absolute discretion of our Directors. Our future declaration of dividends may or may not reflect on its historical declarations of dividend. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

Subject to the factors described above, our Board of Directors currently intends to recommend at the relevant shareholders meetings of the Company an annual dividend of no less than 20% of the net profit available for distribution to our Shareholders in the foreseeable future.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,741.2 million, assuming an Offer Price of HK\$3.75 per Share, being the mid-point of the proposed Offer Price range of HK\$3.15 to HK\$4.35 per Share, after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised, which we currently intend to apply as follows:

- as to approximately HK\$677.3 million (equivalent to approximately 38.9% of our total estimated net proceeds) for developing and increasing awareness of our brand through media advertising (such as television commercials, outdoor displays and magazine advertising), sponsoring major sports events and leagues, marketing campaigns and endorsements of athletes and sports teams and establishing our self-owned and operated flagship stores in prime locations in major and fast-growing cities of the PRC. This portion of the net proceeds will be dedicated as follows: approximately HK\$208.9 million for developing and increasing awareness of our brand, approximately HK\$208.9 million for sponsorships and marketing, and approximately HK\$259.5 million for establishing flagship stores;
- as to approximately HK\$560.7 million (equivalent to approximately 32.2% of our total estimated net proceeds) for developing our facilities in Fujian Province, the PRC, which will include: approximately HK\$527.6 million for the construction of new production facilities as well as new corporate headquarters and office; and approximately HK\$33.1 million for the purchase of machines and equipment for our new production facilities. Details regarding the above development of our facilities are set out in the section headed “Business—Manufacturing—Our Production Facilities” of this prospectus;
- as to approximately HK\$156.7 million (equivalent to approximately 9.0% of our total estimated net proceeds) for developing a distinct children’s footwear and apparel sub-brand. This portion of the net proceeds will be dedicated as follows: approximately HK\$3.5 million for design and development, approximately HK\$10.5 million for opening directly-owned retail outlets focused on such brand, approximately HK\$1.7 million for additional staff costs and approximately HK\$141.0 million for marketing and promotion expenses;
- as to approximately HK\$104.5 million (equivalent to approximately 6.0% of our total estimated net proceeds) for establishing a new product testing and research and development laboratory. This portion of the net proceeds will be dedicated as follows: approximately HK\$24.4 million for recruiting

SUMMARY

international research and development staff, approximately HK\$24.4 million for acquiring machines and equipment and approximately HK\$55.7 million for recruiting domestic research and development staff and funding the operating expenses of the new product testing and research and development laboratory;

- as to approximately HK\$67.9 million (equivalent to approximately 3.9% of our total estimated net proceeds) for establishing an enterprise resource planning system. This portion of the net proceeds will be dedicated as follows: approximately HK\$41.8 million for building up of the information technology network and obtaining the necessary consulting services and system software and approximately HK\$26.1 million for acquiring and installing point of sale servers at all of the 361° authorised retail outlets; and
- the remaining approximately HK\$174.1 million (equivalent to approximately 10.0% of our total estimated net proceeds) towards working capital and other general corporate purposes.

There are currently no concrete plans for us to apply the net proceeds towards the acquisition of any specific property or company (including pursuant to which paragraph 12 of the Third Schedule of the Companies Ordinance applies).

The net proceeds that we estimate we would receive from subscriptions for additional Shares in the event the Over-allotment Option is exercised in full is approximately HK\$228.0 million and HK\$314.8 million (assuming the lowest and highest points of the proposed Offer Price range, respectively). In the event the Over-allotment Option is exercised in full, we presently intend to apply the additional proceeds to the above uses in the proportions stated above.

If the Offer Price is fixed above or below HK\$3.75 per Share, being the mid-point of the proposed Offer Price range of HK\$3.15 to HK\$4.35 per Share, we intend to adjust the allocation of the net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the Global Offering, when combined with such alternate sources of financing, are sufficient for the uses set forth above. To the extent that the net proceeds of the Global Offering are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing demand deposits with financial institutions.

THE GLOBAL OFFERING

The Global Offering consists of:

- the offer of initially 50,000,000 Hong Kong Offer Shares for subscription by the public in the Hong Kong Public Offer; and
- the offer of initially 450,000,000 International Placing Shares by our Group (a) in the United States to qualified institutional buyers (as such term is defined in Rule 144A under the US Securities Act), and (b) outside the United States in reliance on Regulation S under the US Securities Act, including to professional investors in Hong Kong, referred to in this prospectus as the International Placing.