



MEIKE INTERNATIONAL HOLDINGS LIMITED

美克國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00953



PLACING AND PUBLIC OFFER

Sole Bookrunner, Lead Manager and Sponsor



招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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(Incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

- Total number of Offer Shares : 250,000,000 Shares (subject to the Over-allotment Option)**
- Number of Public Offer Shares : 25,000,000 Shares (subject to adjustment)**
- Number of Placing Shares : 225,000,000 Shares (subject to adjustment and the Over-allotment Option)**
- Offer Price : Not more than HK\$1.43 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund), plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% and expected to be not less than HK\$1.20 per Offer Share**
- Nominal value : HK\$0.01 per Share**
- Stock code : 00953**

Sole Bookrunner, Lead Manager and Sponsor



招商證券(香港)有限公司

CHINA MERCHANTS SECURITIES (HK) CO., LTD.

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

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

The Offer Price is expected to be determined by agreement between us and the Lead Manager (on behalf of the Underwriters) on or before Monday, January 25, 2010 or such later date as may be agreed by us and the Lead Manager, but in any event not later than Tuesday, January 26, 2010. The Offer Price will be not more than HK\$1.43 per Offer Share and is currently expected to be not less than HK\$1.20 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.43 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.43. The Lead Manager (on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed between us and the Lead Manager (on behalf of the Underwriters) on or before Tuesday, January 26, 2010, the Share Offer will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Lead Manager (on behalf of the Underwriters) has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

19 January 2010

EXPECTED TIMETABLE⁽¹⁾

Application lists open⁽²⁾ 11:45 a.m. on Friday, January 22, 2010

Latest time for lodging **WHITE** and **YELLOW**

Application Forms and giving **electronic application**

instructions to HKSCC⁽³⁾ 12:00 noon on Friday, January 22, 2010

Latest time to complete electronic applications under

HK eIPO White Form service through the designated

website *www.hkeipo.hk*⁽⁴⁾ 11:30 a.m. on Friday, January 22, 2010

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on Friday, January 22, 2010

Application lists close 12:00 noon on Friday, January 22, 2010

Expected Price Determination Date Monday, January 25, 2010

(1) Announcement of the Offer Price, the level of indication of interest in the Placing, level of the applications and basis of allocation of the Public Offer Shares under the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before Friday, January 29, 2010

(2) Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "**Results of Allocations**" in the section headed "How to Apply for the Public Offer Shares") from Friday, January 29, 2010

A full announcement of the Public Offer containing (1) and (2) above

to be published on the website of the Stock Exchange

at *www.hkexnews.hk*⁽⁵⁾ and the Company's website

at *www.meike.cn*⁽⁶⁾ from Friday, January 29, 2010

Despatch of share certificates in respect of wholly or partially

successful applications pursuant to the Public Offer

on or before^{(7)&(9)} Friday, January 29, 2010

Despatch of refund check in respect of wholly successful

(if applicable) or wholly or partially unsuccessful applications

pursuant to the Public Offer on or before^{(8)&(9)} Friday, January 29, 2010

Dealings in Shares on the Stock Exchange to commence on Monday, February 1, 2010

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 22, 2010, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists” in this prospectus. If the application lists do not open and close on Friday, January 22, 2010, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares — How to apply by giving electronic application instructions to HKSCC” in this prospectus.
- (4) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the Stock Exchange’s website at www.hkexnews.hk.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Monday, February 1, 2010 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.
- (8) Refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund check.
- (9) Applicants who have applied on **WHITE** Application Forms or **HK eIPO White Forms** for 1,000,000 or more Public Offer Shares under the Public Offer and have indicated in their applications that they wish to collect any refund checks and share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, may do so between 9:00 a.m. to 1:00 p.m. on Friday, January 29, 2010. Applicants being individuals who opt for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) authorization documents acceptable to Tricor Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund checks, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Public Offer Shares — If your application for the Public Offer Shares is successful (in whole or in part)” in this prospectus for details. Uncollected share certificates and refund checks will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed “How to Apply for the Public Offer Shares — If your application for the Public Offer Shares is successful (in whole or in part)” and “Refund of your money — additional information” in this prospectus.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

CONTENTS

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

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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 fast-growing domestic branded sportswear enterprises in the PRC in terms of sales of branded sportswear products. We design, develop, produce, market and distribute leisure sportswear products, including footwear and apparel, under the Meike brand. We also design, develop, market and distribute sports accessories under the Meike brand. According to Frost & Sullivan, we ranked tenth among the leading domestic sports footwear suppliers in terms of footwear revenue including domestic sales, OEM income, and export in 2008 in China, of which more detailed information is set out in the sub-paragraph headed "the sports footwear market" in the section headed "Industry Overview" in this prospectus. In terms of sales of apparel products, we recorded a CAGR of approximately 406.0% in 2008 as compared to 2006. During the Track Record Period, we established and expanded our distribution network of our Meike branded products, starting from 59 counters under concessionary arrangement with department stores and shopping malls as of January 1, 2006 to 1,318 Meike outlets (including Meike distributor outlets directly operated by our distributors and Meike retailer outlets indirectly managed by our distributors) which exclusively sell our Meike products in 22 provinces, autonomous regions and municipalities, and more than 514 districts, counties, and county-level cities in the PRC as of the Latest Practicable Date.

We started our business in 1999 as a producer of soles for domestic footwear producers in the PRC. We commenced our footwear export business through domestic export companies since 2001 and our sales of Meike branded products to the domestic market in the PRC in 2003. For the three years ended December 31, 2006, 2007 and 2008, our revenue from sales of our Meike branded products in the PRC¹ increased substantially, from RMB48.5 million in 2006 to RMB139.2 million in 2007, and to RMB229.2 million in 2008, accounting for approximately 26.8%, 42.4% and 62.7% of our total revenue during the same period, respectively. For the nine months ended September 30, 2009, our revenue from sales of our Meike branded products was RMB274.2 million, accounting for 78.7% of our total revenue during the same period. In particular, our sales of Meike apparel experienced substantial increase during the Track Record Period. Our revenue generated from the sales of our Meike apparel increased from RMB3.5 million in 2006 to RMB30.0 million in 2007 and further to RMB88.8 million in 2008, representing a CAGR of approximately 406.0%. Our revenue generated from the sales of Meike apparel increased to RMB92.3 million during the nine months ended September 30, 2009.

¹ In calculating the revenue of our Meike branded products, we included our sales of shoe soles that are not under Meike brand.

SUMMARY

We have implemented multi-faceted marketing strategies to showcase our Meike branded products and our Meike brand image to consumers in the PRC. We successfully increased our brand awareness in the past years by strategically broadcasting TV advertisements that promote our Meike brand in Channel 1, Channel 2 and Channel 5 of CCTV (中央電視台) and Hunan provincial cable TV (湖南衛視). We have also entered into spokesperson agreements with entertainment celebrities, including Mr. Luo Zhixiang (羅志祥), whom we believe can represent our brand image and help raise our profile among the young consumers within our targeted group of customers of age 16 to 25. Our Meike brand has been recognized as a “Fujian Provincial Famous Trademark” (福建省著名商標) by the Attestation Commission of Fujian Provincial Famous Trademark (福建省著名商標認定委員會) in 2006.

Prior to year 2006, we sold our Meike branded products primarily to retailers and through department stores in the domestic market of the PRC. Beginning in 2006, as our management saw greater growth opportunity in domestic market and several major PRC sportswear manufacturers started to sell their branded products via distributors and outlets, we started to change our business model and sold substantially all our Meike branded products to our Meike distributors with an aim to further penetrate into the PRC market. During the Track Record Period, we also sold our Meike branded products through our Self-operated Meike Outlets and under concessionary arrangement with department stores and shopping malls. As of the Latest Practicable Date, we sold our Meike branded products in the PRC only through our Meike distributors and Self-operated Meike Outlets.

We signed an annual distributorship agreement with each of our distributors through which we authorized our distributors to sell our Meike branded products at their Meike distributor outlets. Our distributors are also authorized to enter into agreement with third party retailers, the Meike retailers, to authorize such Meike retailers to sell our Meike branded products at their Meike retailer outlets. As of the Latest Practicable Date, our distributorship network of Meike branded products consisted of 23 distributors, overseeing 1,318 Meike outlets which comprised of 425 Meike distributor outlets and 893 Meike retailer outlets. We also sell our Meike branded products through four Self-operated Meike Outlets. All of the Meike outlets (including Meike distributor outlets, Meike retailer outlets and our Self-operated Meike Outlets) operate under our Meike brand and, save as disclosed in the paragraphs headed “Incident of breach of distributorship agreement by a distributor”, exclusively sell our Meike products. They cover 22 provinces, autonomous regions and municipalities, and more than 514 districts, counties, and county-level cities in the PRC.

Other than our domestic sales of Meike branded products, we also sell footwear to overseas customers and export companies in the PRC. The sales of such export products were the major source of our revenue in the early years of our Track Record Period but their importance had been diminishing towards the end of our Track Record Period in view of the substantial growth of our domestic Meike business. For the three years ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009, our revenues from sales of export products were approximately RMB132.5 million, RMB189.5 million, RMB136.5 million and RMB74.1 million, accounting for 73.2%, 57.7%, 37.3% and 21.3% of our total revenues during the same periods, respectively. Our export products were sold ultimately to 34 overseas countries including Germany, Netherland, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland.

SUMMARY

All of our footwear were manufactured at our production facilities in Huian and Jinjiang, Quanzhou City, Fujian Province. We manufactured approximately 5.4 million, 7.6 million, 5.7 million and 4.3 million pairs of sports footwear during the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. Our actual output of footwear was decreasing since year 2007 because we shifted our focus from manufacture and sales of export footwear to design, manufacture and sales of our Meike branded footwear in the PRC, which require higher production specification and involve more complex manufacturing techniques for particular footwear such as basketball footwear. We also started to produce a portion of our Meike apparels at our production facilities in Huian, Quanzhou City, Fujian Province since July 2008. For the nine months ended September 30, 2009, approximately 24.0% of our Meike apparels was manufactured at our aforesaid production facilities. We outsourced the production of all our Meike accessories under contract manufacturing arrangements.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths position us well to capitalize on the increasing spending power of consumers in the PRC and growth in the sportswear industry. We believe our competitive strengths include:

- Successful brand building
- Innovative design ability
- Stable sales network
- Competitive price advantage
- Integrated production model
- Experienced management team

OUR STRATEGIES

Our primary goal is to expand our Meike business and increase market share of our Meike brand by continuously building our market position as one of the leading domestic sportswear brands. The followings set forth our key strategies:

- Strengthen distribution and further expansion of our sales network
- Increase design & R&D resources
- Further increase awareness of our Meike brand
- Expand production capacity

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses payable by us in connection thereto, are estimated to be approximately HK\$302.2 million assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.32 per Share, being the mid-point of the proposed Offer Price range of HK\$1.20 to HK\$1.43 per Share. We presently intend to apply such net proceeds as follows:

- as to approximately HK\$91.9 million or 30.4% towards expansion of our production capacity for apparel products which will include: approximately HK\$72.4 million for construction of manufacturing facilities, warehouse, staff quarters and approximately HK\$19.5 million for the purchase of machinery and equipment, at our land at Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province and upgrading of current manufacturing facilities, plant and machinery;
- as to approximately HK\$92.2 million or 30.5% towards expanding and improving the coverage of our distribution network and providing renovation subsidies in the form of standardized promotional materials and display equipment to Meike distributor outlets and Meike retailer outlets;
- as to approximately HK\$71.9 million or 23.8% towards organizing trade fairs, brand promotion, sponsorship of sports league and events, media advertising (including but not limited to television commercials, outdoor media, magazine advertising and web-based advertising), launching marketing campaigns, activities and engaging celebrities as spokespersons of Meike brand including approximately HK\$51.7 million towards media advertising and approximately HK\$20.2 million towards brand promotion and marketing activities;
- as to approximately HK\$24.2 million or 8.0% towards enhancing our research and development capabilities, including approximately HK\$19.8 million for the establishment of a research and development centre and approximately HK\$4.4 million for purchase of facilities for material research, product testing, innovation and technology development, and the recruitment of experts and designers; and
- as to approximately HK\$22.0 million or 7.3% towards working capital and other general corporate purposes.

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

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 Share Offer, when combined with such alternate sources of financing, are sufficient for the uses set forth above.

SUMMARY

If the Over-allotment Option is exercised in full, the net proceeds from the Share Offer will increase to approximately HK\$350.1 million, assuming an Offer Price of HK\$1.32 per Share, being the mid-point of the proposed Offer Price range. We intend to apply the additional net proceeds to the above usage in the proportions stated above. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, we intend to adjust the allocation of the net proceeds to the above usage in the proportions stated above.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of our Directors that such net proceeds will be deposited into interest-bearing accounts with licensed banks and/or financial institutions.

SUMMARY FINANCIAL INFORMATION

The tables below summarise our consolidated financial information for the financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2008 and 2009, and as of December 31, 2006, 2007 and 2008 and September 30, 2009. Financial results for the nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009. Our consolidated financial information as of and for the nine months ended September 30, 2008 has not been audited but has been reviewed by our reporting accountants. The following summary was extracted from our consolidated 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

Consolidated Statements of Comprehensive Income

	Year ended December 31,			Nine months ended September 30,	
	2006	2007	2008	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	180,925	328,728	365,631	305,110	348,378
Cost of sales	<u>(132,342)</u>	<u>(226,951)</u>	<u>(246,480)</u>	<u>(206,070)</u>	<u>(231,613)</u>
Gross profit	48,583	101,777	119,151	99,040	116,765
Other income	1,985	1,255	3,411	2,842	905
Selling and distribution costs	(8,095)	(17,602)	(29,721)	(21,106)	(14,479)
Administrative expenses	(6,905)	(11,312)	(18,471)	(13,114)	(15,695)
Other operating expenses	(2,025)	(5,961)	(6,624)	(4,328)	(6,188)
Finance costs	<u>(4,166)</u>	<u>(5,029)</u>	<u>(9,460)</u>	<u>(6,925)</u>	<u>(7,741)</u>
Profit before tax	29,377	63,128	58,286	56,409	73,567
Income tax expense	<u>(6,228)</u>	<u>(5,709)</u>	<u>(1,829)</u>	<u>(2,169)</u>	<u>(10,950)</u>
Profit for the year/period	23,149	57,419	56,457	54,240	62,617
Other comprehensive income:					
Exchange differences on translating foreign operations	<u>—</u>	<u>13</u>	<u>(29)</u>	<u>(26)</u>	<u>(6)</u>
Other comprehensive income for the year/period, net of tax	<u>—</u>	<u>13</u>	<u>(29)</u>	<u>(26)</u>	<u>(6)</u>
Total comprehensive income for the year/period	<u>23,149</u>	<u>57,432</u>	<u>56,428</u>	<u>54,214</u>	<u>62,611</u>
Profit for the year/period attributable to:					
Owners of the parent	22,647	47,305	49,118	47,189	57,869
Non-controlling interests	<u>502</u>	<u>10,114</u>	<u>7,339</u>	<u>7,051</u>	<u>4,748</u>
	<u>23,149</u>	<u>57,419</u>	<u>56,457</u>	<u>54,240</u>	<u>62,617</u>
Total comprehensive income attributable to:					
Owners of the parent	22,647	47,316	49,093	47,167	57,864
Non-controlling interests	<u>502</u>	<u>10,116</u>	<u>7,335</u>	<u>7,047</u>	<u>4,747</u>
	<u>23,149</u>	<u>57,432</u>	<u>56,428</u>	<u>54,214</u>	<u>62,611</u>
Earnings per share — Basic (RMB)	<u>0.030</u>	<u>0.063</u>	<u>0.065</u>	<u>0.063</u>	<u>0.077</u>

SUMMARY

Summary Revenue Components

	For the financial year ended December 31,						For the nine months ended September 30,				
	2006		2007		2008		2008		2009		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Footwear	171,098	94.6	293,741	89.4	269,374	73.7	230,161	75.4	248,230	71.3	
Apparel	3,468	1.9	30,015	9.1	88,774	24.3	68,794	22.6	92,254	26.5	
Accessories and shoe sole	<u>6,359</u>	<u>3.5</u>	<u>4,972</u>	<u>1.5</u>	<u>7,483</u>	<u>2.0</u>	<u>6,155</u>	<u>2.0</u>	<u>7,894</u>	<u>2.2</u>	
Total	<u>180,925</u>	<u>100.0</u>	<u>328,728</u>	<u>100.0</u>	<u>365,631</u>	<u>100.0</u>	<u>305,110</u>	<u>100.0</u>	<u>348,378</u>	<u>100.0</u>	

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2009

Estimated consolidated net profit of our Group ^{(1) & (2)}not less than RMB90.6 million
(approximately HK\$103.0 million)

Estimated earnings per Share

- pro forma fully diluted ⁽³⁾RMB0.091
(approximately HK\$0.103)

Notes:

- (1) The bases on which the above profit estimate for the year ended December 31, 2009 have been prepared are summarized in Appendix III to this prospectus.
- (2) The estimated consolidated net profit of our Group for the financial year ended December 31, 2009 prepared by the Directors is based on the audited consolidated net profit of our Group for the nine months ended September 30, 2009, the unaudited management accounts of our Group for the two months ended November 30, 2009 and an estimate of the consolidated results of our Group for the one month ended December 31, 2009 and assumes the absence of any unforeseen circumstances. 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 3 "Significant accounting policies" under section B 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 consolidated net profit for the year ended December 31, 2009, assuming that our Company had been listed since January 1, 2009 and a total of 1,000,000,000 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 or any options that may be granted under the Share Option Scheme.

SUMMARY

OFFER STATISTICS

	Based on indicative offer price of HK\$1.20 per Offer Share	Based on indicative offer price of HK\$1.43 per Offer Share
The market capitalization ⁽¹⁾	HK\$1,200 million	HK\$1,430 million
Prospective price/earnings multiple		
• pro forma fully diluted ⁽²⁾	11.7	13.9
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾	HK\$0.61	HK\$0.67

Notes:

- (1) The calculation of the market capitalization is based on the assumption that 1,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Capitalization Issue and the Share Offer (excluding any Shares which may be issued under the Over-allotment Option or under the Share Option Scheme).
- (2) 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 ended December 31, 2009 on a pro forma fully diluted basis at the respective Offer Prices of HK\$1.20 and HK\$1.43.
- (3) The unaudited pro forma adjusted net tangible asset value per Share in the above table is calculated after the adjustments referred to in the “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 1,000,000,000 Shares in issue immediately following the Capitalization Issue and the Share Offer (excluding any Shares which may be issued under the Over-allotment Option or under the Share Option Scheme).

SUMMARY

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 sportswear industry
- Risks relating to conducting business in the PRC
- Risks relating to the Share Offer and our Shares

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

Risks relating to our business

- We rely on our Meike brand and failure to effectively promote or maintain our Meike brand may adversely affect our future success
- Our Meike brand and distribution business model have a limited history in the branded sportswear industry in the PRC and we may not be successful in expanding our distributorship network
- Sales of our Meike branded products depend on the market perception and consumer acceptance of our Meike branded products, which in turn depends on our ability to anticipate and respond in a timely manner to rapid changes in consumer tastes
- We rely on a limited number of Meike distributors and export customers for a significant portion of our sales. Our failure to maintain good relationships with our Meike distributors and export customers may materially and adversely affect our business
- Sales of our Meike branded products depend on our Meike distributors’ performance of their obligations under their distributorship agreements with us and one of our distributors breached its distributorship agreement with us during the Track Record Period
- Consumer sales of our Meike branded products are partly conducted by Meike retailers over whom we have no direct control
- We rely on our Meike distributors to oversee Meike retailers of Meike branded products and to expand the Meike retail network
- Our ability to accurately track the sales and inventory levels of our Meike branded products of our Meike distributors and Meike retailers may be limited

SUMMARY

- The results of our Meike apparel business during the Track Record Period may not be indicative of our future performance and we may not be able to sustain our historical rapid growth in the sales of our Meike branded products
- Our sales of export products may fluctuate and our sales of export products may drop substantially if our export products become subject to anti-dumping measures or tighter technical standards relating to security, hygiene, technology and environment
- We are exposed to concentration of credit risk and our financial condition and results of operations could be adversely affected if our customers do not pay us for their purchases in a timely manner or at all
- Our average trade receivables turnover days increased substantially during the Track Record Period
- Our ability to increase our operating results in the future depends on the successful expansion of our production capacity
- 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
- We rely on a limited number of local suppliers for raw materials and contract manufacturers for our Meike apparel and accessory products
- The prices for the raw materials and the costs for labor may increase
- Prices of our products are subject to market factors beyond our control
- Any significant damage to our administrative or production facilities could have a material adverse effect on our results of operations
- We may not be able to adequately protect our intellectual property rights, which could harm our Meike brand and our business and our business could be materially and adversely affected by claims of third parties for alleged 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
- Part of our owned and leased properties in the PRC may be subject to legal irregularities
- Our current insurance coverage may not be sufficient to cover the risks related to our operations

SUMMARY

Risks relating to the sportswear industry

- We operate in a 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
- Changes in the laws, regulations and policies adopted by the PRC Government, including in relation to the environment, labor and taxation, may adversely affect our business, financial condition, results of operations and prospects
- Restrictions on foreign exchange and payments of dividends may limit our operating subsidiaries' ability to remit payments to our Company
- Our Company is a holding company that heavily relies on dividend payments from our subsidiaries for funding
- Fluctuations in foreign exchange rates may adversely affect our financial condition, results of operations and the value of future dividend payments
- Any change in our tax treatment, including an unfavorable 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 judgments 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

SUMMARY

- Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business
- The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations

Risks relating to the Share Offer 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
- You may face difficulties in protecting your interests because our Company is incorporated under Cayman Islands laws, which may provide less protection to minority shareholders than the laws of Hong Kong or other jurisdictions
- 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 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
- Certain information and statistics with respect to China, the PRC economy and the sportswear industry in this prospectus are derived from various official sources and may not be reliable

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Amber Jungle”	Amber Jungle Limited (珀森有限公司), a limited liability company incorporated under the laws of BVI on March 12, 2009 and an indirect wholly-owned subsidiary of our Company
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or where the context so requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on January 6, 2010 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Meike outlets”	Meike distributor outlets and Meike retailer outlets
“Board” or “Board of Directors”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 749,000,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Written resolutions of all our Shareholders passed on January 6, 2010” under the section headed “Further Information About Our Company” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Meike International Holdings Limited (美克國際控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 25, 2009
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Glory Hill and Mr. Ding who, together, will hold a 56.25% equity interest in our Company immediately after the Capitalization Issue and the Share Offer (assuming that the Over-allotment Option is not exercised)
“Corporate Reorganization”	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the paragraph headed “Corporate reorganization” under the section headed “Further Information About Our Company” in Appendix VI to this prospectus
“Deeds of Non-competition”	the deeds of non-competition dated January 6, 2010 entered into by our Controlling Shareholders in favor of our Company, details of which are disclosed in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“export customer(s)”	the export companies and overseas customers who purchase our products for sales in overseas markets

DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc. (弗若斯特沙利文(北京)諮詢有限公司), a global market research and consulting company, which is an Independent Third Party
“Fujian Meike”	Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) (formerly known as Hengqiang (Fujian) Footwear Plastic Development Company Limited (恒強(福建)鞋塑發展有限公司) and Fujian Meike Leisure Sports Joint Stock Company Limited (福建美克運動休閒股份有限公司)), a wholly foreign-owned enterprise established under the laws of the PRC on February 12, 1999 and an indirect wholly-owned subsidiary of our Company
“Fujian Meisike”	Fujian Meisike Sports Goods Co., Ltd. (福建省美斯克體育用品有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC on March 15, 2007 and an indirect wholly-owned subsidiary of our Company
“Fuzhou Meikesen”	Fuzhou Meikesen Sports Goods Co., Ltd. (福州美克森體育用品有限公司), a limited liability company established under the laws of the PRC on May 23, 2007 and an indirect wholly-owned subsidiary of our Company
“GDP”	gross domestic product
“Glory Hill”	Glory Hill Enterprises Limited (雄山企業有限公司), a limited liability company incorporated under the laws of BVI on February 19, 2009 and a Controlling Shareholder
“governmental authority”	any public, regulatory, taxing, administrative or governmental agency or authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKAS(s)”	Hong Kong Accounting Standards

DEFINITIONS

“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <i>www.hkeipo.hk</i>
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website <i>www.hkeipo.hk</i>
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“Jinhairuo”	Jinhairuo (Fujian) Investment Industrial Company Limited (金海若(福建)投資實業有限公司), a limited liability company established in the PRC, which was wholly-owned by Mr. Lin Yangshan (林陽山先生), an executive Director, immediately before the Corporate Reorganization and formerly a shareholder of Fujian Meike
“Latest Practicable Date”	January 11, 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Laws”	all laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees or rulings of any governmental authority and “Law” includes any one of them

DEFINITIONS

“Lead Manager” or “Sponsor”	China Merchants Securities (HK) Co., Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined under the SFO), being the sole bookrunner, Lead Manager and Sponsor
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date, expected to be on or about February 1, 2010, on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Lock-up Period”	the period commencing from the Latest Practicable Date up to and including the date falling six months after the Listing Date
“Mega Pacific”	Mega Pacific Enterprises Limited (太平洋企業有限公司), a limited liability company incorporated under the laws of Hong Kong on March 30, 2009 and an indirect wholly-owned subsidiary of our Company
“Meike distributor(s)”	distributors who are authorized by us to distribute our Meike branded products
“Meike distributor outlets”	outlets directly operated by Meike distributors which sell exclusively our Meike branded products
“Meike Hong Kong”	Meike (H.K.) Trade Company Limited (美克(香港)貿易投資有限公司), a limited liability company incorporated under the laws of Hong Kong on August 31, 2007 and an indirect wholly-owned subsidiary of our Company
“Meike retailer(s)”	third party retailers who are authorized by Meike distributors to sell our Meike branded products at the Meike retailer outlets
“Meike retailer outlets”	outlets owned and operated by Meike retailers which sell exclusively our Meike branded products
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company

DEFINITIONS

“Mr. Ding”	Mr. Ding Siquang (丁思強先生), an executive Director, a Controlling Shareholder and the Chairman and President of our Company, and the spouse of Ms. Ding
“Ms. Ding”	Ms. Ding Xueleng (丁雪冷女士), an executive Director and the Vice President of our Company, and the spouse of Mr. Ding
“ODM”	acronym for original design manufacturer, a business that designs and manufactures goods for branding and resale by others
“OEM”	acronym for original equipment manufacturer, a business that manufactures goods or equipment for branding and resale by others
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) which will be not more than HK\$1.43 and is expected to be not less than HK\$1.20, such price to be determined in the manner as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Offer Share(s)”	the Public Offer Shares and the Placing Shares, individually and collectively
“Over-allotment Option”	the option to be granted by our Company to the Lead Manager on behalf of the Placing Underwriters, pursuant to which our Company may be required to allot and issue up to 37,500,000 additional new Shares, representing 15% of the Shares initially available under the Share Offer, at the Offer Price, to, among other things, cover over-allocations in the Placing (if any) as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of the Company with professional and institutional investors for cash at the Offer Price, as further described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 225,000,000 Shares being initially offered for subscription under the Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus

DEFINITIONS

“Placing Underwriters”	the several underwriters of the Placing
“Placing Underwriting Agreement”	the underwriting agreement relating to the Placing expected to be entered into between, amongst others, our Company and the Placing Underwriters on or around January 25, 2010
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Price Determination Date”	the date, expected to be on or before January 25, 2010 or such later date as may be agreed by us and the Lead Manager, but not later than January 26, 2010, on which the Offer Price is fixed for the purposes of the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and in the Application Forms
“Public Offer Shares”	the 25,000,000 Shares being initially offered by our Company for subscription under the Public Offer at the Offer Price (subject to adjustment as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriters”	the several underwriters of the Public Offer listed in the paragraph headed “Public Offer Underwriters” under the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement relating to the Public Offer dated January 18, 2010 between, amongst others, our Company and the Public Offer Underwriters
“Quanzhou Meike”	Quanzhou Meike Sports Goods Co., Ltd. (泉州市美克體育用品有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC on January 30, 2007 and an indirect wholly-owned subsidiary of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Ruixiang”	Jinjiang Ruixiang Investment Industrial Company Limited (晉江市瑞祥投資實業有限公司), a limited liability company established in the PRC, which was wholly-owned by Mr. Huang Renhe (黃仁和先生) immediately before the Corporate Reorganization and formerly a shareholder of Fujian Meike

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the People’s Republic of China (中華人民共和國國家外匯管理局)
“Self-operated Meike Outlets”	outlets owned and operated by our Group which sell exclusively our Meike branded products to consumers
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company, which are to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on January 6, 2010, the principal terms of which are summarized in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Borrowing Agreement”	a securities lending agreement to be entered into between the Lead Manager and Glory Hill pursuant to which Glory Hill agrees to lend certain Shares to the Lead Manager on the terms set out therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in Section 2 of the Companies Ordinance
“Track Record Period”	the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “US”	the United States of America
“US dollars” or “US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent.

DEFINITIONS

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into HK dollars at an exchange rate of RMB0.88 = HK\$1.00 and into US dollars at the historical or forecasted average exchange rate for the applicable year (e.g., for 2004, RMB8.2768 = US\$1.00; for 2008, RMB6.9477 = US\$1.00; and for 2013, RMB6.1800 = US\$1.00), for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or may have been converted into HK dollars or US dollars at such rates or any other exchange rates.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, the English names of the PRC Government authorities or PRC entities are translations of their Chinese names and included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under construction or planning;
- our strategies, plans, objectives and goals;
- the regulatory environment of our industry in general;
- capital market developments;
- actions and developments of our competitors;
- future developments, trends and conditions in our industry in China; and
- other statements in this prospectus that are not historical facts.

The words “anticipate”, “believe”, “can”, “could”, “continue”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “prospects”, “seek”, “sustain”, “should”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialize, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. If any of the possible events described below materializes, our business, financial condition and prospects could be materially and adversely affected and the market price of the Offer Shares could fall significantly.

RISKS RELATING TO OUR BUSINESS

We rely on our Meike brand and failure to effectively promote or maintain our Meike brand may adversely affect our future success

Our revenues during the Track Record Period comprised mainly sales of our Meike branded products in the PRC and sales of footwear products to export customers. Our revenues from sales of our Meike branded products in the PRC and our shoe soles were approximately RMB48.5 million, RMB139.2 million, RMB229.2 million and RMB274.2 million, representing approximately 26.8%, 42.4%, 62.7% and 78.7% of our total revenues for the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. As the proportion of sales of our Meike branded products in our total revenue is increasing, our Meike brand is critical for our success in the future as we believe that market perception and consumer acceptance of a brand is one of the most important determining factors for consumers in the PRC in purchasing sportswear products. We spent approximately RMB1.5 million, RMB6.9 million, RMB14.3 million and RMB4.8 million on our advertising and marketing activities for our Meike branded products for the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. These amounts represented approximately 0.8%, 2.1%, 3.9% and 1.4% of our total revenue for such periods, respectively.

If we are unsuccessful in promoting our Meike brand or fail to maintain consumer acceptance of our Meike brand, sales of our Meike branded products may drop and our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, as we promote our Meike brand through, among others, endorsement by entertainment celebrities as spokesperson, we are dependent on market perception and consumer acceptance of such spokesperson over whom we have no control. Any negative publicity or disputes regarding our Meike brand, products, spokesperson who endorses our Meike brand or management or the loss of any award or accreditation associated with our Meike brand or products could materially and adversely affect our business, financial condition, results of operations and prospects.

Our Meike brand and distribution business model have a limited history in the branded sportswear industry in the PRC and we may not be successful in expanding our distributorship network

Our Meike brand, which was first introduced to the sportswear market in the PRC in 2003, has a limited history and we have a limited operating history in the branded sportswear industry in the PRC. In addition, we only started our distributorship business model in 2006. Under the

RISK FACTORS

distributorship business model for domestic sales of our Meike branded products in the PRC, we sell our Meike branded products to Meike distributors who then sell our Meike branded products to consumers at the Meike distributor outlets directly operated by them or to other third party Meike retailers within the exclusive geographic areas in the PRC assigned to them pursuant to our annual distributorship agreements with them. The Meike retailers then sell our Meike branded products to consumers at the Meike retailer outlets operated by them. As our distributorship business model is relatively new to us, it is difficult to identify all the difficulties that we may encounter in our continued expansion of our sales network of Meike distributors in the PRC.

You should consider our business and prospects in light of the risks and difficulties we may face with a limited operating history of our Meike brand and our distributorship network in the branded sportswear industry in the PRC. You should not rely on our past expansion in our Meike distributorship network and our past results of operations as indications of our future performance. If we are unable to successfully handle these risks and difficulties, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Sales of our Meike branded products depend on the market perception and consumer acceptance of our Meike branded products, which in turn depends on our ability to anticipate and respond in a timely manner to rapid changes in consumer tastes

Sales of our Meike branded products depends on the market perception and consumer acceptance of our products, which are dependent on our ability to cater to consumer tastes of our target group of consumers between the ages of 16 and 25. This requires continued anticipation and responsiveness to ever changing market and fashion trends. Our in-house design team produced all designs of our Meike branded products during the Track Record Period and among such designs, 106 styles, 307 styles, 436 styles and 415 styles of our Meike branded products were sold to our customers for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009. If we are unable to anticipate accurately and respond to market and fashion trends in a timely manner, demand for our Meike branded products may decrease. We made provisions for obsolete inventory of approximately RMB529,000 and RMB62,000 for the financial years ended December 31, 2007 and 2008 during the Track Record Period, respectively, and our inventory at our Self-operated Meike Outlets may become obsolete in the future. As a result, our business, financial condition, results of operations and prospects could materially suffer.

RISK FACTORS

We rely on a limited number of Meike distributors and export customers for a significant portion of our sales. Our failure to maintain good relationships with our Meike distributors and export customers may materially and adversely affect our business

Our five largest customers accounted for approximately 71.8%, 59.3%, 42.4% and 35.1% of our total sales for the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively, and our largest customer accounted for approximately 46.6%, 39.2%, 17.1% and 9.9% of our total sales for the same period. The table below set out the details of our five largest customers and the percentages of our sales to them during the Track Record Period:

	Financial year ended December 31,						Nine months ended	
	2006		2007		2008		September 30, 2009	
	<i>No. of</i>		<i>No. of</i>		<i>No. of</i>		<i>No. of</i>	
Five largest customers	<i>customers</i>	<i>%</i>	<i>customers</i>	<i>%</i>	<i>customers</i>	<i>%</i>	<i>customers</i>	<i>%</i>
Meike distributors	—	—	2	10.2	4	25.3	5	35.1
Export customers	5	71.8	3	49.1	1	17.1	—	—
Total:	<u>5</u>	<u>71.8</u>	<u>5</u>	<u>59.3</u>	<u>5</u>	<u>42.4</u>	<u>5</u>	<u>35.1</u>

As we do not have long-term agreements with our Meike distributors or export customers, our sales to them may not continue on similar or more favorable terms to us or at all. If any of our Meike distributors or export customers terminates or does not renew its distributorship agreement or cooperation with us, we may not be able to locate a new Meike distributor or export customer in a timely manner on terms acceptable to us, or at all. Any new Meike distributor or new export customer may not be able to maintain the previous amount of purchases of products from us by their predecessors and our business, financial condition, results of operation and prospects may be adversely affected.

Sales of our Meike branded products depend on our Meike distributors' performance of their obligations under their distributorship agreements with us and one of our distributors breached its distributorship agreement with us during the Track Record Period

As each of our Meike distributors has exclusive distribution rights over a certain geographic area in the PRC, any failure by such Meike distributor to perform its obligations under its annual distributorship agreement with us may result in a material adverse effect on the business of Meike outlets operating in such area. Most of our Meike distributors are either granted exclusivity over one province, autonomous region or municipality, or one or more areas within a province. A number of Meike distributors are granted exclusivity over more than one province, autonomous region or municipality due to their local resources and business network in those provinces or areas.

During the Track Record Period, one of our Meike distributors had engaged in the distribution of another branded sportswear products in addition to acting as our distributor of Meike branded products in breach of the terms of our distributorship agreement with it. We had no prior knowledge of the distributor's engagement in the distribution of another branded sportswear products, which

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commenced in June 2007, until we discovered such breach in November 2009. We were entitled under the distributorship agreement to terminate its distributorship of Meike branded products and claim damages against it for the relevant breach but we chose to impose monetary compensation and future monitoring measures instead in view of our history of cooperation with this distributor and its importance to our distribution network. Please refer to the paragraphs headed “Incident of breach of distributorship agreement by a distributor” in the section headed “Business” in this prospectus for details of such breach. We are not able to guarantee that similar breach(es) would not happen in the future or we are able to discover any such breach in a timely manner, and our business, financial conditions, results of operations and prospects would be adversely affected if similar incidents happen in the future.

Our Meike distributors are required to meet minimum purchase targets per year under our annual distributorship agreement with them. However, if our Meike distributors do not place orders at historical levels or at all, or if any Meike distributor substantially reduces its volume of purchases from us or ceases its business relationship with us and ceases to supply our Meike branded products to Meike outlets in the geographic area over which such Meike distributor has exclusive distribution rights, the business of the Meike outlets operating in such geographic area will be materially and adversely affected. Such disruption in the distribution network of our Meike branded products may materially and adversely affect our reputation, brand, image and future prospects. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Consumer sales of our Meike branded products are partly conducted by Meike retailers over whom we have no direct control

Starting from 2006, we adopted the distributorship business model for the majority of our sales of Meike branded products in the PRC. For the domestic market in the PRC, other than Meike branded products that we sell directly to consumers through our Self-operated Meike Outlets, we currently sell all our Meike branded products exclusively to Meike distributors, who in turn sell our Meike branded products through Meike distributor outlets directly operated by them or to third party Meike retailers. The Meike retailers then sell our Meike branded products to consumers in their Meike retailer outlets. Under the distributorship business model, we consider actions carried out by Meike retailers as if such actions were carried out by the Meike distributor overseeing them but we do not have direct contractual relationships with the Meike retailers and we rely on our Meike distributors to oversee the Meike retailers. As a result, our ability to ensure the Meike retailers’ adherence to our policies, such as operational requirements, exclusivity, customer service, store image and pricing, is limited. If the Meike retailers fail to comply with our policies or discounting of the retail prices of our Meike branded products for various reasons, it may result in the erosion of goodwill, a decrease in the market value of our Meike brand and an unfavorable public perception about our Meike branded products which would result in a material adverse effect on our business, financial condition, results of operations and prospects. Our business prospects and financial performance will also suffer if a substantial number of third party Meike retailers terminate or do not renew their contracts with our Meike distributors and sufficient replacement of such third party Meike retailers cannot be recruited promptly or at all.

RISK FACTORS

We rely on our Meike distributors to oversee Meike retailers of Meike branded products and to expand the Meike retail network

While we do not have direct contractual relationships with Meike retailers, our Meike distributors enter into separate agreements with the Meike retailers and require them to comply with our standard operating procedures which include, among others, guidelines on the design and layout of Meike outlets, product pricing and customer service. If our Meike distributors are not effective in enforcing our retail policies on the Meike retailers, the public perception of our Meike brand and products and our reputation may be materially and adversely affected. In addition, we rely on our Meike distributors to expand the Meike retail network by requiring each Meike distributor to establish a minimum number of new Meike outlets during the term of the annual distributorship agreement. During the Track Record Period, all Meike distributors achieved our minimum purchase targets but there were 3, 6 and 10 distributors who failed to achieve our expansion requirements in the years ended December 31, 2006, 2007 and 2008, respectively. As we only evaluate a distributor's performance on a half yearly basis, there is no relevant information as to whether any Meike distributor has failed to achieve their minimum purchase targets for the nine months ended September 30, 2009. Neither do we have relevant information as to whether any Meike distributor has failed to achieve their expansion requirements during the same period. If our Meike distributors fail to satisfy our expansion requirements, we will not be able to meet our expansion goals, which will result in our inability to achieve desired growth.

Our ability to accurately track the sales and inventory levels of our Meike branded products of our Meike distributors and Meike retailers may be limited

Our ability to track the sales of our Meike distributors to Meike retailers and the ultimate retail sales of the Meike distributor outlets and the Meike retailer outlets, and consequently their respective inventory levels, may be limited. We do not currently have in place an effective, comprehensive enterprise resource planning system. Our annual distributorship agreements allow us to conduct on-site inspection of our Meike distributors, their Meike distributor outlets and Meike retailer outlets supervised by them. As at the Latest Practicable Date, we have five regional sales managers overseeing 23 district sales officers each of whom is responsible for a Meike distributor. Our regional sales managers and district sales officers regularly conduct on-site inspections at randomly selected Meike outlets as well as provide us with local market condition reports on a regular basis. Obtaining the accurate information of the inventory level of our Meike distributors requires the cooperation of Meike distributors in accurate and timely provision of the relevant data to our regional sales managers and district sales officers. There is no assurance that the data provided by our Meike distributors are accurate. Accordingly we may not be able to accurately track the sales and inventory levels of our Meike branded products at the Meike outlets, or to identify or prevent any excessive inventory build-up at the Meike outlets. If our Meike distributors are not able to manage inventory levels, their future orders of our Meike branded products may be reduced, which would materially and adversely affect our future business, financial condition, results of operations and prospects.

RISK FACTORS

The results of our Meike apparel business during the Track Record Period may not be indicative of our future performance and we may not be able to sustain our historical rapid growth in the sales of our Meike branded products

We have experienced rapid revenue growth in our Meike apparel business. The revenues from our apparel business were RMB3.5 million, RMB30.0 million, RMB88.8 million and RMB92.3 million for the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. This rapid growth in our Meike apparel business is partially due to the successful promotion of our Meike brand, our expansion of the Meike retail network, improved apparel design, expansion of our range of apparel offerings, and our successful distributorship business model. However, as we only commenced our Meike apparel business in 2006, the sharp increase of our revenues in Meike apparel business from 2006 to 2008 may not be indicative of our future performance.

Our revenue from Meike branded products grew at a CAGR of approximately 117.5% for the three financial years ended December 31, 2008 due to our successful promotion of the Meike brand, rapid expansion of our Meike retail network, improved product design and the expansion of our range of product offerings. However, we may not be able to maintain our fast growth if we fail to effectively manage the various challenges relating to our rapid growth, which may impose significant additional responsibilities on our management, including the need to identify, recruit, train and integrate additional employees and to oversee the expansion of our production facilities. Additional capital and human resources may also be required to manage relationships with new Meike distributors and their Meike retailers and to oversee an increasing number of Meike outlets, as well as other third parties, including contract manufacturers, raw material suppliers, equipment providers, consultants and others. In addition, our administrative and operational infrastructure, in particular our internal accounting and financial reporting processes and systems, may be insufficient in the face of rapid and significant growth. If we are unable to effectively manage the expansion of our distribution networks or other aspects of our business operation mentioned above as a result of our rapid growth, it may be difficult for us to maintain our rapid growth.

Our sales of export products may fluctuate and our sales of export products may drop substantially if our export products become subject to anti-dumping measures or tighter technical standards relating to security, hygiene, technology and environment

Our sales of sports leisure footwear to our export customers during the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 were approximately RMB132.5 million, RMB189.5 million, RMB136.5 million and RMB74.1 million, respectively. Our sales to our export customers fluctuated during the Track Record Period due to various factors including economic conditions of the overseas markets where our export products were sold and the purchase orders made by our export customers which we have no control and any substantial drop in such sales may materially and adversely affect our business, financial conditions, results of operation and prospects.

Our export products are sold directly and indirectly to overseas customers in different countries including Germany, Netherland, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland. In the past, some of such countries and regions have taken anti-dumping measures

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to exclude imported footwear in order to protect their local industry. In addition, a number of such countries have passed standards relating to security, hygiene, technology and environment, some of which have impacted the importation of shoes from the PRC. Our export products are mainly sports footwear, which are not the target of the aforesaid measures. However, if any of the countries and regions which imports our products adopts any anti-dumping measures or if such country or region adopts tighter standards relating to security, hygiene, technology and environment in the future, which restrict the importation of the type of footwear we produce and ultimately sell to such countries or regions, our export sales may drop substantially, and hence materially and adversely affect our business, financial conditions, results of operation and prospects.

We are exposed to concentration of credit risk and our financial condition and results of operations could be adversely affected if our customers do not pay us for their purchases in a timely manner or at all

During the Track Record Period, we were exposed to concentration of credit risk. As of December 31, 2006, 2007 and 2008 and September 30, 2009, approximately 39%, Nil, 1% and 13% of our total trade receivables were due from our largest customer, respectively, and approximately 42%, 25%, 39% and 42% of the total trade receivables were due from our five largest customers, respectively. If our five largest customers experience financial distress, including potential insolvency, our customers may terminate the distributorship agreements with us if such customers are our Meike distributors, or do not place new orders to us if such customers are export companies.

We have granted our Meike distributors credit terms of no more than 180 days. We generally granted our export customers credit terms between 40 and 90 days. We perform ongoing credit evaluations of our Meike distributors' financial condition and generally require no collateral from them to secure their payment obligations. As our sales increase, the amount of accounts receivable from our Meike distributors or export customers will increase. In addition, as we implement our expansion plans and require our Meike distributors to increase the number of Meike outlets, we may determine to extend the credit periods we grant to our Meike distributors. If any Meike distributor or export customer does not pay us for its purchases in a timely manner or at all, our financial condition and results of operations could be materially and adversely affected.

Our average trade receivables turnover days increased substantially during the Track Record Period

For our domestic sales, we offer our customers credit terms from 80 to 180 days. For our sales of export products, we offer our customers credit terms from 40 days to 90 days.

During the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, we recorded average trade receivables turnover days of 38, 42, 66 and 117, respectively. The substantial increase from 66 days (for the year ended December 31, 2008) to 117 days (for the nine months ended September 30, 2009) was primarily due to (i) the granting of longer credit terms from approximately 80 days to 180 days to our domestic customers in order to encourage them to expand the number of Meike outlets; and (ii) the decrease in our export sales and increase in domestic sales. Our trade receivables turnover days are within the credit period granted by us to our export customers from 40 days to 90 days and Meike distributors from 80 days to 180 days but in the

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event that any material portion of such trade receivables cannot be collected by us, our operations and financial condition may be adversely affected. In addition, in the event that our trade receivables could not be timely collected and we are required to finance our working capital requirement by internal resources or borrowings, any increase in interest rate may adversely affect our financial position due to increase in finance costs.

Our ability to increase our operating results in the future depends on the successful expansion of our production capacity

Our current footwear production capacity is approximately 9.5 million pairs per year⁽¹⁾. Our production of footwear during the Track Record Period were approximately 5.4 million, 7.6 million, 5.7 million and 4.6 million pairs, respectively. Our actual output of footwear was decreasing from 2007 because we shifted our focus from manufacture and sales of export footwear to design, manufacture and sales of our Meike branded footwear in the PRC, which require higher production specification and involve more complex manufacturing techniques for particular footwear such as basketball footwear. We are still within the range of our footwear production capability but if the market demand increases suddenly, we may not be able to increase our production capacity to meet the market demand. Production of most of our Meike apparel products are outsourced to third party contract manufacturers. If there is a sudden increase of market demand, we may not be able to increase our production capacity of apparel products and locate additional contract manufacturers for apparels in a short time and hence fail to meet the market demand. If we miss the opportunity to expand our market shares, our future prospects may be materially and adversely affected.

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

Our success and ability to expand our operations depend heavily on our ability to attract, retain and motivate qualified key personnel. In particular, we rely on the continued services of our Chairman and President, Mr. Ding and our Vice President, Ms. Ding for their expertise in developing business strategies, product design and development, business operations and sales and marketing. Mr. Ding and Ms. Ding played a key role in the founding of our Group and the creation of the Meike brand. They have contributed substantially to the success of our Group by making key decisions in our operations, setting main strategies to cope with the constantly changing market environment, and by representing our Group in the dealing with our customers, suppliers and various market participants. Mr. Ding has been a director of Fujian Meike, our principal operating subsidiary, since its establishment and has been responsible for all major decisions and strategic moves of our Group. Ms. Ding was a director of Fujian Meike upon its establishment and has been serving our Group since then, in charge of the management of our footwear and apparel operations. We do not maintain insurance with respect to the loss of any our key personnel. If we lose the services of any of these key personnel without securing adequate replacement in a timely manner, such event could limit our competitiveness and our business and prospects may be materially and adversely affected.

(1) Calculated on the basis that our production facilities are operating at sixteen hours per day, 29 days per month and 11 months per year.

RISK FACTORS

We rely on a limited number of local suppliers for raw materials and contract manufacturers for our Meike apparel and accessory products

The principal raw materials used in the production of our footwear products are leather, fabrics, rubber and plastics. We obtain most of these materials from local suppliers in the Fujian Province of the PRC. We also purchase a majority of our Meike apparel products from contract manufacturers in the PRC. The table below set out our purchases from our five largest suppliers during the Track Record Period:

	Financial year ended December 31,						Nine months ended					
	2006		2007		2008		September 30,					
	<i>No. of suppliers</i>	<i>RMB million</i>	<i>% suppliers</i>	<i>No. of suppliers</i>	<i>RMB million</i>	<i>% suppliers</i>	<i>No. of suppliers</i>	<i>RMB million</i>	<i>%</i>			
Five largest suppliers												
Raw material suppliers	5	27.1	22.4	5	35.8	19.5	2	28.7	17.8	3	31.3	17.5
Apparel contract manufacturers	—	—	—	—	—	—	3	30.8	19.1	2	14.7	8.2
Total:	<u>5</u>	<u>27.1</u>	<u>22.4</u>	<u>5</u>	<u>35.8</u>	<u>19.5</u>	<u>5</u>	<u>59.5</u>	<u>36.9</u>	<u>5</u>	<u>46.0</u>	<u>25.7</u>

Prior to 2008, all our Meike apparel products were produced by our contract manufacturers. We launched our own apparel production in July 2008 and for the nine months ended September 30, 2009, approximately 24.0% of our Meike apparel products were produced at our apparel production facilities at Huian, Quanzhou, Fujian Province. For our apparel outsourcing production, we rely principally on 12 contract manufacturers. All our Meike accessory products were produced by our contract manufacturers and we rely principally on six contract manufacturers for such products.

We do not enter into long-term agreements with our raw material suppliers or contract manufacturers of apparel and accessory products and generally procure the raw materials or apparel and accessory products that we require through purchase orders issued by us from time to time which set out the terms regarding the price, purchase quantity, delivery terms and settlement terms, amongst others. To the extent our major suppliers or apparel or accessory contract manufacturers do not continue to supply us with the raw materials or apparel or accessory products at favorable or similar terms or at all, our reputation, business, results of operations, financial condition and prospects could materially suffer. In addition, as some of our contract manufacturers also produce products for other companies that compete with us, our contract manufacturers may not treat our purchase orders as a priority when allocating their production capacity to their various customers.

The prices for the raw materials and the costs for labor may increase

Raw material cost is one of the major components in our cost of sales. We purchase a majority of our raw materials from local suppliers in the PRC. The prices for our major raw materials i.e. leather, fabrics, rubber and plastics, fluctuate depending mainly on the general market conditions of the local and the PRC market, and to some extent, depending on the oil price. Increases in the costs of such raw materials and our inability to pass on such increases in raw material costs to our Meike distributors or export customers by increasing the prices of our products may materially and adversely affect our cost of sales and our gross profit margins.

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The sportswear manufacturing industry is labor intensive. Labor costs in the PRC have been increasing over the past few years, and we cannot assure you that the cost of labor in the PRC will not continue to increase in the future or that we will be able to increase the prices of our products to offset such increases. If we are unable to identify and employ other appropriate means to reduce our costs of production or to pass on the increased labor and other costs of production to our Meike distributors or export customers by selling our products at higher prices, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Prices of our products are subject to market factors beyond our control

The prices at which our Meike distributors or consumers are willing to purchase our products are driven mainly by various factors such as our competitors' pricing strategies, consumers' purchasing power and general economic conditions in the PRC, many of which are beyond our control. For our Meike branded products, we sell our Meike branded products to all of our Meike distributors at a uniform discount to the suggested retail prices of the products. We set the suggested retail prices of our Meike branded products prior to our sales fair and the prices are subject to adjustment depending on the volume of purchase orders and feedback received from our Meike distributors. Our Meike distributors then sell our Meike branded products either at their Meike distributor outlets to consumers at the suggested retail prices, or sell our Meike branded products to the Meike retailers they oversee at a discount to the suggested retail prices, as determined between our Meike distributors and the Meike retailers.

The prices at which we sell our export products are driven mainly by different factors such as the design and cost for a particular footwear and the target consumers of a particular overseas market.

If we are unsuccessful in implementing the suggested retail pricing system or if we are unable to maintain selling prices of our Meike branded products at desired levels, the market value of our Meike brand could be eroded and the public perception of our brand may deteriorate, which could have a material adverse effect on our business, financial condition, results of operations and prospects. If we are not able to maintain selling prices of our export products at desired levels, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any significant damage to our administrative or production facilities could have a material adverse effect on our results of operations

Our ability to meet demands of, and our contractual obligations with, our Meike distributors and export customers and our ability to grow our business are dependent on efficient, proper and uninterrupted operations at our facilities. Power failure or disruption, breakdown, failure or substandard performance of equipment, improper installation or operation of equipment, and destruction of buildings, equipment and other facilities due to fire or natural disasters such as hurricanes or earthquakes would severely affect our ability to continue our operations. As of the Latest Practicable Date, we did not carry any business interruption insurance and our existing insurance policies may not be sufficient to compensate us for the actual cost of replacing such buildings, equipment and infrastructure. Any such events and any losses or liabilities that are not covered by our current insurance policies could have a material adverse effect on our business, financial condition, results of operations and prospects.

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We may not be able to adequately protect our intellectual property rights, which could harm our Meike brand and our business and our business could be materially and adversely affected by claims of third parties for alleged infringement of their intellectual property rights

We believe our trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include our trademarks for our Meike brand as well as patents for certain designs of footwear and apparels. As of the Latest Practicable Date, we are in the process of obtaining the registration of certain trademarks. The registration of these trademarks depends upon a number of factors, and we may not be successful in registering trademarks currently under application or which we may develop in the future. We depend, in large part, on PRC laws to protect our trademarks, patents and other intellectual property rights. We rely on the registration of trademarks and patents to protect our intellectual property, but this measure may not be sufficient to prevent any misappropriation of our intellectual property or to prevent our competitors from independently developing designs and technologies that are substantially similar to ours. The legal framework governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC differs from those in other more developed jurisdictions such as the United States and the United Kingdom. Third parties may infringe our intellectual property rights. In the past, we discovered counterfeit versions of our Meike branded products on the market, and had initiated legal or administrative proceedings in order to safeguard our intellectual property rights. We may have to initiate legal or administrative proceedings if we find counterfeit versions of our Meike branded products on the market in the future. Our efforts to enforce or defend our intellectual property rights may not be adequate, may require significant attention from our management and may be costly. The outcome of any legal actions to protect our intellectual property rights is uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may face claims from time to time that our products infringe the intellectual property rights of third parties, including our competitors. If any legal proceeding against us for infringement of intellectual property rights is successful, and if we are unable to obtain a licence for the usage of such intellectual property right on acceptable terms, or at all, or unable to design around such intellectual property right, we may be prohibited from manufacturing or selling products which are dependent on the usage of such intellectual property. In such case, we may experience a material adverse effect on our business and reputation, and this type of proceeding and its consequences could divert management's attention from our business, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies

We have, to date, financed our working capital and capital expenditure needs primarily from capital contributions of shareholders of our operating entities, bank loans provided by local banking institutions and operating cash flows. We expect our working capital needs and our capital expenditure needs to increase in the future as we continue to expand and enhance our production facilities, increase our design, research and development capabilities and as we continue to implement our other strategies. Our ability to raise additional capital will depend on the financial success of our current business and the successful implementation of our key strategic initiatives, as well as financial,

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economic and market conditions and other factors, some of which are beyond our control. We may not be successful in raising any required capital on reasonable terms and at required times, or at all. Further, equity financings may have a further dilutive effect on our Shareholders. If we require additional debt financing, the lenders may require us to agree on restrictive covenants that could limit our flexibility in conducting future business activities, and the debt service payments may be a significant drain on our free capital allocated for research and other activities. If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, our business operations and our development programs may be materially and adversely impacted, with similar effects on our results of operations and financial condition.

Part of our owned and leased properties in the PRC may be subject to legal irregularities

As at the Latest Practicable Date, we had not obtained valid building ownership certificates with respect to a gross floor area of 338.46 sq.m. of our buildings, which are used by us as security guard rooms and back-up power distribution room, representing approximately 0.5% of the total gross floor area of all the buildings used by us. These buildings do not contribute directly any revenue or profit to our Group and are not material to our operation. In respect of these irregularities, we are exposed to a fine ranging from approximately RMB13,018 to RMB26,036 in aggregate for failure to obtain the required title documents. We may also be required to cease occupation and usage of the above buildings in respect of which no valid building ownership certificates have been issued, in which case we will have to relocate the premises. If our Group is required to vacate these properties, our Directors estimate that additional costs of approximately RMB0.5 million may be incurred, including relocation expenses, and it may take up to approximately 1 month to complete the relocation.

As at the Latest Practicable Date, we leased a gross floor area of approximately 357.97 sq.m. retail outlets at Fuzhou, Fujian Province from certain Independent Third Parties, which are used by us for our four Self-operated Meike Outlets. The lessors of these properties have not provided us with any title certificates or other documents evidencing they have the right to lease the properties to us. As advised by our legal advisors as to PRC laws, Fujian Zenith Law Firm, it is not certain if the lessors of these properties possess the required title documents. The lease agreements for these properties had not been registered with the relevant authorities in the PRC. The four Self-operated Meike Outlets in aggregate contributed approximately nil, 0.5%, 1.1% and 0.7% of our total revenue for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009. If we are unable to continue our operations on these premises, our Directors estimate that it will take around one month to relocate the operations on these properties with aggregate relocation cost of approximately RMB0.8 million.

Our current insurance coverage may not be sufficient to cover the risks related to our operations

Our operations are subject to hazards and risks normally associated with manufacturing operations, which may cause damage to persons or property. Currently, we maintain insurance policies in respect of damage to real estate property, employer liability for personal injury of employees and third party liability for vehicle-related accidents. In addition, we believe risks in claiming product liability against us may increase as legal concepts of product liability begin to develop and mature in the PRC and in other countries and regions where our products may be sold. We do not have insurance coverage for product liability and therefore, we may be exposed to product liability claims and may

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have to expend significant financial and managerial resources to defend against such claims in the event that any of our products is alleged to have caused bodily injury or other adverse effects. In addition, we do not maintain third-party liability insurance against claims for property damage, personal injury or environmental liabilities. Regardless of the ultimate merits of a claim or dispute, we may face significant costs and expenses to defend against such claims or enter into settlement agreements, and we may suffer serious damage to our reputation, be subject to material monetary damages and be subject to government investigations. In such cases we may be fined or sanctioned, which could materially and adversely affect our reputation, business, prospects, financial condition and results of operations. Any losses or liabilities that are not covered by our current insurance policies may have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE SPORTSWEAR INDUSTRY

We operate in a competitive market and the intense competition we face may result in a decline in our market share and lower profit margins

The ever-evolving sportswear industry in the PRC is highly competitive. Participants in the sportswear industry in the PRC market include international and domestic brands which compete in, among other things, brand loyalty, product variety, product design, product quality, marketing and promotion, distribution network coverage, price and the ability to meet delivery commitments to customers. This competition has led to leading brands continuing to gain market share at the expense of less established, lower-end brands. We may not be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established distribution network. To compete effectively and maintain our market share, we may be forced to, among other actions, increase marketing efforts, optimise our production costs, provide more sales incentives to our Meike distributors and increase capital expenditures, which may in turn materially and adversely affect our profit margins and other results of operations. See also “Industry Overview” and “Business — Competition”.

Our sales are subject to seasonality and weather conditions, which could cause our results of operations to fluctuate

Our industry has historically experienced seasonality, which we expect to continue. Our Meike branded products typically achieve lower sales when we sell our Meike branded products for the spring and summer seasons to our Meike distributors due to seasonality of demand for sportswear and the lower average suggested retail selling prices of spring and summer products as compared to autumn and winter products. We generally sell and distribute our spring and summer seasonal products from February to August, and our autumn and winter seasonal products from September to January. Consumer sales are also affected by seasonal shopping patterns during the Chinese New Year in early spring, the National Labor Day holiday in early May, the summer months, the National Day holiday in early October and other PRC national holidays. In addition, weather conditions, such as unusual weather or temperatures, may affect our sales, which are dependent on the sales of our Meike

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distributors and Meike retailers. Our quarterly results of operations may fluctuate from period to period based on consumer demand and the seasonality of consumer spending on sportswear products. Therefore, any comparison of our results of operations between interim and annual results may not be meaningful. Our results of operations are likely to continue to fluctuate due to seasonality.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Substantially all of our assets are located in the PRC and all of our revenues are derived from our operations in the PRC. As a result, our assets and operations are subject to significant political, economic, legal and other uncertainties associated with doing business in the PRC, which are discussed in more detail below.

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

A substantial portion of our revenues have been generated in the PRC. Our sales and growth are dependent on consumer consumption and the continued improvement of macroeconomic conditions in the PRC, which in turn depend significantly on worldwide economic conditions and their impact on levels of consumer spending, which have recently deteriorated significantly in many countries and regions and may remain depressed for the near future. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. In addition, we believe that our historical growth rates were largely dependent on the general growth of the PRC economy. The failure of the PRC economy to continue to grow at historical or anticipated rates, or at all, and any slowdowns or declines in the PRC economy or consumer spending, may materially and adversely affect our business, financial condition, results of operations and prospects.

Changes in the laws, regulations and policies adopted by the PRC Government, including in relation to the environment, labor and taxation, may adversely affect our business, financial condition, results of operations and prospects

The political, economic and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. For the past three decades, the PRC Government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy. Although these economic reforms and measures could have a positive effect on the PRC's overall and long-term development, the resulting changes also may have a material adverse effect on our current or future business, financial condition, results of operations and prospects. Despite these economic reforms and measures, the PRC Government continues to play a significant role in regulating industrial development, the allocation of natural resources and production, pricing and management of currency, and there can be no assurance that the PRC Government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

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Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macroeconomic and other market conditions and credit availability from lending institutions. Stricter lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot give assurance that the PRC Government will not implement any additional measures to tighten lending standards or that, if any such measure is implemented, it will not materially and adversely affect our future results of operations or profitability.

Demand for our products and our business, financial condition, results of operations and prospects may be materially and adversely affected by the following factors: (a) political instability or changes in social conditions of the PRC, (b) changes in laws, regulations, and administrative directives or the interpretation thereof, (c) measures which may be introduced to control inflation or deflation, (d) changes in the rate or method of taxation, and (e) reduction in tariff protection and other import and export restrictions. These factors are affected by a number of variables which are beyond our control.

Restrictions on foreign exchange and payments of dividends may limit our operating subsidiaries' ability to remit payments to our Company

At present, RMB is not freely convertible to other foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items including profit distributions, interest payments and operation-related expenditures may be made in foreign currencies without prior approval from SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that are licensed to engage in foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Under our current structure, our Company's source of funds will primarily consist of dividend payments by our subsidiaries in the PRC denominated in RMB. We cannot give any assurance that we will be able to meet all of our foreign currency obligations or to remit profit out of China. If our subsidiaries are unable to obtain SAFE approval to repay loans to our Company or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to our Company, our Company's liquidity and ability to satisfy its third-party payment obligations and its ability to distribute dividends in respect of the Shares could be materially and adversely affected.

Our Company is a holding company that heavily relies on dividend payments from our subsidiaries for funding

Our Company is a holding company incorporated in the Cayman Islands and operate our core business through our subsidiaries in the PRC. Therefore, the availability of funds to us to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends

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

Fluctuations in foreign exchange rates may adversely affect our financial condition, results of operations and the value of future dividend payments

All our costs of sales and other expenses were paid in RMB while substantially all of our revenues were received in RMB. We commenced direct export of our export products in 2007 and recorded revenues for direct export of approximately RMB20.6 million, RMB28.3 million and RMB8.0 million in foreign currency for the two financial years ended December 31, 2007 and 2008 and the nine months ended September 30, 2009.

The value of RMB against other foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments. Under the unified floating exchange rate system, the conversion of RMB into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the People's Bank of China, which have generally been stable. However, the PRC Government reformed the exchange rate regime on July 21, 2005 by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the RMB appreciated against the Hong Kong and US dollars by approximately 2.0% on the same date. On September 23, 2006, the PRC Government widened the daily trading band for RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

There has been pressure from foreign countries on the PRC recently to adopt a more flexible currency system that could lead to further appreciation of the RMB. The RMB may be revalued further against the US dollar or other currencies or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against the US dollar or other currencies. It is uncertain if the exchange rates of US dollars and other currencies against RMB will further fluctuate. Any appreciation of the RMB may subject us to increased exchange loss and competition from imported sportswear products. Also, since our revenues and profit are denominated in RMB, any depreciation of RMB would materially and adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms, as well as our ability to service any of our foreign currency obligations.

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Any change in our tax treatment, including an unfavorable change in preferential enterprise income tax rates in the PRC, may have a material adverse impact on our financial condition and results of operations

On March 16, 2007, the National People's Congress of the PRC promulgated the Enterprise Income Tax Law of the PRC (the "**New Tax Law**"), which came into effect on January 1, 2008 and supersedes both the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC and the Provisional Regulations on Enterprise Income Tax of the PRC (the "**Old Tax Regime**"). The New Tax Law consolidates the two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified enterprise income tax rate of 25% for both types of enterprises.

Under the New Tax Law and the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知), foreign-invested enterprises that enjoyed a preferential tax rate prior to the New Tax Law's promulgation will gradually transit to the new tax rate over five years from January 1, 2008. Foreign-invested enterprises that enjoyed a tax rate of 24% will have their tax rate increased to 25% in 2008. Enterprises which enjoyed a fixed period of tax exemption and reduction prior to the New Tax Law's promulgation will continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced before due to lack of profit, such preferential tax treatment has commenced from January 1, 2008.

Under the Old Tax Regime and as approved by the relevant tax authorities, Fujian Meisike, a foreign-invested enterprise, was exempted from the enterprise income tax for its first two profitable years commencing from January 1, 2007, and thereafter was entitled to a 50% reduction in the enterprise income tax for the subsequent three years until December 31, 2011. Fujian Meisike enjoyed a full exemption from enterprise income tax in 2007 and 2008, which had a significant positive effect on our profit after taxation during the financial years ended December 31, 2007 and 2008. Under the New Tax Law, Fujian Meisike enjoys a 50% reduction of the phased-in enterprise income tax rate of 25% until December 31, 2011 and will thereafter be subject to a 25% tax rate.

Under the New Tax Law, Quanzhou Meike is exempted from the enterprise income tax commencing from January 1, 2008 and thereafter is entitled to a 50% reduction in the phased-in enterprise income tax rate of 25% for the subsequent three years until December 31, 2012. We expect that upon the expiry of the full exemption from the enterprise income tax currently enjoyed by Quanzhou Meike, the tax rate applicable to Quanzhou Meike will increase from 2010 onwards and will further increase from 2013 following the expiry of the above preferential tax treatment.

Under the New Tax Law, the enterprise income tax rate applicable to Fuzhou Meikesen has reduced from 33% to 25% since January 1, 2008, which had a positive effect on our profit after taxation during the financial year ended December 31, 2008.

Under the New Tax Law, if an enterprise incorporated outside the PRC has its "effective management" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% for its worldwide income. Our members that are not incorporated in the PRC may in the future be recognized as a PRC tax

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resident enterprise according to the New Tax Law by the PRC taxation authorities. Our Directors understand that there would be no effect to our financial results during the Track Record Period if the members of our Group which are not incorporated in the PRC are treated as PRC tax resident enterprises, as such members were investment holding entities which did not record any income during the Track Record Period. According to the New Tax Law, dividends received by a qualified PRC tax resident from another PRC tax resident are exempted from enterprise income tax. However, given the limited history of the New Tax Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividends declared and paid by our members in the PRC to their overseas holding companies will be exempted from enterprise income tax if they are recognized as PRC tax residents.

The State Administration of Taxation of the PRC issued Notice on Interpretation and Confirmation of Beneficial Owners Under Tax Treaty (關於如何理解和認定稅收協定中“受益所有人”的通知) on October 27, 2009, which addresses which entities are treated as “beneficial owners” under the treaty articles on dividends, interest and royalties. According to this document, the PRC tax authorities must evaluate whether an applicant (income recipient) qualifies as a “beneficial owner” on a case-by-case basis based on the “substance over form” principle. It is possible, based on these principles, that the tax authorities would deny the claim for the reduced rate of withholding tax. Under current law, this might result in dividends from Fujian Meike, Quanzhou Meike and Fujian Meisike to Mega Pacific being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends. Please refer to the paragraphs headed “Withholding tax” in the Accountants’ Report of our Group in Appendix I to this prospectus for the tax payable on dividends.

Gains on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes

Under the New Tax Law and its implementation rules, our Company may in the future be recognized as a PRC tax resident enterprise by the PRC taxation authorities, and capital gains realized by foreign Shareholders from sales of our Shares and dividends on our Shares payable to foreign Shareholders may be regarded as income from “sources within the PRC” and therefore become subject to a 10% withholding income tax. If we are required under the New Tax Law to withhold PRC income tax on capital gains on sales of Shares and/or dividends on our Shares payable to foreign Shareholders, the value of our foreign Shareholders’ investment in our Shares may be materially and adversely affected.

It may be difficult to effect service of process on, or to enforce judgments obtained outside the PRC against, us, our Directors or our senior management members who reside in the PRC

We are incorporated in the Cayman Islands. Substantially all of our Directors and senior management members reside in the PRC and substantially all of our assets and the assets of such persons are located in the PRC. Accordingly, it may be difficult for investors to effect service of process on any of these persons or to enforce judgments obtained outside of the PRC against us or any of these persons. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “**Arrangement**”), pursuant to which a party with a final

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court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service or process against our assets or our Directors in China in order to seek recognition and enforcement for foreign judgments in China. Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries. Hence, the recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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

Substantially all of our operations are conducted in the PRC. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference and are non-binding. Since 1979, the PRC Government has been developing a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations have not yet been fully developed and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action investors may take against us in the PRC.

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

Our business operation in the PRC is subject to the environmental laws and regulations issued by the PRC Government. The relevant environmental laws and regulations may be revised by the PRC Government from time to time to reflect the latest environmental needs or policies. We paid RMB9,600, RMB9,600, RMB20,290 and RMB36,200 in respect of regulatory compliance with applicable environmental protection requirements in the PRC for the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. Any changes to such regulations and guidelines may materially increase our cost and regulatory exposure in complying with them.

Further, we plan to expand our production facilities at Huian, Quanzhou City, Fujian Province for our apparel production, which we expect will commence production in or around 2010, and the new production facilities are subject to PRC environmental protection laws and regulations. These laws

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and regulations require enterprises engaged in manufacturing that may create environmental waste to adopt effective measures to control and properly dispose of this waste. If any failure to comply with such laws or regulations results in pollution, the administrative department for environmental protection can levy fines. Moreover, the PRC Government has the discretion to cease or close any operation if the failure to comply with such laws or regulations is serious. The PRC Government, in addition, may impose additional or stricter laws or regulations in the future. Compliance with any of these additional or stricter laws or regulations may cause us to incur additional material capital expenditure, the cost of which we may be unable to pass on to our customers through higher prices for our products.

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC. Some cities in the PRC are particularly susceptible to floods, earthquakes, sandstorms, snowstorms and droughts. Our business, financial condition, results of operations and prospects may be materially and adversely affected if such natural disasters occur in places where we operate or indirectly sell our products. Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees, our facilities, the distribution channels operated by our Meike distributors or their Meike retailers and our markets, any of which could materially and adversely affect our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorists attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict. In addition, certain Asian countries, including the PRC, have encountered epidemics, such as SARS or incidents of the avian flu. Past occurrences of epidemics have caused different degrees of damage to the national and local economies in the PRC. A recurrence of an outbreak of SARS, avian flu or any other similar epidemic such as the H1N1 flu (swine flu) could cause a slowdown in the levels of economic activity generally, which could in turn materially and adversely affect our results of operations and the price of our Shares.

The enforcement of the Labor Contract Law and other labor-related regulations in the PRC may adversely affect our business and our results of operations

On June 29, 2007, the National People's Congress of China enacted the Labor Contract Law (中華人民共和國勞動合同法), which became effective on January 1, 2008. Compared to the Labor Law (中華人民共和國勞動法), the Labor Contract Law establishes more restrictions and increases the cost to employers upon termination of employment, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labor Contract Law, an employer is obligated to sign an unlimited term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts. The employer also has to pay compensation to employees if the employer terminates an unlimited term labor contract. Unless an employee refuses to extend an expired labor contract, compensation is also required when the labor contract expires and the employer does not extend the labor contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on

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Paid annual Leave for Employees (職工帶薪年休假條例), which became effective on January 1, 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labor measures, our labor costs may increase. We cannot give assurance that any disputes, work stoppages or strikes will not arise in the future.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

There has been no prior public market for our Shares and an active trading market for our Shares may not develop

Our Shares are not listed on any stock exchange or organized trading market, including in the PRC. Prior to the Share Offer, there has not been a public market for our Shares. While we have applied to list and deal in the Shares on the Stock Exchange, we cannot give assurance that an active or liquid public market for our Shares will develop or be sustained if developed. The initial Offer Price range and the Offer Price of our Shares will be determined through negotiations between us and the Lead Manager (on its behalf and the Underwriters), and they may not necessarily be indicative of the market price of our Shares after the Share Offer is completed. An investor who purchases our Shares in the Share Offer may not be able to resell such Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such Shares. In addition, as there will be a four business day (as defined in the Listing Rules) gap between the pricing and trading of our Shares offered in the Share Offer, the initial trading price of our Shares could be lower than the Offer Price due to a variety of reasons including material adverse events affecting our Company.

The liquidity, trading volume and trading price of our Shares may be volatile

The price at which the Shares will trade after the Share Offer will be determined by the market, which may be influenced by many factors (some of which are beyond our control), including (a) our financial condition and results of operations, (b) changes in securities analysts' estimates, if any, of our financial performance, (c) the history of, and the prospects for, us and the industry in which we compete, (d) an assessment of our management, our past and present operations and the prospects for, and timing of, our future revenues and cost structures, such as the views of independent research analysts, if any, (e) the present state of our development and investors' perception of us and our future business plans, (f) the valuation of publicly traded companies that are engaged in business activities similar to ours, and (g) general market sentiment regarding the sportswear industry and sportswear companies.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange, including most recently as a result of the recent financial difficulties and economic conditions in the United States, Europe and elsewhere. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

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The sale or availability for sale of substantial amounts of our Shares could materially and adversely affect their market price

Sales of substantial amounts of Shares in the public market after the completion of the Share Offer, or the perception that these sales could occur, could materially and adversely affect the market price of our Shares and could materially and adversely impair our future ability to raise capital through offerings of our Shares. The total number of Shares issued immediately after the Share Offer will be 1,000,000,000, assuming the Underwriters do not exercise their Over-allotment Option. Our Controlling Shareholders and other existing Shareholders are subject to a lock-up of six months from the Listing Date, but Shares which are not subject to a lock-up represent 25% of the total issued share capital immediately after the Capitalization Issue and the Share Offer (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately after the Share Offer.

You may face difficulties in protecting your interests because our Company is incorporated under Cayman Islands laws, which may provide less protection to minority shareholders than the laws of Hong Kong or other jurisdictions

Our corporate affairs are governed by our Memorandum and Articles and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences may mean that our minority shareholders, including investors in our Shares, may have less protection than they would otherwise have under the laws of Hong Kong or other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of a company's affairs. See "Summary of the Constitution of Our Company and Cayman Islands Companies Law" in Appendix V to this prospectus.

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

Glory Hill and its beneficial owner Mr. Ding will remain as our Controlling Shareholders and together control the exercise of 56.25% of the voting rights of the Shares eligible to vote in the general meeting of our Company immediately after the completion of the Capitalization Issue and the Share Offer (assuming the Over-allotment Option is not exercised). Accordingly, our Controlling Shareholders will continue to be able to exercise controlling influence over our operations and business strategy through their ability to effect actions without the approval of our other Shareholders. Subject to our Company's Memorandum and Articles of Association as well as the Companies Law, our Controlling Shareholders will also be able to control the election of our Directors and senior management, adjust our capital structure, make amendments to our Company's Memorandum and Articles of Association, determine the timing and amount of our dividends, if any, and pass resolutions to acquire or merge with another company not connected with our Controlling Shareholders. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. Our Controlling Shareholders may cause us to take actions that are not in, or may conflict with, the interests of us or those of our other Shareholders. In

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the case where the interests of our Controlling Shareholders conflict with those of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions initiated by our Controlling Shareholders and the price of the Shares could be materially and adversely affected.

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 Offer Price of our Shares will be higher than the net tangible asset value per Share immediately prior to the Share Offer. As a result, investors will experience immediate dilution in our net tangible asset value per Share of HK\$0.64, assuming an Offer Price of HK\$1.32 (being the mid-point of the indicative Offer Price range). If the Placing Underwriters exercise the Over-allotment Option or if we issue additional Shares in the future, purchasers of our Shares may experience further dilution. In addition, we may need to raise additional funds through the issuance of new Shares or equity-linked securities of our Company in the future to finance business expansion, and if we do so our Shareholders' interests in our Company may be materially diluted accordingly.

The costs of share options 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

We have adopted the Share Option Scheme pursuant to which we will in the future grant to our employees and business partners options to subscribe for Shares. No options have been granted pursuant to the Share Option Scheme as of the Latest Practicable Date. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may materially and adversely affect our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in the dilution to the percentage of ownership of our Shareholders and the net asset value per Share.

Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix VI to this prospectus.

Certain information and statistics with respect to China, the PRC economy and the sportswear industry in this prospectus are derived from various official sources and may not be reliable

Certain information and statistics contained in this prospectus relating to China, the PRC economy and the sportswear industry have been derived from official publications generally believed to be reliable. Our Directors have taken reasonable care in the reproduction of such information. They have not been independently verified by us, the Sponsor, the Lead Manager, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such information and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, such information and statistics may be inaccurate or may not be comparable to information and statistics produced for other economies.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies Ordinance:

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that the business and operation of our Group are primarily located, managed and conducted in the PRC and none of our executive Directors are ordinarily resident in Hong Kong, our Company does not and will not, in the foreseeable future, have a management presence in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. The Stock Exchange has granted the requested waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules on condition that our Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

- (a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. Our two authorized representatives are Mr. Li Dongxing (李東星先生), an executive Director, and Mr. Li Yik Sang (李奕生先生), our chief financial officer and company secretary who is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile or email. Each of the two authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) both authorized representatives have means to contact all members of the Board (including our independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorized representatives and our Directors, our Company will implement a number of policies whereby (i) each of the executive Directors and independent non-executive Directors shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorized representatives and the Stock Exchange; and (ii) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorized representatives;
- (c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (d) a compliance advisor, China Merchants Securities (HK) Co., Limited, has been appointed by our Company to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorized representatives of our Company, as our Company's principal channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company publishes its annual report in respect of its first full financial year commencing after the Listing Date pursuant to Rule 3A.19 of the Listing Rules;
- (e) meetings between the Stock Exchange and our Directors could be arranged through the authorized representatives or the compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorized representatives or the compliance advisor; and
- (f) all our Directors have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice.

WAIVER IN RELATION TO THE ACCOUNTANTS' REPORT

According to Rule 4.04(1) of the Listing Rules and paragraph 27 of the Third Schedule to the Companies Ordinance, we are required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Group during each of the three financial years immediately preceding the issue of this prospectus.

According to Rule 4.04(1) of the Listing Rules and paragraph 31 of the Third Schedule to the Companies Ordinance, we are required to include in this prospectus a report by our auditor with respect to profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

The accountants' report for each of the three years ended December 31, 2008 and the nine months ended September 30, 2009 has been prepared and is set out in Appendix I to this prospectus.

An application has been made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended December 31, 2009 in this prospectus on the ground that it would be unduly burdensome for us to do so within a short period of time after December 31, 2009. A certificate of exemption has been granted by the SFC under section 342A of the Companies Ordinance.

An application has also been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange subject to the condition that the Listing Date is on or before March 31, 2010.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

Our Directors have confirmed that they have performed, and will continue to perform, sufficient due diligence on our Group to ensure that up to the date of this prospectus, there has been no material adverse change in the financial and trading positions or prospects of our Group since September 30, 2009, and there will not be any event since September 30, 2009 which would materially affect the information shown in the accountants' report as set out in Appendix I to this prospectus. Our Directors are of the view that all information that is necessary for the public to make an informed assessment of the financial results and the financial position of our Group has been included in the prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Lead Manager, the Sponsor, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Share Offer.

FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. A total of 250,000,000 Offer Shares will initially be made available under the Share Offer, of which 225,000,000, representing 90% of the total number of Offer Shares will initially be placed (subject to restrictions stated in the paragraph headed "Selling Restrictions" below) with professional and institutional investors and, to the extent permitted by applicable laws, other investors in Hong Kong and elsewhere at the Offer Price under the Placing. The remaining 25,000,000 Offer Shares, representing 10% of the total number of the Offer Shares, will be offered in Hong Kong to the public for subscription at the Offer Price under the Public Offer. The number of Shares offered for subscription under the Share Offer will be subject to re-allocation and the Over-allotment Option. Details of the structure of the Share Offer are described in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

This prospectus is published in connection with the Share Offer which together with the Application Forms, set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by the Sponsor and managed by the Lead Manager. The Public Offer is fully underwritten by the Public Offer Underwriters. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by agreement between the Lead Manager, on behalf of the Underwriters, and our Company on or before

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

January 25, 2010 or such later time as may be agreed by the Lead Manager, on behalf of the Underwriters, and our Company, but in any event no later than January 26, 2010. If the Lead Manager, on behalf of the Underwriters, and our Company are unable to reach agreement on the Offer Price by January 26, 2010, the Share Offer will not proceed.

SELLING RESTRICTIONS

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers or sales of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken in any jurisdiction other than Hong Kong to permit any public offer of the Offer Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation.

The following information is provided for guidance only. Prospective applicants for Offer Shares should consult their financial advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our Shares may not be circulated or distributed, nor may our Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where our Shares are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

- (b) a trustee of a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or the trustee of that trust has acquired our Shares pursuant to an offer made under section 275 except:

- (1) where the transfer is made only to an institutional investor (for corporations, under section 274 of the SFA) or to a relevant person defined in section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets. In the case where the transfer is made by a corporation, such transfer must also be made in accordance with the conditions specified in section 275(1A) of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

PRC

This prospectus has not been and will not be circulated or distributed in the PRC, and the Offer Shares may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Cayman Islands

The Offer Shares may not be offered or sold, and will not be offered or sold, to any resident of the Cayman Islands.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including the Offer Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme as described in Appendix VI to this prospectus. No part of our Company's share capital is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek the listing of, or permission to deal in, the Shares on any other stock exchange. All the Shares will be registered on our register of members in order for them to be traded on the Main Board of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult an expert. Our Company, the Lead Manager, the Sponsor, the Underwriters, their respective directors, agents or advisors or any other party involved in the Share Offer do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All of the Shares issued pursuant to the Share Offer will be registered on our Hong Kong register of members to be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by our principal registrar and transfer agent, Butterfield Fulcrum Group (Cayman) Limited, in the Cayman Islands. Only Shares registered on our Hong Kong register of members maintained in Hong Kong may be traded on the Stock Exchange.

Dealings in the Shares registered on our Hong Kong register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is HK\$2.0 for every HK\$1,000.0 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer, including details of the Over-allotment Option, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Offer Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Ding Siqiang	No. 108 Yanjiang Road Xibian Village Chendai Town Jinjiang City Fujian Province The PRC	Chinese
Ms. Ding Xueleng	No. 108 Yanjiang Road Xibian Village Chendai Town Jinjiang City Fujian Province The PRC	Chinese
Mr. Sun Keqian	No. 401, Building 3 Meike Industrial Park Xibian Village Chendai Town Jinjiang City Fujian Province The PRC	Chinese
Ms. Ding Jinzhu	No. 1, Lane 4, Yongjia North Section Qingyang County Jinjiang City Fujian Province The PRC	Chinese
Mr. Lin Yangshan	No. 112, Yutian District Yangdai Village Chendai Town Jinjiang City Fujian Province The PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Address	Nationality
Mr. Li Dongxing	Room 607 Building 4 Lane 4 Zhuyuan Jinjiang City Fujian Province The PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Xiang Shimin	Room 502, Building 18 Xinnan District Huaqiao University Quanzhou City Fujian Province The PRC	Chinese
Mr. Yang Chengjie	Room 21-N Building 2 No.19, Jiangtai West Road Chaoyang District Beijing The PRC	Chinese
Mr. Xie Weichun	Room A269 Lvzhou Garden Minhou County Fuzhou City Fujian Province The PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

**Sole Bookrunner, Lead Manager
and Sponsor**

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:

Loong & Yeung
Suites 2201-2203
22/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

Fujian Zenith Law Firm
25/F, Zhongshan Tower
Hudong Road
Fuzhou City
Fujian Province
The PRC

As to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
British West Indies

**Legal advisors to the Sponsor and the
Underwriters**

As to Hong Kong law:

Orrick, Herrington & Sutcliffe
43/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to PRC law:

Shu Jin Law Firm
24/F, Aerospace Skyscraper
4019 Shennan Road
Futian District
Shenzhen City
Guangdong Province
The PRC

Auditors and reporting accountants

SHINEWING (HK) CPA Limited
Certified Public Accountants
16/F, United Centre
95 Queensway
Hong Kong

Property valuer

BMI Appraisals Limited
Suite 11-18
31/F, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Receiving banker

Standard Chartered Bank (Hong Kong) Limited
15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 British West Indies
Headquarters in the PRC	Meike Industrial Park Xibian Village Chendai Town Jinjiang City Fujian Province The PRC
Principal place of business in Hong Kong	Suites 2201-2203 22/F, Jardine House 1 Connaught Place Central Hong Kong
Company's website	<i>www.meike.cn</i> (information contained in this website does not form part of this prospectus)
Company secretary	Mr. Li Yik Sang (CPA Australia, HKICPA)
Authorized representatives	Mr. Li Dongxing Room 607 Building 4 Lane 4 Zhuyuan Jinjiang City Fujian Province The PRC Mr. Li Yik Sang Room 18 8/F, Man Wah Building Ferry Street Jordan Kowloon Hong Kong
Audit committee	Mr. Xie Weichun (<i>chairman</i>) Mr. Xiang Shimin Mr. Yang Chengjie

CORPORATE INFORMATION

Nomination committee	Mr. Ding Siqiang (<i>chairman</i>) Mr. Xiang Shimin Mr. Yang Chengjie
Remuneration committee	Mr. Ding Siqiang (<i>chairman</i>) Mr. Xie Weichun Mr. Xiang Shimin
Compliance advisor	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Principal bankers	Industrial and Commercial Bank of China Limited Jinjiang Chendai Branch Building 1, Zhongguoxiedu Qiyi Road Chendai Town, Jinjiang City Fujian Province, The PRC Agricultural Bank of China Jinjiang Branch Yinxing Building Yingbin Road, Jinjiang City Fujian Province, The PRC
Cayman Islands principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Hong Kong

INDUSTRY OVERVIEW

This section contains information and statistics relating to the Chinese economy and the industry in which we operate. We have derived such information and data partly from publicly available government official sources and industry sources as well as a report we commissioned from Frost & Sullivan, an Independent Third Party. We believe that such sources of information are appropriate sources for information we used in this section and we have taken reasonable care extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

FROST & SULLIVAN REPORT

We commissioned Frost & Sullivan, an independent global market research and consulting company based in the United States which was founded in 1961, to conduct an analysis of, and to report on, the sportswear market in the PRC as well as some brief sportswear market information on Europe and United States at an aggregate fixed fee of RMB228,000. The Frost & Sullivan report we commissioned includes information on the PRC sportswear market such as sales value, market share and ranking of brand sportswear companies, total sportswear consumption, consumption per capita and other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources. Primary research involves interviewing leading industry participants including sportswear brand companies and sportswear retailers. Secondary research involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total sportswear consumption and total sales value in the PRC were obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers such as level of brand awareness, product variety, awareness of sporting activities, potential in tier two and tier three cities, mapped against available projected drivers obtained through interviews with industry experts and participants.

In the preparation of its report, Frost & Sullivan has made the following major assumptions:

- The post-Olympics effect is likely to drive the development of the PRC sportswear industry;
- The PRC's economy is expected to remain steady growth in the next decade, even under the global financial crisis;
- Chinese people, especially urban residents, are likely to spend more on sportswear due to increased disposable income;

INDUSTRY OVERVIEW

- Sportswear is becoming popular since people tend to wear them on casual occasions more and more; and
- The PRC's social, economic, and political environment is believed to remain stable in the forecast period, which ensure the stable development of sportswear industry.

Certain information and statistics set forth in this section are derived from publications of International Monetary Fund (the "IMF"), an Independent Third Party. The IMF was created in July 1944 and has 186 member countries as at the Latest Practicable Date. The work of IMF is of three main types, which includes (i) monitoring of economic and financial developments, and the provision of policy advice; (ii) lending to countries with balance of payments difficulties and low-income countries; and (iii) providing countries with technical assistance and training in its areas of expertise. Publications of IMF were not commissioned by our Company.

INTRODUCTION

During the Track Record Period, our principal product was sports footwear which accounted for approximately 94.6%, 89.4%, 73.7% and 71.3% of our total revenue. Notwithstanding the aforesaid, we gradually increased our focus on sports apparel which accounted for approximately 1.9%, 9.1%, 24.3% and 26.5% of our total revenue during the same period. In terms of geographical coverage, we sell our products in the PRC as well as overseas countries including Germany, Netherland, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland. During the Track Record Period, we gradually shifted our market focus to the PRC and concentrate largely in the second and third tiers cities.

THE PRC MARKET

Overview

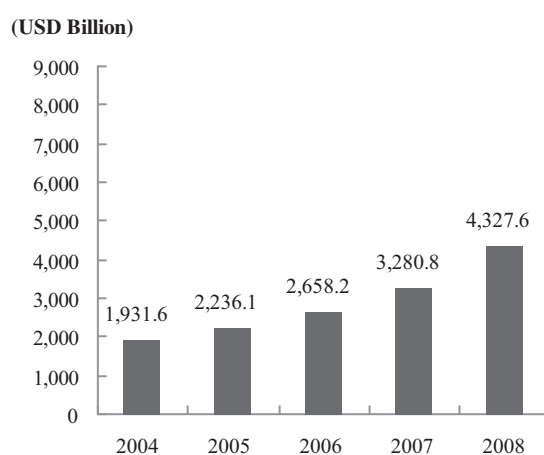
The PRC has the largest population in the world which rendering it a large consumer market. As a result of the rapid economy growth over the past thirty years in the PRC during which the PRC government implemented its economic and social opening reform, there has been remarkable increase in disposable income and substantial improvement in living standards of the Chinese population, which have resulted in the increased awareness of healthy life styles. According to Frost & Sullivan, sportswear has now become an indispensable item of people's daily lives in the PRC and the total expenditure on sportswear in the PRC has grown rapidly from approximately USD3.3 billion in 2004 to approximately USD9.8 billion in 2008. The global financial crisis in the fourth quarter of 2008 has mild impact on Chinese sportswear industry because the drop in the export volume of sportswear products was compensated by the increased domestic demand. It is expected that the total expenditure on sportswear in the PRC will reach approximately USD42.1 billion by the end of 2013.

INDUSTRY OVERVIEW

Economy Growth

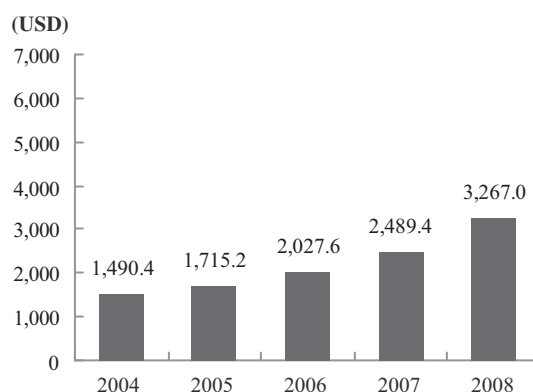
According to the National Bureau of Statistics of China, the PRC recorded nominal GDP of approximately USD4,327.6 billion (RMB30,067.0 billion) in 2008, representing a CAGR of approximately 22.3%, from approximately USD1,931.6 billion (RMB15,987.8 billion) in 2004. The PRC's nominal GDP per capita in 2008 amounted to USD3,267.0 (RMB22,698.0), representing a growth of approximately 119.2% from USD1,490.4 (RMB12,336.0) in 2004. According to IMF, it is projected that the PRC's nominal GDP per capita may experience continuous growth in the coming years. The following diagrams illustrate the respective historical nominal GDP and nominal GDP per capita in the PRC from 2004 to 2008.

Nominal GDP in the PRC, 2004-2008



Source: Data converted into US\$ from RMB with the average exchange rate of the corresponding year: National Bureau of Statistics of China, 2008 Statistics Yearbook, October 2008

Nominal GDP per capita in the PRC, 2004-2008



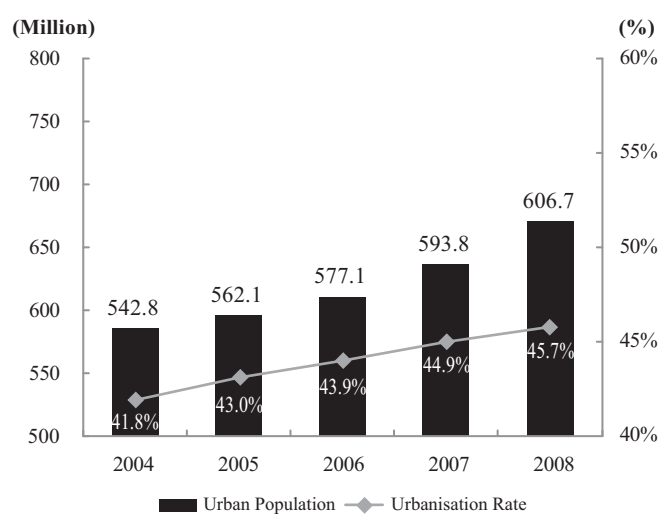
Source: Data converted into US\$ from RMB with the average exchange rate of the corresponding year: National Bureau of Statistics of China, 2008 Statistics Yearbook, October 2008

INDUSTRY OVERVIEW

Accelerating Urbanization Trend

With the sustained economic growth in the PRC, urbanization has grown steadily. The PRC's urbanization is represented by the continuous increase in size and number of cities and towns. From 2004 to 2008, the urbanization rate in the PRC increased from 41.8% to 45.7%. The average annual growth rate was 2.3%, representing approximately 2.9 times of the average annual growth rate of the world in the same period. According to Frost & Sullivan, the urbanization rate for the PRC will experience continuous growth in coming years. The following chart illustrates the urban population and urbanization rate in the PRC from 2004 to 2008.

Urban Population and Urbanization Rate in the PRC, 2004-2008



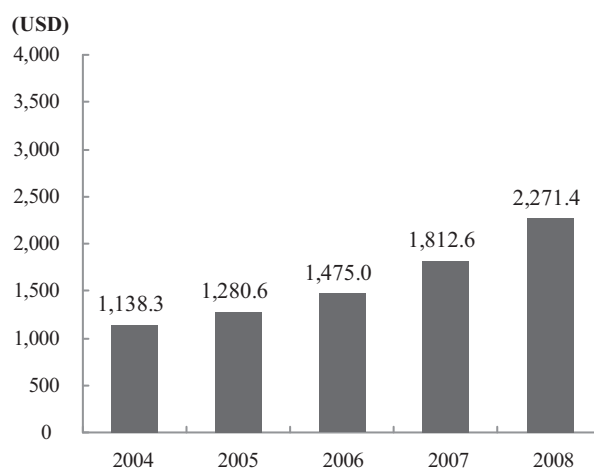
Source: National Bureau of Statistics of China, 2008 Statistics Yearbook, October 2008

INDUSTRY OVERVIEW

Rising disposable income

Together with the continuous growth in economy and urbanization, the average income level of the PRC's households has also increased continuously in recent years. The following chart illustrates the actual annual per capita disposal income of urban households in the PRC from 2004 to 2008.

Annual Per Capita Disposable Income of Urban Households in the PRC, 2004-2008



Source: National Bureau of Statistics of China, 2008 Statistics Yearbook, October 2008

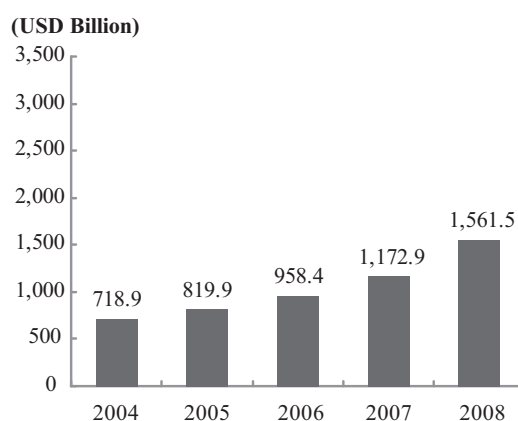
Furthermore, in terms of consumption expenditure between first tier, second tier and third tier cities, the annual per capita consumption expenditure of urban households in tier one cities have experienced rapid growth since 1995. However, in recent years, the growth rate in tier one cities have slowed down while that of tier two and/or three cities inched up, which is mainly driven by the PRC's continuous economic growth.

INDUSTRY OVERVIEW

Changing consumption habit and continuous growth

As a result of the rapid growth in economy, the accelerating urbanization and the rising disposable income, the retail market in the PRC has grown at a rapid pace. The total value of retail sales of consumer goods in the PRC has grown at a CAGR of approximately 21.4% from approximately US\$718.9 billion (RMB5,950.1 billion) in 2004 to approximately US\$1,561.5 billion (RMB10,848.8 billion) in 2008. Along with the increase in consumption power, PRC consumers has become more sensible of the quality, design and fashion of consumer goods. According to Frost & Sullivan, the young generation born between 1980 and 1990 is likely to become the main consumer group in the PRC among the population. The following chart illustrates the historical total retail sales of consumer goods in the PRC from 2004 to 2008.

Total Retail Sales of Consumer Goods in the PRC, 2004-2008



Source: National Bureau of Statistics of China, 2008 Statistics Yearbook, October 2008

THE PRC SPORTSWEAR INDUSTRY

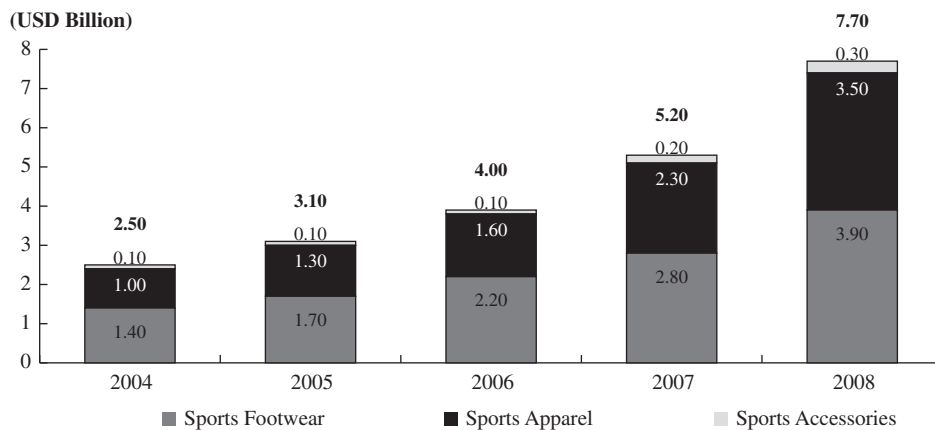
Overview

In the PRC sportswear market, the most common distribution channel is via distributors (i.e. wholesalers and/or retailers) and almost all sportswear brand manufacturers have various distributors. In addition, some sportswear manufacturers have self-owned retail outlets and sell directly to end retail consumers. As some major sportswear brands implement both wholesale and retail sales and the proportions of each differ by company, Frost & Sullivan, in preparing its report as commissioned by us, used ex-factory revenue, i.e., sportswear brand manufacturers' sales revenue to distributors (as opposed to end retail consumers), for market share to be consistent and to reflect the market better as compared to computing revenue on a retail sales basis. For sportswear brand manufacturers without retail sales which sell all products to distributors, ex-factory revenue equals the manufacturers' sales revenue. For sportswear brand manufacturers which have retail sales, Frost & Sullivan converted their retail sales into ex-factory revenue according to the discount for their own distributors.

INDUSTRY OVERVIEW

The sportswear industry in the PRC has three segments: (i) the sport apparel market; (ii) the sports footwear market; and (iii) the sports accessories market. Among which the sports footwear market is the biggest segment but is forecast to be overtaken by the sports apparel market in a few years. Sports accessories market has been the smallest segment in the entire sportswear market. In terms of total ex-factory revenue, the sports footwear market in the PRC amounted to USD3.9 billion (RMB27.1 billion) in 2008 whereas the sports apparel market amounted to USD3.5 billion (RMB24.3 billion) and the sports accessories market amounted to USD 0.3 billion (RMB2.1 billion). With the encouragement of an optimistic PRC's economy and rising disposable incomes, it is expected that there is still huge potential for further growth. The following diagrams illustrate the ex-factory revenue growth in the PRC sports footwear, apparel and accessories markets from 2004 to 2008.

Sportswear Ex-factory Revenue in the PRC, 2004-2008



Source: Frost & Sullivan

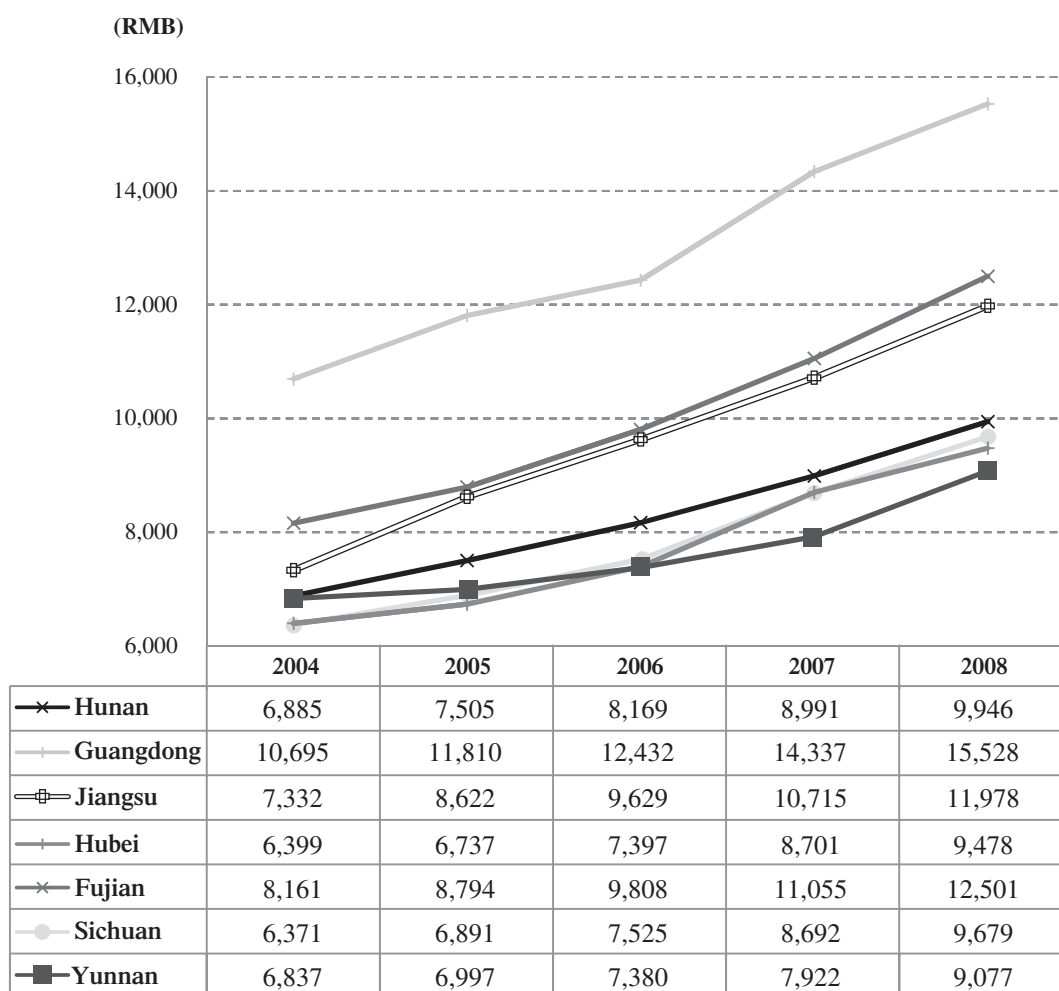
According to Frost & Sullivan, the PRC had more than 200 second tier and third tier cities in 2008 and the main market for domestic sportswear suppliers lies in these cities. By comparing to tier one cities (i.e. Shanghai, Beijing, Shenzhen and Guangzhou), the individual consumption power for tier two and tier three cities is lower, but given the numerous number of these cities and the consumers in these cities are more willing to choose domestic brands due to price concern, it is expected that second tier and/or third tier cities in the PRC will become the engine for the growth of sportswear market. During the past few years, PRC domestic suppliers (including Meike) are expanding their sales network rapidly in second tier and/or third cities.

The top three regions in each year/period comprising the Track Record period which contributed mostly to Meike's sales were Changsha, Dongguan, Xuzhou, Wuhan, Xiamen, Chengdu and Yunnan (the "Regions"). According to Frost & Sullivan, the brand outlet number of leading domestic sportswear suppliers in the Regions increased greatly during 2007 and 2008 and this reflects the trend for PRC domestic sportswear suppliers to explore the potential within these markets. With intense competition with multinational corporations ("MNC") suppliers in tier one cities, huge demand expectation in tier two and tier three cities, as well as different pricing strategies, the PRC domestic brands have invested a lot in tier two and tier three cities, and positioned their main business within tier two and tier three cities instead of tier one cities.

INDUSTRY OVERVIEW

Set out below is a chart showing the annual per capita consumption expenditure of urban households in each province comprising the Regions for the years of 2004 to 2008. The CAGR of annual per capita consumption expenditure of urban households was ranging from 7.3%-13.1% during 2004 and 2008. From the chart illustrated below, these seven provinces have been benefiting from the fast growth of annual per capita consumption expenditure of urban households.

Annual Per Capita Consumption Expenditure of Urban Households in Guangdong, Fujian, Jiangsu, Hunan, Sichuan, Hubei and Yunnan Provinces in the PRC, (2004-2008)



Source: Provincial Statistics Bureau of China; Frost & Sullivan

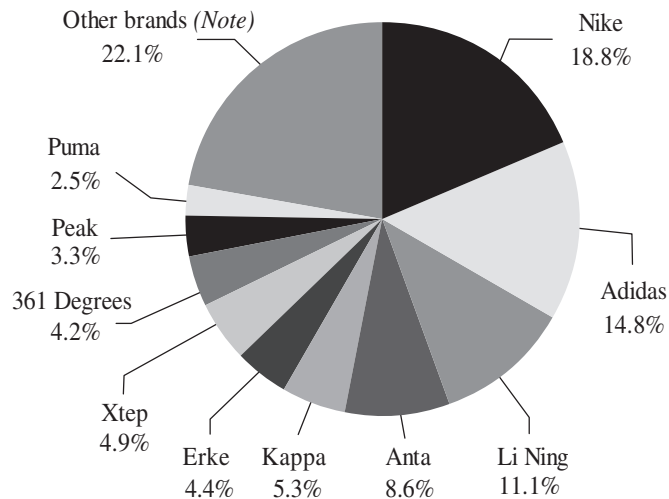
INDUSTRY OVERVIEW

Market Segmentation

(i) *Local brands and MNC brand*

According to Frost & Sullivan, the Chinese sportswear market is highly fragmented, with nearly 100 active sportswear brands. In terms of ex-factory revenue in 2008, the chart below headed “2008 Breakdown of the PRC Sportswear Market” below illustrates the 2008 market shares of sportswear brands in the PRC. Although MNC’s sportswear brand take the leading positions in top 10 sportswear brands in China in 2008, in general and as shown under the charts headed “Market share of sportswear brands (the PRC) : Local vs MNC, 2005-2008” on page 69 of this prospectus, for the period from 2005 to 2008, PRC local sportswear brands have higher growth rate than MNC’s brands and the gap between MNC brand and PRC local brand is narrowing.

2008 Breakdown of the PRC Sportswear Market

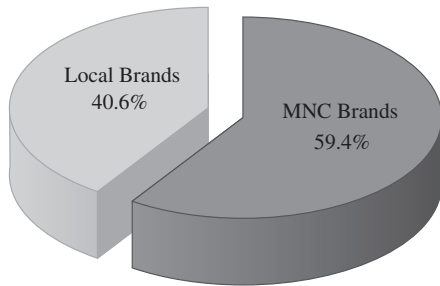


Note: “Others” refers to international and domestic brands in the PRC sportswear market other than the brands named in the chart above. Such brands include, amongst others, Meike (approximately 0.7%), Mizuno and Converse.

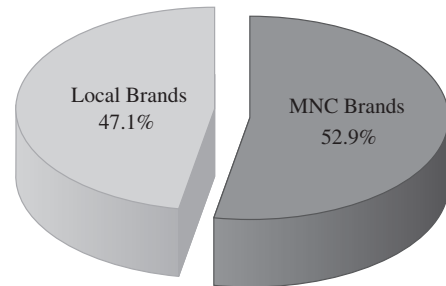
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Share of Sportswear Brands (the PRC): Local vs MNC, 2005-2008



Year:2005



Year:2008

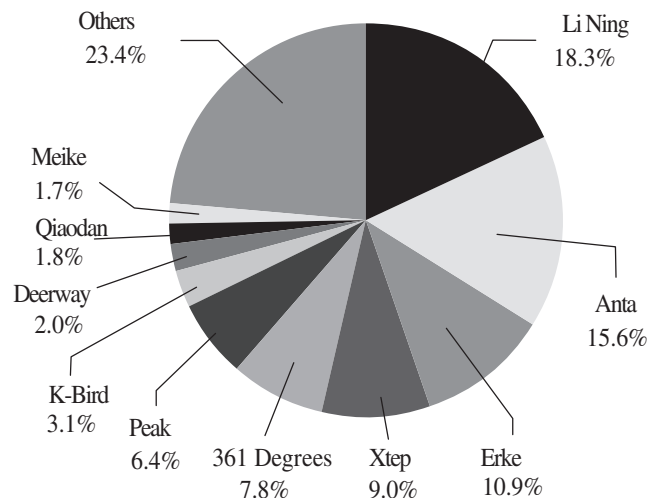
Note: Local brands include Li Ning, Anta, Xtep, Erke, 361 Degrees, Meike, and others while MNC brand include Nike, Adidas, Kappa, Puma and Umbro

Source: Frost & Sullivan

(ii) The sports footwear market

The total sports footwear retail sales in the PRC increased from approximately USD1.9 billion in 2004 to USD 5 billion in 2008, and is expected to growth further into approximately USD8.2 billion in 2010. In addition, the main market for domestic sportswear suppliers lies in tier two and tier three cities. The consumers in these regions have great purchasing potential, and are more willing to choose domestic brands due to price concern. During the past few years, domestic suppliers are expanding their sales network rapidly in tier two and tier three cities. According to Frost & Sullivan, we ranked tenth among the leading domestic sports footwear suppliers in terms of footwear revenue including domestic sales, OEM income, and export in 2008 in China. Set out below is a table illustrating the market share of top 10 local brands in the PRC in 2008. Furthermore, the top three domestic markets of Meike in 2008 are Hubei province, Hunan province and Fujian province which according to Frost & Sullivan, Meike was respectively ranked 9th, 6th and 8th in local brands in terms of footwear revenue in 2008.

Sports Footwear Market (China): Market Share of Local Brands, 2008



Source: Frost & Sullivan

INDUSTRY OVERVIEW

(iii) *The sports apparel market*

The total sports apparel retail sales in the PRC increased from approximately USD1.3 billion in 2004 to USD4.5 billion in 2008, and is expected to growth further into approximately USD8.4 billion in 2010. According to Frost & Sullivan, the increasing popularity of casual life style is likely to accelerate the growth of sports apparel market in the PRC. In addition, the post-Olympics effect and a series of grand international or national sport events to be held in the PRC from 2009 to 2013 (i.e. 2009 F1 Grand Prix in Shanghai, 2009 China Open Tennis Tournament in Beijing, 2010 Asian Games in Guangzhou and 2011 Universiade in Shenzhen) are expected to continuously fuel the development of the sports apparel market in the PRC.

THE GLOBAL SPORTSWEAR MARKET

Overview

According to Frost & Sullivan, the global total sportswear expenditure per capita in 2008 is lead by top rank international countries such as the United States (approximately USD232.8), Canada (approximately USD211.4), and major members of European Union (i.e. Germany (approximately USD176.3), the United Kingdom (approximately USD136.5) and France (approximately USD133.3)). In 2008, China's total sportswear expenditure per capita was USD7.4 (RMB51.6), which was far less than the expenditure of the above mentioned countries. Given the PRC's huge population and fast urbanization process, Frost & Sullivan projected that the total sportswear expenditure per capita in the PRC will enjoy a continuous grow.

GDP of and Sportswear expenditure in European Union and the United States

(i) *GDP*

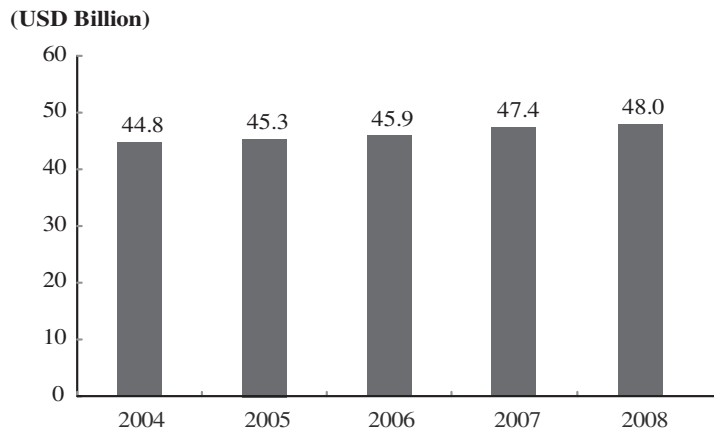
According to the Frost & Sullivan report, the nominal GDP of European Union and the United States in 2008 amounted to approximately USD18,394.1 billion and approximately USD14,264.6 billion. However, under the influence of the financial crisis, GDP for the European Union met major setback while the GDP of United States was in stagnant situation in 2009. It is expected that GDP in both regions is likely to hit bottom in 2009 and slightly recover for the next few years till 2013.

(ii) *The Sportswear Expenditure in Europe*

Consisting of 50 member nations, Europe has a total population of over 700 million. The European sportswear market has maintained steady growth, up from approximately USD44.8 billion (RMB370.8 billion) in 2004 to approximately USD48.0 billion (RMB333.49 billion) in 2008 at a CAGR of 1.7%. Being the birth place for modern sports and Olympics, Europe has a long history of sports development. Europeans are fond of sports activities and are willing to spend on sportswear products. Under the influence of the global financial crisis, European sportswear market is expected to have negative growth in 2009. However, with the economy recovers gradually, the Europe market is likely to resume positive growth in the future. The diagram on page 71 of this prospectus illustrates the sportswear expenditure in Europe for the period from 2004 to 2008.

INDUSTRY OVERVIEW

Total Sportswear Expenditure in Europe, 2004-2008

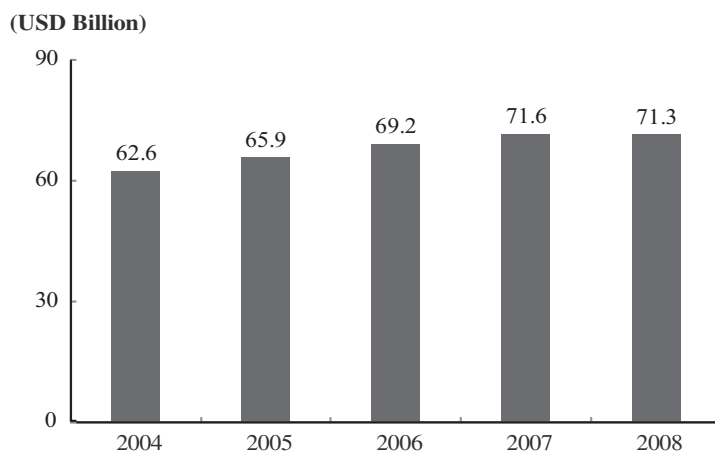


Source: Frost & Sullivan

(iii) The Sportswear Expenditure in the United States

US is the largest sportswear market globally. The US sportswear market has grown from approximately USD62.6 billion in 2004 to approximately USD71.3 billion in 2008 at a CAGR of 3.3%. The casual and fashion trend is the driving force of the sportswear market in US. Sports advertisements, modern physical education, and athletes celebrities also promote the prosperity of the US sportswear industry. However, with the global financial crisis, US sportswear market has witnessed a contraction in 2008. The sportswear expenditure decreased by 0.5% in 2008, and is anticipated to decrease by 2% in 2009 and to increase by only 0.5% in 2010. According to Frost & Sullivan, the market expects a promising rise after the economic recovery in a long term. Set out below is a chart illustrating the sportswear expenditures in the US for the period from 2004 to 2008.

Total Sportswear Expenditure in US, 2004-2008



Source: Frost & Sullivan

REGULATIONS

REGULATIONS

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our Group's operation and business.

Establishment, operation and management of a foreign-invested enterprise

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”), which was promulgated on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended and became effective on December 25, 1999 and August 28, 2004 and amended on October 27, 2005, which amendment became effective on January 1, 2006. The companies are classified into categories—limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) (the “**Wholly Foreign-owned Enterprise Law**”), which was promulgated on April 12, 1986 and amended and became effective on October 31, 2000, and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law (中華人民共和國外資企業法實施細則), which was promulgated on December 12, 1990 and amended and became effective on April 12, 2001.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labor matters of a Sino-foreign equity joint venture are regulated by the Sino-foreign Equity Joint Venture Law of the PRC (中華人民共和國中外合資經營企業法) (the “**Sino-foreign Equity Joint Venture Law**”), which was promulgated on July 8, 1979 and amended and became effective on April 4, 1990, and March 15, 2001, respectively, and the Implementation Regulation of the Sino-foreign Equity Joint Venture Law (中華人民共和國中外合資經營企業法實施細則), which was promulgated on September 20, 1983, and amended and became effective on July 22, 2001.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is governed by the Guidance Catalogue of Industries for Foreign Investment (外商投資產業指導目錄) (the “**Catalogue**”), which was amended and promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) on October 31, 2007 and became effective on December 1, 2007. The Catalogue is a long-standing tool that PRC policymakers have used to manage and direct foreign investment. Similar to the 2002 and 2004 editions, the Catalogue divides industries into three basic categories: encouraged, restricted, and prohibited. Industries not listed in the catalog are generally open to foreign investment unless specifically barred in other PRC regulations. Foreign-invested enterprises in encouraged industries are often permitted to establish wholly

REGULATIONS

foreign-owned enterprises. Parts of industries in the restricted category may be limited to equity or contractual joint ventures, in some cases with the Chinese partner as the majority shareholder. Restricted category projects are also subject to higher-level government approvals. Industries in the prohibited section are closed to foreign investment.

Taxation

Income tax

Prior to January 1, 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) (the “**FIE Tax Law**”) promulgated on April 9, 1991 and effective on July 1, 1991 and the related implementation rules. Pursuant to the FIE Tax Law, a foreign-invested enterprise was subject to a national income tax at the rate of 30% and a local tax at the rate of 3% unless a lower rate was provided by laws or administrative regulations. The income tax on foreign-invested enterprises established in Special Economic Zones, foreign enterprises which have establishments or places in Special Economic Zones engaged in production or business operations, and on foreign-invested enterprises of a production nature in Economic and Technological Development Zones, was levied at the reduced rate of 15%. The income tax on foreign-invested enterprises of a production nature established in coastal economic open zones or in the old urban districts of cities where the Special Economic Zones or the Economic and Technological Development Zones are located, was levied at the reduced rate of 24%. Any foreign-invested enterprise of a production nature scheduled to operate for a period of not less than ten years was exempted from income tax for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years) and allowed a fifty percent reduction in the following three consecutive years.

According to the newly promulgated Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**New Tax Law**”), which was promulgated on March 16, 2007 and became effective on January 1, 2008, the income tax for both domestic and foreign-invested enterprises will be at the same rate of 25% effective from January 1, 2008. In order to clarify some provisions in the New Tax Law, The Implementation Rules to the New Tax Law (中華人民共和國企業所得稅法實施細則) (the “**Implementation Rules**”) was promulgated on December 6, 2007, effective from January 1, 2008. The New Tax Law provides certain relief during the transition period that apply to enterprises that were established prior to March 16, 2007 (i) if foreign-invested enterprises enjoy reduced tax rates under the laws and regulations, the tax rate will be gradually increased to coincide with the new tax rate within five years starting from 2008; and (ii) if foreign-invested enterprises enjoy tax holidays for a fixed period under laws and regulations, such foreign-invested enterprises can continue the holiday until its expiry. However, if an enterprise has not started to enjoy the tax holiday due to a lack of profit, 2008 will be regarded as the first profit-making year and the enterprise starts to enjoy the tax holiday.

REGULATIONS

Value-added tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) effective from January 1, 1994 (amended on November 5, 2008, which amendment became effective on January 1, 2009) and its implementation rules, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax (“VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or in certain limited circumstances, 13%, depending on the product type.

Foreign currency exchange and dividend distribution

Foreign currency exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Administration Rules**”). It was promulgated by the State Council of the PRC (中華人民共和國國務院) on January 29, 1996, became effective on April 1, 1996 and was amended and became effective on January 14, 1997 and amended on August 1, 2008, the last amendment becoming effective on August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan unless prior approval of the SAFE is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and exchange in securities, derivative products abroad are subject to registration with SAFE and approval or file with the relevant governmental authorities (if necessary).

Dividend distribution

Before the promulgation of the New Tax Law, the principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include the Wholly Foreign-owned Enterprise Law and the Implementation Regulation of the Wholly Foreign-owned Enterprise Law.

Under these regulations, wholly foreign-owned enterprises in China may only pay dividends from accumulated after-tax profit, if any, determined in accordance with PRC accounting standards and regulations. Dividends paid to its foreign investors are exempt from withholding tax. However, this provision has been revoked by the New Tax Law. The New Tax Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. However, the Implementation Rules reduced the rate from 20% to 10%, effective from January 1, 2008.

REGULATIONS

The PRC and the government of Hong Kong signed Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on August 21, 2006 (the “**Arrangement**”). According to the Arrangement, no more than the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that holds at least 25% of the capital of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that holds less than 25% of the capital of the PRC company.

Domestic resident SAFE registration

According to the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicle (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular 75**”), which was issued by SAFE on October 21, 2005 and effective on November 1, 2005, domestic residents engaged in reorganization of domestic entities or assets in the PRC involving offshore special purpose vehicles are required to apply for registration with SAFE. For details of the application of such regulation to our shareholders, please refer to the paragraphs headed “SAFE Registration” in the section headed “History and Corporate Structure” in this prospectus.

As we would receive the proceeds of the Share Offer in Hong Kong dollars while our major operation is in the PRC, we plan to utilize such proceeds to increase the registered capital of our subsidiaries in the PRC and in projects which are not restricted or prohibited for investment by foreign-invested enterprises and in compliance with the national industrial development policies and foreign investment policies in the PRC.

Our legal advisors as to PRC laws, Fujian Zenith Law Firm, have advised that Mr. Ding, being the relevant ultimate beneficial shareholder of our Group and a domestic resident of the PRC, have completed his foreign exchange registration of overseas investments at the Fujian Branch of SAFE under the SAFE Circular 75. Mr. Ding has also undertaken to us to complete appropriate filing and other procedures regarding the special purpose vehicle’s change in net assets and the repatriation of its overseas assets into PRC pursuant to the SAFE Circular 75 and the relevant administrative procedures after the completion of the Share Offer. Based on the above, our legal advisors as to PRC laws have also advised that our Company will not violate the relevant PRC laws in transferring the proceeds of the Share Offer to the PRC and in using such proceeds in the PRC. Accordingly, our Directors are of the view that the possibility of us not being allowed to use the proceeds of the Share Offer is extremely low and therefore we do not foresee any liquidity impact as a result of the foreign exchange regulations of the PRC.

Product Quality

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”), which was promulgated on February 22, 1993 and becoming effective on September 1, 1993 and amended on July 8, 2000, which amendment became effective on September 1, 2000.

REGULATIONS

The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) (the “**Consumer Protection Law**”), which was promulgated on October 31, 1993 and came into effect on January 1, 1994.

According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all manufacturers and Meike distributors involved must ensure that the products and services will not cause damage to persons and properties.

Environmental protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the “**Environmental Protection Law**”), which was promulgated and effective on December 26, 1989:

- any entity that discharges pollutants must establish environmental protection rules and adopt effective measures to control or properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation and other hazards it produces;
- any entity that discharges pollutants must report to and register with the relevant environmental protection authorities; and
- any entity that discharges pollutants in excess of the prescribed national or local standards must pay a fee therefore.

The purposes of the Environmental Protection Law are to protect and enhance living environment, prevent and cure contamination and other public hazards, and safeguard human health. The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) implements uniform supervision and administration of environmental protection work nationwide and formulates the national waste discharge standards. Local environmental protection bureaus at county level and above are responsible for the environmental protection in their jurisdictions. Government authorities shall impose different penalties against persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop protection, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises or authorities.

REGULATIONS

Exportation Regulations

Our legal advisors as to PRC laws, Fujian Zenith Law Firm, confirmed that our export business is in full compliance with the laws and regulations of the PRC. We have not exported any products through or to our Hong Kong subsidiaries, and we have not exported our products to or through Hong Kong. Our Directors confirmed that it is the overseas customers' obligation to fulfill the import requirements of the importing countries and regions while our obligation is completed upon delivery within the PRC, where only PRC export rules apply. Since we began our export business, we have not violated any exportation laws or regulations of any country we export products to, and there has not been any dispute, litigation, arbitration or administrative procedure in relation to our export business.

HISTORY AND CORPORATE STRUCTURE

OUR HISTORY

We were incorporated in the Cayman Islands as an exempted company with limited liability on June 25, 2009 in anticipation of the Share Offer. Our Group is principally engaged in the design, development, production, marketing and distribution of leisure sportswear products including footwear and apparel under the Meike brand.

We commenced our business in 1999 as a producer of soles for domestic footwear producers in the PRC. In 1999, Fujian Meike was established as a wholly foreign-owned enterprise in the PRC with a registered capital of HK\$10,000,000 by Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) (formerly known as Heng Qing (H.K.) Shoes & Plastic Co.). Since Fujian Meike's establishment, it has been the major operating subsidiary of our Group in the PRC. Our other operating subsidiaries include Quanzhou Meike, Fujian Meisike and Fuzhou Meikesen.

OUR MAJOR OPERATING SUBSIDIARIES

Fujian Meike

On February 12, 1999, Fujian Meike (formerly known as Hengqiang (Fujian) Footwear Plastic Development Company Limited (恒強(福建)鞋塑發展有限公司) and Fujian Meike Sports Leisure Joint Stock Limited Company (福建美克運動休閒股份有限公司)) was established as a wholly foreign-owned enterprise in the PRC with a registered capital of HK\$10,000,000. Upon its establishment, Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) was its sole equity holder. Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) was a sole proprietorship owned by Mr. Huang Tzu Jan (黃自然先生), who is the brother-in-law of Mr. Ding.

Mr. Ding has been a director of Fujian Meike since its establishment, and has been in charge of its operations and management. Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) was a passive investor. Mr. Huang Tzu Jan (黃自然先生) or his wife (who was the representative of Heng Qing (H.K.) Trading Co who oversaw the business of Fujian Meike) did not participate in the management of Fujian Meike. Mr. Ding desired to further develop the business of Fujian Meike by increasing its registered capital. However, Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) decided not to make further financial commitments. As Fujian Meike has been managed and operated by Mr. Ding, and out of kinship, Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) agreed to sell all its interests in Fujian Meike to Mr. Ding for a consideration equivalent to the registered capital contributed by Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司), i.e. HK\$10,000,000. The consideration had been fully settled by cash. Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) and Mr. Ding entered into a share transfer agreement which became effective on March 27, 2003, and as approved by Jinjiang Foreign Trade and Economic Cooperation Bureau (晉江市對外貿易經濟合作局) on March 27, 2003, Heng Qing (H.K.) Trading Co (恒強(香港)貿易公司) transferred its 100% equity interest in Fujian Meike to Mr. Ding for a consideration of HK\$10,000,000, and the registered capital of Fujian Meike was increased from HK\$10,000,000 to HK\$60,000,000 which was contributed by Mr. Ding. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for

HISTORY AND CORPORATE STRUCTURE

the aforesaid transfer of equity interest and increase in registered capital of Fujian Meike was issued by the Fujian Provincial People's Government on March 31, 2003, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on April 10, 2003. After the said equity transfer, Mr. Ding became the sole equity holder of Fujian Meike.

In contemplation of conversion into a joint stock limited company which requires at least two promoters under the Companies Law of the PRC, Fujian Meike introduced two corporate shareholders which contributed additional registered capital to Fujian Meike. On October 18, 2006, Mr. Ding, Jinhairuo and Ruixiang entered into a joint-venture management agreement, and as approved by Jinjiang Commerce Bureau (晉江市商務局) on October 26, 2006, the registered capital of Fujian Meike was further increased from HK\$60,000,000 to HK\$68,960,000. Jinhairuo and Ruixiang made contributions in the amounts of HK\$5,510,000 and HK\$3,450,000, respectively, for the purpose of the said increase in registered capital. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid increase in registered capital and conversion of Fujian Meike was issued by the Fujian Provincial People's Government on October 27, 2006, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on October 30, 2006. The entire equity interest in Jinhairuo was owned by Ms. Ding prior to the transfer of such equity interest to Mr. Lin Yangshan (林陽山先生), the son of the younger sister of Mr. Ding, in July 2007. Ruixiang has been wholly-owned by Mr. Huang Renhe (黃仁和先生). Save for his investment in Fujian Meike and being a former director of Fujian Meike, Mr. Huang Renhe (黃仁和先生) is an Independent Third Party. Fujian Meike was converted into a sino-foreign equity joint venture enterprise in the PRC as a result of the introduction of Jinhairuo and Ruixiang as its equity holders. Upon completion of the said increase in the registered capital of Fujian Meike, its entire equity interest was owned as to 87%, 8% and 5% by Mr. Ding, Jinhairuo and Ruixiang, respectively.

As confirmed by various capital verification reports issued by PRC accounting firms, the registered capital of Fujian Meike of HK\$68,960,000 had been fully paid up. Although part of the registered capital of Fujian Meike had not been contributed in accordance with the required time frame under applicable PRC laws and regulations, such shortfall in the registered capital had subsequently been fully paid up, and the Quanzhou Administration for Industry and Commerce had confirmed that it would not penalize Fujian Meike or its equity holders for the delayed payments. Our legal advisors as to PRC laws advised that the delayed capital contributions did not affect the due establishment and valid existence of Fujian Meike.

On May 31, 2007, Mr. Ding, Jinhairuo and Ruixiang entered into a promoter's agreement, and as approved by the Ministry of Commerce of the PRC (中華人民共和國商務部) on July 2, 2007, Fujian Meike was converted into a joint stock limited company in the PRC with a registered capital of RMB100,000,000. As at December 31, 2006, the net asset value of Fujian Meike amounted to RMB117,156,315.51, of which RMB100,000,000 had been converted into 100,000,000 shares and issued to its then shareholders in proportion to their then capital contributions to Fujian Meike, and the remaining amount was converted into capital surplus of Fujian Meike. The name of Fujian Meike

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was changed to Fujian Meike Leisure Sports Joint Stock Company Limited (福建美克運動休閒股份有限公司). The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid conversion and change of name of Fujian Meike was issued by the Fujian Provincial People's Government on July 2, 2007, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on August 8, 2007. Upon completion of the said conversion into a joint stock limited company, the entire equity interest of Fujian Meike was owned as to 87%, 8% and 5% by Mr. Ding, Jinhairuo and Ruixiang, respectively.

As part of the Corporate Reorganization, the two minority shareholders of Fujian Meike agreed to transfer their interests in Fujian Meike to Mr. Ding. On May 27, 2009, Mr. Ding, Jinhairuo and Ruixiang entered into a share transfer agreement, and as approved by Fujian Foreign Trade and Economic Cooperation Bureau (福建省對外貿易經濟合作廳) on June 23, 2009, Mr. Ding acquired 8% equity interest in Fujian Meike from Jinhairuo for a consideration of RMB19,021,665.90 and 5% equity interest in Fujian Meike from Ruixiang for a consideration of RMB11,888,541.19, which were determined with reference to the net asset value of Fujian Meike as at December 31, 2008 as assessed by an independent PRC valuer. The name of Fujian Meike has since changed to Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司), and Fujian Meike was converted into a wholly foreign-owned enterprise in the PRC. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid transfer of shares, change of name and conversion was issued by the Fujian Provincial People's Government on June 23, 2009, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on July 3, 2009. After the said acquisition of equity interests, Mr. Ding owned the entire equity interest in Fujian Meike. Mr. Ding has settled the consideration to each of Jinhairuo and Ruixiang by cash.

As part of the Corporate Reorganization, Mr. Ding and Mega Pacific entered into a share transfer agreement on July 4, 2009, and as approved by Jinjiang Commerce Bureau (晉江市商務局) on July 16, 2009, Mr. Ding transferred his entire equity interest in Fujian Meike to Mega Pacific for a consideration of RMB100,000,000, which was determined with reference to the amount of registered capital of Fujian Meike. The consideration was satisfied by way of issue of share of Amber Jungle to Glory Hill. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid transfer of equity interest in Fujian Meike was issued by the Fujian Provincial People's Government on July 20, 2009, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on July 21, 2009. After such transfer of equity interest, Mega Pacific owns the entire equity interest in Fujian Meike.

The scope of business of Fujian Meike covers the manufacture of sports footwear, plastic footwear, shoe soles, leisure sports clothing, hats, socks, bags and sports instruments; research and development and design of sports footwear, plastic footwear, shoe soles, leisure sports clothing, hats, socks and packaging materials; and export and import of goods and technologies (not including distribution).

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Quanzhou Meike

On January 30, 2007, Quanzhou Meike was established as a sino-foreign equity joint venture enterprise in the PRC with a registered capital of RMB85,000,000. The entire equity interest of Quanzhou Meike was owned as to 65% and 35% by Fujian Meike and Ms. Ding Meizhu (also known as Ting Mei Chu) (丁美珠女士), respectively. Ms. Ding Meizhu (also known as Ting Mei Chu) (丁美珠女士) is the elder sister of Mr. Ding.

As Ms. Ding Meizhu (also known as Ting Mei Chu) (丁美珠女士) decided against investing in Quanzhou Meike for personal reasons, she agreed to transfer her 35% equity interest in Quanzhou Meike to Meike Hong Kong. On September 10, 2007, Ms. Ding Meizhu (also known as Ting Mei Chu) (丁美珠女士) and Meike Hong Kong entered into a share transfer agreement, and as approved by Huian Foreign Trade and Economic Cooperation Bureau (惠安縣對外貿易經濟合作局) on October 8, 2007, Ms. Ding Meizhu (also known as Ting Mei Chu) (丁美珠女士) transferred her 35% equity interest in Quanzhou Meike to Meike Hong Kong for nil consideration as the capital contribution of Ms. Ding Meizhu (also known as Ting Mei Chu) (丁美珠女士) to Quanzhou Meike was not made up to the date of the said equity transfer. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid transfer of equity interest of Quanzhou Meike was issued by the Fujian Provincial People's Government on October 22, 2007, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on November 19, 2007. Upon completion of the said equity transfer, the entire equity interest in Quanzhou Meike was owned as to 65% and 35% by Fujian Meike and Meike Hong Kong, respectively. As confirmed by various capital verification reports issued by a PRC accounting firm, the registered capital of Quanzhou Meike of RMB85,000,000 had been fully paid up.

Although the registered capital of Quanzhou Meike had not been contributed in accordance with the required time frame under applicable PRC laws and regulations for the first stage payment, such shortfall in the registered capital had subsequently been fully paid up, and the Quanzhou Administration for Industry and Commerce had confirmed that it would not penalize Quanzhou Meike or its equity holders for the delayed payment. Our legal advisors as to PRC laws advised that the delayed capital contribution did not affect the due establishment and valid existence of Quanzhou Meike.

As part of the Corporate Reorganization, Meike Hong Kong and Mega Pacific entered into a share transfer agreement on July 21, 2009, and as approved by Fujian Foreign Trade and Economic Cooperation Bureau (福建省對外貿易經濟合作廳) on August 12, 2009, Meike Hong Kong transferred its 35% equity interest in Quanzhou Meike to Mega Pacific for a consideration of RMB29,750,000, which was determined with reference to the amount of registered capital of Quanzhou Meike. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid transfer of equity interest in Quanzhou Meike was issued by the Fujian Provincial People's Government on August 12, 2009, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on August 18, 2009. After the said equity

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transfer, the entire equity interest of Quanzhou Meike is owned as to 65% and 35% by Fujian Meike and Mega Pacific, respectively. As both of Meike Hong Kong and Mega Pacific are our wholly-owned subsidiaries, the aforesaid consideration remained as inter-companies balances as at the Latest Practicable Date.

The scope of business of Quanzhou Meike covers the manufacture of clothing, shoes, shoe materials, precision moulds, plastic products, high-class metal hardware products (not including plating) and sports products and research and development of the aforesaid related products; and wholesale of clothing, shoes, shoe materials (not including natural rubber), precision moulds, plastic products, high-class metal hardware products and sports products.

Fujian Meisike

On March 15, 2007, Fujian Meisike was established as a sino-foreign equity joint venture enterprise in the PRC with a registered capital of HK\$20,000,000. The entire equity interest of Fujian Meisike was owned as to 75% and 25% by Fujian Meike and Mr. Huang Kai Kak (黃繼革先生), respectively. Mr. Huang Kai Kak (黃繼革先生) is the son of Mr. Huang Tzu Jan (黃自然先生) and Ms. Ding Meizhu (also known as Ting Mei Chu) (丁美珠女士).

As Mr. Huang Kai Kak (黃繼革先生) did not participate in the management of Fujian Meisike, he decided not to invest in Fujian Meisike and agreed to transfer his interests in Fujian Meisike to Meike Hong Kong. On September 12, 2007, Mr. Huang Kai Kak (黃繼革先生) and Meike Hong Kong entered into a share transfer agreement, and as approved by Jinjiang Commerce Bureau (晉江市商務局) on November 16, 2007, Mr. Huang Kai Kak (黃繼革先生) transferred his 25% equity interest in Fujian Meisike to Meike Hong Kong for a consideration of RMB7,930,386.18, which was determined with reference to the audited net asset value of Fujian Meisike as at August 31, 2007 reported by a firm of PRC accountants. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid transfer of equity interest in Fujian Meisike was issued by the Fujian Provincial People's Government on December 5, 2007, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected on December 14, 2007. Upon completion of the said equity transfer, the entire equity interest of Fujian Meisike was owned as to 75% and 25% by Fujian Meike and Meike Hong Kong, respectively. The consideration was fully settled by cash.

As part of the Corporate Reorganization, Meike Hong Kong and Mega Pacific entered into a share transfer agreement on July 21, 2009, and as approved by Jinjiang Commerce Bureau (晉江市商務局) on July 24, 2009, Meike Hong Kong transferred its 25% equity interest in Fujian Meisike to Mega Pacific for a consideration of HK\$5,000,000, which was determined with reference to the amount of registered capital of Fujian Meisike. The Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書) for the aforesaid transfer of equity interest in Fujian Meisike was issued by the Fujian Provincial People's Government on August 5, 2009, and the relevant filing with Quanzhou Administration for Industry and Commerce was effected

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on August 7, 2009. Upon completion of the said equity transfer, the entire equity interest of Fujian Meisike is owned as to 75% and 25% by Fujian Meike and Mega Pacific, respectively. As both of Meike Hong Kong and Mega Pacific are our wholly-owned subsidiaries, the aforesaid consideration remained as inter-companies balances as at the Latest Practicable Date.

As confirmed by various capital verification reports issued by a PRC accounting firm, the registered capital of Fujian Meisike had been fully paid up.

The scope of business of Fujian Meisike covers the manufacture of sports footwear, plastic footwear, shoe soles, leisure sports clothing, hats, socks, bags, sports instruments and sale of self-manufactured products.

Fuzhou Meikesen

On May 23, 2007, Fuzhou Meikesen was established as a limited liability company in the PRC with a registered capital of RMB500,000. The entire equity interest of Fuzhou Meikesen is owned by Fujian Meisike and as confirmed by a capital verification report issued by a firm of PRC accountants, the registered capital had been fully paid up. There has been no change in the equity ownership of Fuzhou Meikesen since its establishment.

The scope of business of Fuzhou Meikesen covers the wholesale and acting as agent for the sale and purchase of clothing, shoes, hats, bags and sports products.

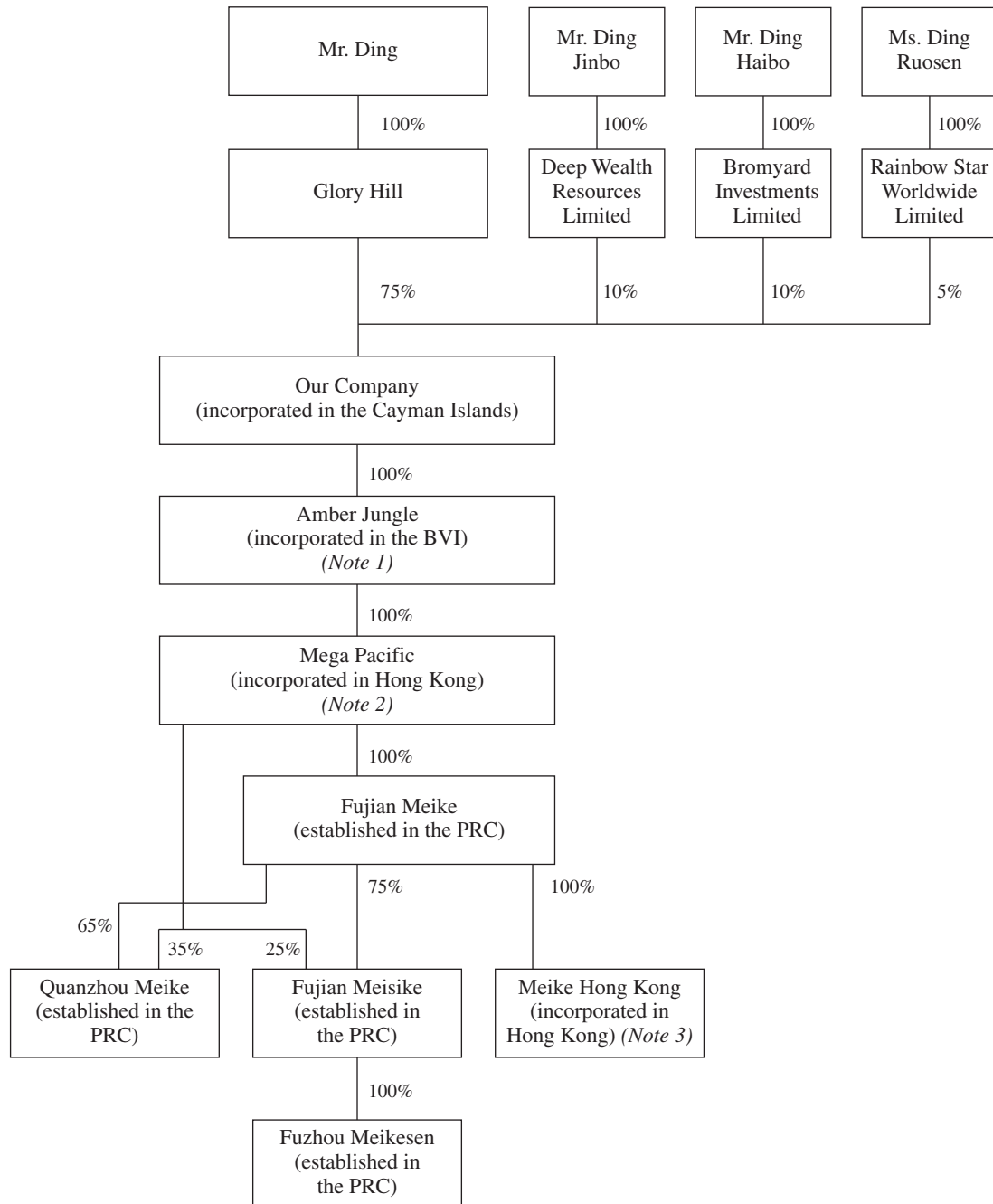
OUR GROUP STRUCTURE

As part of the Corporate Reorganization, a number of equity transfers had been effected and pursuant to which Mega Pacific became the sole equity holder of Fujian Meike, and has 35% and 25% equity interest, respectively, in Quanzhou Meike and Fujian Meisike, and our Company became the holding company of our Group. We completed the Corporate Reorganization on September 10, 2009 in preparation for the Listing. Details of the Corporate Reorganization are set out in the paragraph headed “Corporate reorganization” in Appendix VI to this prospectus.

After completion of the Corporate Reorganization and before the Capitalization Issue and the Share Offer, as part of the family arrangements between Mr. Ding and his children, Glory Hill, the personal holding company of Mr. Ding, transferred 10%, 10% and 5% shareholding interests in our Company to the personal holding companies of his two sons, namely Mr. Ding Jinbo (丁金波先生) and Mr. Ding Haibo (丁海波先生), and the personal holding company of his daughter, Ms. Ding Ruosen (丁若森女士), respectively, each for a nominal consideration of HK\$1, on January 4, 2010.

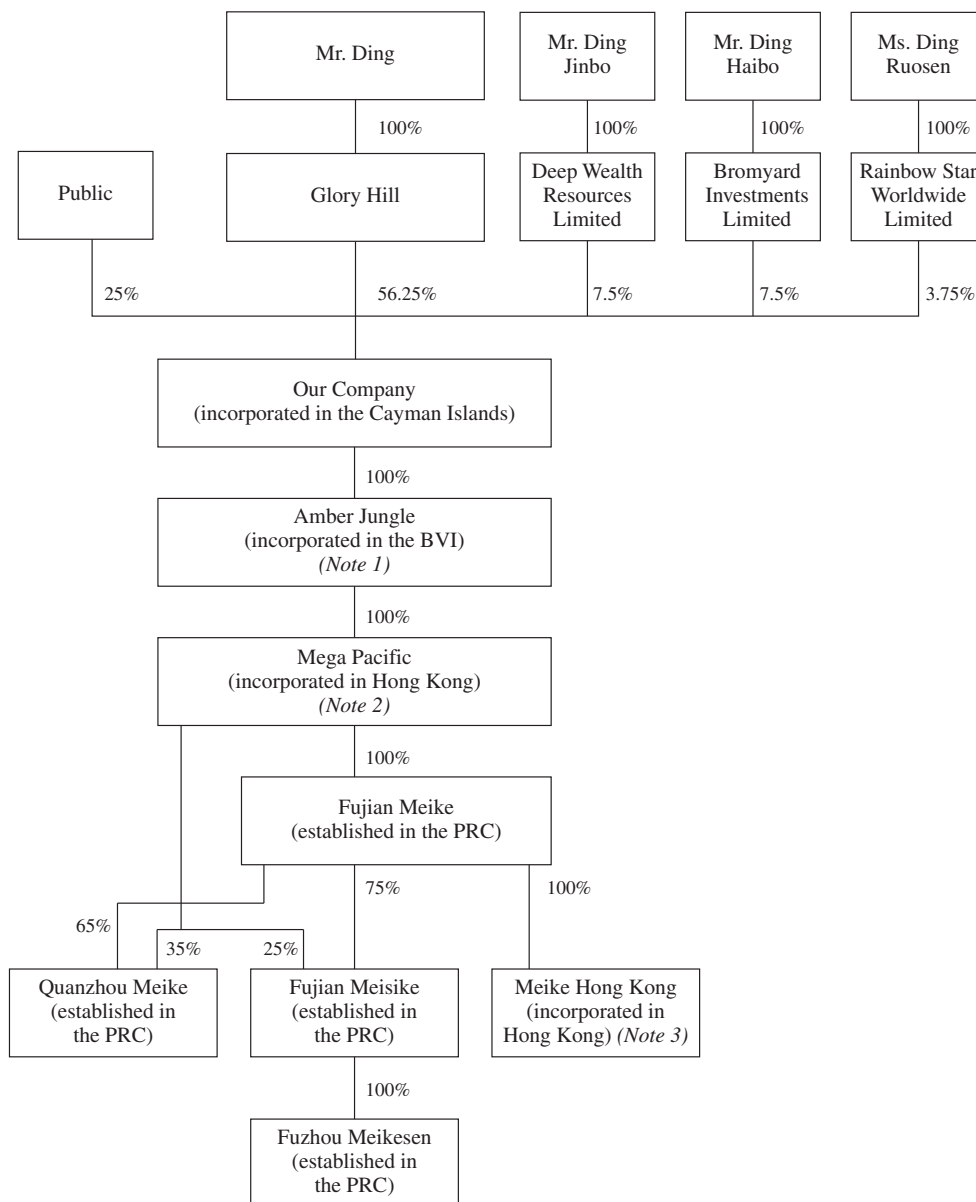
HISTORY AND CORPORATE STRUCTURE

Our corporate structure immediately before completion of the Capitalization Issue and the Share Offer is set out as follows:



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The following diagram sets out the corporate structure of our Group immediately after completion of the Capitalization Issue and the Share Offer (assuming that the Over-allotment Option is not exercised):



Notes:

- (1) Amber Jungle is an investment holding company.
- (2) Mega Pacific is an investment holding company. It will provide certain administrative services to our Group in Hong Kong.
- (3) On August 31, 2007, Meike Hong Kong was incorporated in Hong Kong as a limited liability company and Fujian Meike has been its sole shareholder since its incorporation. Meike Hong Kong is an investment holding company and may serve as a trading company of our Group in Hong Kong.

HISTORY AND CORPORATE STRUCTURE

SAFE REGISTRATION

According to the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicle (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 75”), which was issued by SAFE on October 21, 2005, and effective on November 1, 2005:

- domestic residents who plan to establish or control an offshore special purpose vehicle must conduct foreign exchange registration with the local foreign exchange authority;
- domestic residents who have contributed their assets or shares of a domestic enterprise into an offshore special purpose vehicle, or have raised funds offshore after such contribution, must conduct foreign exchange registration for the modification of the record concerning the offshore special purpose vehicle with the local foreign exchange authority; and
- domestic residents who are the shareholders of an offshore special purpose vehicle are required to go through registration for the modification of the record with the local foreign exchange authority within 30 days from the date of any major capital change event, such as an increase/decrease of capital, share transfer, share swap, merger or division, long term equity or debt investment or foreign guarantee where no round-trip investment is involved.

Our legal advisors as to PRC laws have advised that Mr. Ding, being the relevant beneficial shareholder of our Group and domestic resident of the PRC, has completed his foreign exchange registration of overseas investments at the Fujian Branch of SAFE and confirmed that the requirements under the SAFE Circular 75 have been duly satisfied. Our legal advisors as to PRC laws have further advised that Mr. Ding Jinbo (丁金波先生), Mr. Ding Haibo (丁海波先生) and Ms. Ding Ruosen (丁若森女士) are not “domestic residents” of the PRC, and are not required to file foreign exchange registrations of overseas investments with SAFE under the SAFE Circular 75.

OUR CORPORATE REORGANIZATION AND THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Under the Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which was issued by the Ministry of Commerce of the PRC and effective on September 8, 2006, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The acquisition shall be based on the results of the appraisals on the equity or assets to be acquired. According to Article 15 of the M&A Rules, where parties to an

HISTORY AND CORPORATE STRUCTURE

acquisition are related including where the control is only de facto, the parties must “provide an explanation on the purpose of the acquisition and whether the results of the appraisals are consistent with fair market value”. Avoidance of this requirement by using trusts, nominees, or other means is prohibited.

Our legal advisors as to PRC laws have advised that the acquisitions by Mega Pacific of equity interests in Fujian Meike, Quanzhou Meike and Fujian Meisike do not fall within the scope of the above regulated activities stipulated under the M&A Rules as Fujian Meike, Quanzhou Meike and Fujian Meisike have been established as foreign-invested enterprises upon approval of competent commerce authorities since their respective dates of establishment, and have been remained as foreign-invested enterprises and not “domestic companies”. Fujian Meike was established as a wholly foreign-owned enterprise in the PRC on February 12, 1999. On October 30, 2006, Fujian Meike was converted into a sino-foreign equity joint venture enterprise, and on August 8, 2007, in contemplation for an application for listing of its shares on the Shenzhen Stock Exchange, Fujian Meike was converted into a foreign-invested joint stock limited company in the PRC. The listing application in the PRC was discontinued in 2008. As part of the Corporate Reorganization, on July 3, 2009, Fujian Meike was converted into a wholly foreign-owned enterprise in the PRC. As advised by our legal advisors as to PRC laws, foreign-invested enterprises include sino-foreign equity joint venture enterprises, sino-foreign cooperative joint venture enterprises, wholly foreign-owned enterprises and foreign-invested joint stock limited companies. Therefore, despite the aforesaid changes in the corporate nature of Fujian Meike, it has been a foreign-invested enterprise since its date of establishment.

We prepared for listing on the Shenzhen Stock Exchange in 2007 and did not secure approval from the China Securities Regulatory Commission (“CSRC”), the PRC regulatory body of securities listing, in our first attempt. CSRC raised certain comments regarding our listing application. In view of the uncertainty in listing timetable as there were a vast number of other applicants for listing on the Shenzhen Stock Exchange and the market condition at that time, we did not resume or continue our listing application on the Shenzhen Stock Exchange in 2008. We believe the comments made by CSRC are no longer applicable to us for the reasons set out below. Below is the summary of the comments made by CSRC and our current status regarding such comments:

Comments raised by CSRC

The viability of our plan to expand self-owned outlets and our plan to increase our production capacities for both footwear and apparel by using the proceeds from the listing in PRC, and how we plan to increase our sales after the possible increase of our production capacity.

Our current status regarding such comments

We believe this comment is no longer applicable to us because we will continue to implement our distributorship business model for domestic sales of our Meike branded products and we do not intend to expand self-owned outlets. We only intend to further expand the apparel production facilities to reduce our reliance on contract manufacturers of Meike apparel products and to better control our production output. We intend to increase our sales through the further expansion of our distribution networks, which depend on the growth in number of Meike distributors and/or increase in number of retail outlets owned by them or third party retailers under their supervision.

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Comments raised by CSRC

Whether we can implement our plan to change our production model to produce apparel through self-owned facilities.

Whether there exists any competing business by our Directors, Mr. Ding and Ms. Ding, in 福建省名樂體育用品有限公司 (Fujian Mingle Sports Products Co., Ltd.) and 名樂(中國)有限公司 (Mingle (China) Co., Ltd.).

The reason for Mr. Ding's disposal of his equity interest in 福建美克恒強體育用品有限公司 (Fujian Meike Hengqiang Sports Products Co., Ltd.) and 福建晉江市恒強鞋塑有限公司 (Fujian Jinjiang Hengqiang Plastic Shoe Co., Ltd.) in 2007.

Whether certain amounts due from related parties have been repaid

Please also refer to the sections headed “Business — Our Strategy — Strengthen distribution and further expansion of our sales network”, “Business — Our Strategy — Expand production capacity”, “Relationship With Our Controlling Shareholders — Family members engaging in sports footwear, apparel and accessories businesses”, where we discussed the related matters in details.

Our legal advisors as to PRC laws have advised that all approvals or permits required under PRC laws and regulations in connection with each stage of the Corporate Reorganization have been obtained and the Listing is not subject to the approval of CSRC.

Our current status regarding such comments

Under the current expansion plan and leveraged on the successful record of self-production capabilities of apparel since July 2008, we believe we can better manage our future growth and expansion.

Our Directors, Mr. Ding and Ms. Ding, have both confirmed that they have (i) no previous employment with, (ii) no direct or indirect interest in, and (iii) not involved in any management of, 福建省名樂體育用品有限公司 (Fujian Mingle Sports Products Co., Ltd.) and 名樂(中國)有限公司 (Mingle (China) Co., Ltd.).

Our Controlling Shareholder, Mr. Ding, disposed of his equity interest in 福建美克恒強體育用品有限公司 (Fujian Meike Hengqiang Sports Products Co., Ltd.) and 福建晉江市恒強鞋塑有限公司 (Fujian Jinjiang Hengqiang Plastic Shoe Co., Ltd.) to avoid potential competing business with our Group prior to the application for listing on Shenzhen Stock Exchange. We were informed that such entities had been dissolved.

Our Directors have confirmed that all amounts due from related parties have been settled as at the Latest Practicable Date.

BUSINESS

OVERVIEW

We are one of the fast-growing domestic branded sportswear enterprises in the PRC in terms of sales of branded sportswear products. We design, develop, produce, market and distribute leisure sportswear products, including footwear and apparel, under the Meike brand. We also design, develop, market and distribute sports accessories under the Meike brand. According to Frost & Sullivan, we ranked tenth among the leading domestic sports footwear suppliers in terms of footwear revenue including domestic sales, OEM income, and export in 2008 in China, of which more detailed information is set out in the sub-paragraph headed “the sports footwear market” in the section headed “Industry Overview” in this prospectus. In terms of sales of apparel products, we recorded a CAGR of approximately 406.0% in 2008 as compared to 2006.

During the Track Record Period, we established and expanded our distribution network of our Meike branded products, starting from 59 counters under concessionary arrangement with department stores and shopping malls as of January 1, 2006 to 1,318 Meike outlets (including Meike distributor outlets directly operated by our distributors and Meike retailer outlets indirectly managed by our distributors) which sell our Meike products exclusively in 22 provinces, autonomous regions and municipalities, and more than 514 districts, counties, and county-level cities in the PRC as of the Latest Practicable Date.

We started our business in 1999 as a producer of soles for domestic footwear producers in the PRC. We commenced our footwear export business through domestic export companies since 2001 and our sales of Meike branded products to the domestic market in the PRC in 2003. For the three years ended December 31, 2006, 2007 and 2008, our revenue from sales of our Meike branded products in the PRC¹ increased substantially, from RMB48.5 million in 2006 to RMB139.2 million in 2007, and to RMB229.2 million in 2008, accounting for approximately 26.8%, 42.4% and 62.7% of our total revenue during the same period, respectively. For the nine months ended September 30, 2009, our revenue from sales of our Meike branded products was RMB274.2 million, accounting for 78.7% of our total revenue during the same period. In particular, our sales of Meike apparel experienced substantial increase during the Track Record Period. Our revenue generated from the sales of our Meike apparel increased from RMB3.5 million in 2006 to RMB30.0 million in 2007 and further to RMB88.8 million in 2008, representing a CAGR of approximately 406.0%. Our revenue generated from the sales of Meike apparel increased to RMB92.3 million during the nine months ended September 30, 2009.

We have implemented multi-faceted marketing strategies to showcase our Meike branded products and our Meike brand image to consumers in the PRC. We successfully increased our brand awareness in the past years by strategically broadcasting TV advertisements that promote our Meike brand in Channel 1, Channel 2 and Channel 5 of CCTV (中央電視台) and Hunan provincial cable TV (湖南衛視). We have also entered into spokesperson agreements with entertainment celebrities, including Mr. Luo Zhixiang (羅志祥), whom we believe can represent our brand image and help raise

¹ In calculating the revenue of our Meike branded products, we included our sales of shoe soles that are not under Meike brand.

BUSINESS

our profile among the young consumers within our targeted group of customers of age 16 to 25. Our Meike brand has been recognized as a “Fujian Provincial Famous Trademark” (福建省著名商標) by the Attestation Commission of Fujian Provincial Famous Trademark (福建省著名商標認定委員會) in 2006.

Prior to year 2006, we sold our Meike branded products primarily to retailers and through department stores in the domestic market of the PRC. Beginning in 2006, as our management saw greater growth opportunity in domestic market and several major PRC sportswear manufacturers started to sell their branded products via distributors and outlets, we started to change our business model and sold substantially all our Meike branded products to our Meike distributors with an aim to further penetrate into the PRC market. During the Track Record Period, we also sold our Meike branded products through our Self-operated Meike Outlets and under concessionary arrangement with department stores and shopping malls. As of the Latest Practicable Date, we sold our Meike branded products in the PRC only through our Meike distributors and Self-operated Meike Outlets.

We signed an annual distributorship agreement with each of our distributors through which we authorized our distributors to sell our Meike branded products at their Meike distributor outlets. Our distributors are also authorized to enter into agreement with third party retailers, the Meike retailers, to authorize such Meike retailers to sell our Meike branded products at their Meike retailer outlets. As of the Latest Practicable Date, our distributorship network of Meike branded products consisted of 23 distributors, overseeing 1,318 Meike outlets which comprised of 425 Meike distributor outlets and 893 Meike retailer outlets. We also sell our Meike branded products through four Self-operated Meike Outlets. All of the Meike retail outlets (including Meike distributor outlets, Meike retailer outlets and our Self-operated Meike Outlets) operate under our Meike brand and, save as disclosed in the paragraphs headed “Incident of breach of distributorship agreement by a distributor”, exclusively sell our Meike products. They cover 22 provinces, autonomous regions and municipalities, and more than 514 districts, counties, and county-level cities in the PRC.

Other than our domestic sales of Meike branded products, we also sell footwear to overseas customers and export companies in the PRC. The sales of such export products were the major source of our revenue in the early years of our Track Record Period but their importance had been diminishing towards the end of our Track Record Period in view of the substantial growth of our domestic Meike business. For the three years ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009, our revenues from sales of export products were approximately RMB132.5 million, RMB189.5 million, RMB136.5 million and RMB74.1 million, accounting for 73.2%, 57.6%, 37.3% and 21.3% of our total revenues during the same periods, respectively. Our export products were sold ultimately to 34 overseas countries including Germany, Netherland, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland.

All of our footwear were manufactured at our production facilities in Huian and Jinjiang, Quanzhou City, Fujian Province. We manufactured approximately 5.4 million, 7.6 million, 5.7 million and 4.3 million pairs of sports footwear during the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. Our actual output of footwear was decreasing since year 2007 because we shifted our focus from manufacture and sales of export footwear to design, manufacture and sales of our Meike branded footwear in the PRC, which require higher production specification and involve more complex manufacturing techniques for particular

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footwear such as basketball footwear. We also started to produce a portion of our Meike apparels at our production facilities in Huian, Quanzhou City, Fujian Province since July 2008. For the nine months ended September 30, 2009, approximately 24.0% of our Meike apparels was manufactured at our aforesaid production facilities. We outsourced the production of all our Meike accessories under contract manufacturing arrangements.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths position us well to capitalize on the increasing spending power of consumers in the PRC and growth in the sportswear industry. We believe our competitive strengths include:

Successful brand building

We are one of the leading domestic branded sportswear enterprises in the PRC in terms of sales of footwear. According to Frost & Sullivan, we ranked tenth among the leading domestic sports footwear suppliers in terms of footwear revenue including domestic sales, OEM income, and export in 2008 in China. Our Meike brand has been recognized as “Fujian Provincial Famous Trademark” (福建省著名商標) by the Attestation Commission of Fujian Provincial Famous Trademark (福建省著名商標認定委員會) in 2006 and we received the award “Certificate for Product Exemption from Quality Surveillance Inspection” (產品質量免檢證書) awarded 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 2006, amongst others.

We consider our promotional programs and campaigns to market our Meike branded products as efficient and successful in raising our profile among our targeted group of consumers of the age from 16 to 25. We have engaged entertainment celebrities such as Mr. Luo Zhixiang (羅志祥) as the spokesperson of our Meike brand and to promote our Meike branded products. In addition, we have utilized multi-media advertisement programs, sponsorship, brand identification program, outlet corporate image program, and Meike VIP club to promote our Meike brand. Our Directors consider that our product theme for each season is in line with our brand image, and each of our products is designed to embrace and enhance our Meike brand image. From 2004, we adopted “運動•美時美克” as our slogan to promote Meike as a leisure and fashionable sportswear brand. We believe we have achieved successful results through these promotional programs and campaigns.

Innovative design ability

We believe we have a strong capacity to design and produce innovative styles of sportswear products. As at the Latest Practicable Date, our dedicated in-house design team comprises of 48 staff, who design innovative and stylish sportswear for our end-customers for a wide variety of sport activities as well as daily leisure use. We produced approximately 900 footwear designs, 800 apparel designs and 100 accessory designs in year 2008, out of which 321 footwear designs, 99 apparel designs and 25 accessory designs proceeded with mass production and were sold by us as our Meike

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branded products and export footwear. In addition, our Directors consider that our ability to design and manufacture soles gives us the flexibility in creating new and innovative designs of footwear and to use new raw materials.

Stable sales network

As of the Latest Practicable Date, our distributorship network of Meike branded products consisted of 23 distributors, overseeing 1,318 Meike outlets which comprised of 425 Meike distributor outlets and 893 Meike retailer outlets. These Meike outlets cover 22 provinces, autonomous regions and municipalities, and more than 514 districts, counties, and county-level cities in the PRC. Starting from 2007, we also sell our Meike branded products through Self-operated Meike Outlets, which allowed us to have first hand feedback from our consumers. We currently own and operate four Self-operated Meike Outlets, all of which are located in Fuzhou City, Fujian Province. For further information about these Self-operated Meike Outlets, please refer to the paragraphs headed “Properties” under this section.

We plan to expand our retail network of Meike branded products to over 1,800 Meike outlets by the end of 2010. We conduct detailed planning and research for each Meike outlet’s location, taking into consideration its sufficiency of pedestrian flow, traffic flow, convenience of transportation, rental value and proposed floor area, and potential competition with our other Meike outlets and competition with other branded sportswear. All new Meike outlets for our Meike branded products must receive our approval before it commences its business and we work with our distributors to choose the locations of the new outlets.

Competitive price advantage

We believe that in terms of pricing, our Meike branded products have competitive advantages as compared with our domestic competitors in the PRC. Furthermore, as most of our Meike outlets are located in tier two and three cities in the PRC, we believe that our competitive price advantages enable us to remain competitive and hence to further penetrate into the PRC market.

Integrated production model

We believe our design, manufacture and sales of sports footwear are vertically integrated. We have a complete production chain, covering all the core production stages of footwear, including the mould making (開模), foaming (發泡), rubber mixing (煉膠), palletizing (造粒), injection (射出), molding (注塑), high frequency welding (高頻) and forming (成型). In addition, among all the materials used in the manufacturing of footwear, we believe shoe sole is one of the most important components of footwear, the quality of which defines the functionality and the comfortableness of footwear. With our experience in our research and development capabilities of soles, we are able to factor in the functions and characteristics of soles during the design of footwear. This process allows us to design different types of footwear that satisfy the different functional requirements of our footwear products. In addition, with a decade of experience in manufacturing soles, we have the capacities to manufacture soles with the specifications, functions and characteristics that match the designs of our footwear. We believe this vertically integrated design and manufacturing process of soles and footwear also enabled us to better manage the cost of our footwear.

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During the nine months ended September 30, 2009, of all soles we used in the manufacturing of footwear, 86.0% were produced by ourselves. We believe our integrated production capacity for footwear products has positioned us well for future expansion of our Meike business.

Experienced management team

Our professional management team has extensive experience in sportswear marketing and manufacturing industries. Our Chairman and President, Mr. Ding Siquang and our Vice President, Ms. Ding Xueleng, each has over 16 years of experience in sportswear operations and management. Our Vice President, Mr. Sun Keqian, who is in charge of our product quality and manufacturing, also has over 13 years of experience in sportswear operation and management in the PRC sportswear industry. We believe we are able to adapt to changing trends in the sportswear industry in the PRC because of the extensive experience and diverse expertise of our senior management team in production, marketing and research and development.

OUR STRATEGIES

Our primary goal is to expand our Meike business and increase market share of our Meike brand by continuously building our market position as one of the leading domestic sportswear brand. The followings set forth our key strategies:

Strengthen distribution and further expansion of our sales network

We plan to strengthen our existing distribution network of our Meike branded products in our five core markets, namely Hunan, Guangdong, Hubei, Sichuan and Jiangsu Provinces by establishing new Meike outlets in these areas. We also intend to establish new Meike outlets in area in the PRC where we believe they have higher potential for expansion of our distribution network and which is not yet covered by our distribution network. By working with our distributors, we aim to increase the total number of our Meike outlets to over 1,800 by the end of 2010.

As we believe the perception of our Meike outlets is critical to our Meike brand's recognition, we plan to assist our Meike distributors to upgrade Meike distributor outlets directly operated by them and Meike retailer outlets indirectly managed by them after the Listing through increasing the size and improving the layout and appearance of these outlets to provide an improved purchasing experience to the consumers.

In addition, we intend to increase our investment in training programs to assist our Meike distributors and Meike retailers in improving operation management by offering additional trainings to the outlet managers, store display managers and the management of our distributors through physical meetings and online resources.

Increase design & R&D resources

In order to maintain and elevate our position as a leading domestic sportswear brand that offers stylish products, we intend to increase our investment in design and research and development and recruit additional expertise to expand our new product design and research and development capabilities.

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We believe our design capacity to create diversified Meike product portfolio has been one of the keys to our success and will continue to be an important factor in our continued success and growth. We intend to further enhance our design capability and further diversify our Meike product portfolio by increasing our investment in design technology and equipment, and by recruiting additional designers in the sportswear industry.

In addition to strengthening our design capacity, we intend to incorporate the latest technological innovations into our Meike branded products to enhance their performance attributes. To achieve this goal, we intend to increase our investment in research and development, including setting up a centralized R&D department, acquiring state-of-the-art technologies and equipment, recruiting more technology professionals and engaging in cooperation with R&D institutes.

Further increase awareness of our Meike brand

We intend to continue to increase our investment in the marketing of our Meike brand in order to further increase the awareness of our Meike branded products. We plan to increase the exposure of our Meike brand by increasing the frequency of advertisements in different media and sponsorship to TV programs and major sports events, continuing our engagement of entertainment celebrities as the spokesperson of our Meike brand and holding exhibition of our Meike branded products.

To improve the loyalty, reputation and recognition of our Meike brand, we will also strengthen our market research activities and we plan to collaborate with third party marketing and publicity consultants to engage in in-depths research of our marketing and media strategies. This may allow us to fine tune our marketing strategies and give us better understanding as to in which areas should we commit more marketing resources, engage in more marketing activities and implement more product development programs.

Expand production capacity

We believe that the enhancement of our production flexibility will allow us to better respond to the rapid changes in consumer preferences. We plan to expand our apparel production capacity of apparel from approximately 0.6⁽¹⁾ million pieces per annum for the nine months ended September 30, 2009 to approximately 5.8 million pieces per annum in 2011 by constructing new apparel production facility in our Huian factory. The total cost of the new apparel production facilities and machineries are expected to be approximately RMB80.9 million (equivalent to HK\$91.9 million). We expect this new production facility will significantly increase our production output and capacity of apparels and hence will provide us with greater flexibility in our production operations and increase our ability to quickly respond to market changes and to capture market opportunities.

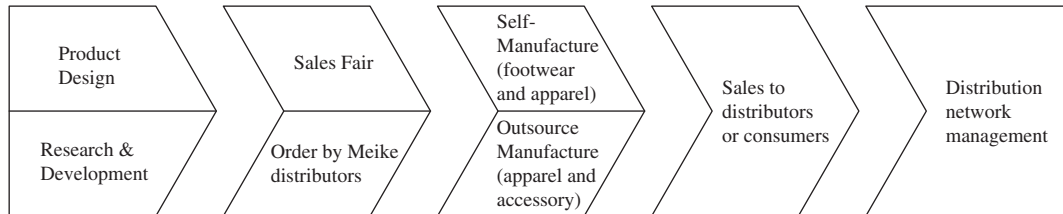
Note: Calculated on the basis that our production facilities are operating at 16 hours per day, 29 days per month and 11 months per year.

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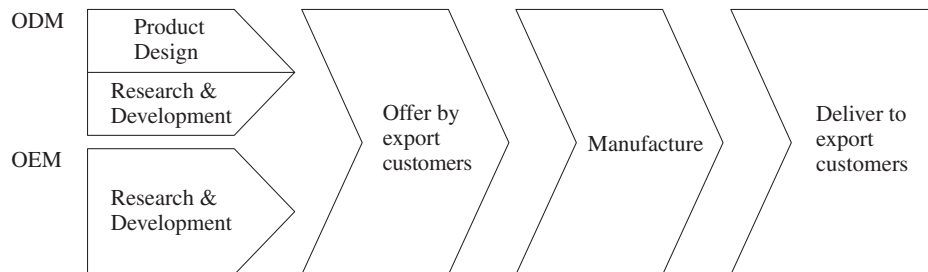
OUR BUSINESS MODEL

The following diagrams illustrate our two-folded business model:

Domestic Sales (Meike branded footwear, apparel and accessories and soles)



Export Sales (Both Meike branded footwear and other branded footwear)



We adopted the distributorship model for our domestic sales of Meike branded products in the PRC in 2006 and prior to this we sold our Meike branded products directly to shopping malls and department stores under concessionary arrangements.

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Our Meike brand name

Our Meike brand is well recognized in the domestic market. It has been recognized as a “Fujian Provincial Famous Trademark” (福建省著名商標) by the Attestation Commission of Fujian Provincial Famous Trademark (福建省著名商標認定委員會) in 2006. We have also successfully registered our Meike brand trademark in China and under the Madrid Agreement and Protocol.

Our Meike brand’s core value is the combination of sports and beauty with delight and leisure way of living. We endeavor to establish a brand image that represents the healthy, energetic, free, sporty, fashionable and outstanding life attitude of young people, and our Meike branded products are marketed primarily to the fast-growing group comprised of young people between the age of 16 to 25.

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We design and promote our Meike branded products to match our Meike brand image. Our design team for Meike branded products constantly keeps track of the latest fashion trends of young people, and we engage young entertainment celebrities who we think match with our brand image as our spokespersons. In addition to spokespersons, we have also utilized multi-media advertisement programs, sponsorship, brand identification program, outlet image program, and Meike VIP club to promote our Meike brand. Our Directors consider that our product theme for each season is in line with our brand image, and each of our products is designed to embrace and enhance our Meike brand image.

We endeavor to enhance the awareness of our Meike brand through increased marketing efforts and by marketing our Meike brand continuously and consistently throughout our various marketing activities. We also plan to implement innovative marketing activities and promotion activities in the foreseeable future.

Our Meike branded products

Our Meike sportswear include footwear, apparel and accessories, each designed to provide young generation between the age 16 to 25 an experience of comfort and function. Our Meike sportswear are offered in four seasonal collections, each tailored to include fashionable elements in the Asia and global sportswear markets. Many of our products are designed to contain leisure and fashionable elements that serve the daily life of young people for multiple purposes and occasions.

Our main line of footwear products include running shoes, basketball shoes, outdoor shoes, scooter shoes, canvas shoes and fashion shoes. Our apparel products include sports suits, casual suits, basketball suits, cropped trousers, T-shirts and sports clothes. Our accessories include bags, caps, socks, protective gear, balls, and scarves.

Some examples of our Meike branded products in each of the above categories include:

Footwear:



Running shoes



Basketball shoes



Outdoor shoes



Scooter shoes



Canvas shoes



Fashion shoes

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Apparel:



Sports suits



Casual suits



Basketball suits



Cropped trousers



T-shirts



Sports clothes

Accessories:



Bags



Caps



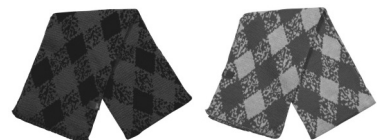
Socks



Protective Gear



Balls



Scarves

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The following table sets forth a breakdown of our revenues from Meike branded products in the PRC by product categories during the Track Record Period:

	For the years ended			For the nine	
	December 31,			months ended	
	2006	2007	2008	2008	2009
	<i>RMB'000</i>			<i>RMB'000</i>	
	<i>(unaudited)</i>				
Our Meike sportswear					
<i>PRC</i>					
footwear	38,627	104,231	132,921	107,920	174,086
apparel	3,468	30,015	88,774	68,794	92,254
accessories and shoe sole	6,359	4,972	7,483	6,155	7,894
Total	<u>48,454</u>	<u>139,218</u>	<u>229,178</u>	<u>182,869</u>	<u>274,234</u>

Our awards and achievements

Members of our Group, our trademark and products have received a number of awards and certificates which include the following:

Year of grant	Award/Certificate	Awarding Body
2006	Fujian Provincial Famous Trademark (福建省著名商標) for the “  ” trademark Certificate for Product Exemption from Quality Surveillance Inspection (產品質量免檢證書)	Attestation Commission of Fujian Provincial Famous Trademark (福建省著名商標認定委員會) State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局)
2007	Environmental Management System Certificate (環境管理體系認證證書) (GB/T24001-2004 idt ISO 14001:2004) Quality Management System Certificate (質量管理體系認證證書) (ISO9001: 2000) High-Tech Enterprise (高新技術企業)	Zhongdahuayuan Certification Center (中大華遠認證中心) Beijing United Intelligence Certification Co. Ltd. (北京聯合智業認證有限公司) Fujian Provincial Department of Science and Technology (福建省科學技術廳)
	Strategic Cooperation Partner (戰略合作伙伴)	Chinese Hockey Association (中國曲棍球協會)
2008	Enthusiastic Supporter of Sports Activities (熱心支援體育事業)	Chinese Hockey Association (中國曲棍球協會)
2009	Contributor Award for Beijing Olympic Games (北京奧運會貢獻獎)	Chinese Hockey Association (中國曲棍球協會)

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DISTRIBUTION NETWORK FOR OUR MEIKE BRANDED PRODUCTS

The following map illustrates our distribution network in the PRC as of the Latest Practicable Date:



Before 2006, we distributed our Meike branded products primarily through retailers at shopping malls and department stores under concessionary arrangements in the domestic market in the PRC. Beginning in 2006, as our management saw greater growth opportunity in domestic market and several major PRC sportswear manufacturers started to sell their branded products via distributors and outlets, and with an aim to further penetrates into the PRC market, we started to change our business model towards making substantially all our sales of Meike branded products to our Meike distributors who in turn sell our Meike branded products through Meike distributor outlets or Meike retailer outlets. Meike distributors were our major customers of Meike branded products during the Track Record Period. We also sold our Meike branded products through our Self-operated Meike Outlets starting from August 2007 and under concessionary arrangement with department stores and shopping malls in 2006. Other than the four Self-Operated Meike Outlets located in Fuzhou City, Fujian Province, we do not have control or ownership over any Meike outlets operated by our Meike distributors or Meike retailers.

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The following table sets forth a breakdown of our sales of our Meike branded products through Meike outlets (including Meike distributor outlets and Meike retailer outlets), concessionary arrangement with department stores and shopping malls, and Self-operated Meike Outlets during the Track Record Period:

	For the financial year ended December 31,						For the nine months ended			
	2006		2007		2008		September 30,		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Sales through:										
Meike outlets (including Meike distributor outlets and Meike retailer outlets)	35,291	72.8	128,585	92.4	216,237	94.3	172,755	94.5	264,578	96.5
Concessionary arrangement with department stores	6,877	14.2	3,164	2.3	3,367	1.5	2,372	1.3	1,844	0.7
Self-operated Meike Outlets ⁽²⁾	—	—	3,506	2.5	6,840	3.0	5,914	3.2	2,343	0.8
Shoe sole ⁽¹⁾	6,286	13	3,963	2.8	2,734	1.2	1,828	1.0	5,469	2.0
Total Domestic Sales	<u>48,454</u>	<u>100.0⁽¹⁾</u>	<u>139,218</u>	<u>100.0⁽¹⁾</u>	<u>229,178</u>	<u>100.0⁽¹⁾</u>	<u>182,869</u>	<u>100.0⁽¹⁾</u>	<u>274,234</u>	<u>100.0⁽¹⁾</u>

Note (1): Non-Meike soles direct sales to customers

(2): On 1 August 2007, four of our Self-operated Meike Outlets commenced business, among which two of such outlets ceased business in November 2008 due to rebuilding of the relevant area by the local authority. Two additional Self-operated Meike Outlets commenced business on 10 May 2008 and 8 June 2008, respectively.

Save as disclosed in the paragraphs headed “Incident of breach of distributorship agreement by a distributor” in this section, all of our distributors exclusively sell our Meike branded products in the appointed geographical area under the distributorship agreement and outlets operated by them in such area and none of them is involved in the distribution and retail sale of other branded sports products which are in competition with our Meike branded products in such geographical area or any outlets (whether operated by them or not) in such area. All products sold in our Meike outlets (including Meike distributor outlets and Meike retailer outlets) are Meike branded products only.

Our Meike distributors either sell our Meike branded products at the Meike distributor outlets or sell our Meike branded products to authorized Meike retailers who in turn sell Meike products at Meike retailer outlets approved by us in advance. All of our distributors enjoy exclusive distributorship over certain appointed geographic area.

The majority of our distributors or their shareholder(s) commenced distributorship relationship with us since 2006 and have at least 3-year experience in the sportswear industry in the PRC. In 2007, we entered into distributorship agreements with four new distributors and we did not renew

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distributorship agreements with five distributors. Of these five distributors, three were not retained by us as they failed to achieve our expansion requirements and two did not renew their distributorship agreements with us but continued their distributorship business with us through their business partners who entered into new distributorship agreements with us, respectively, in 2007. We also added two new distributors in 2007, who purchased the distributorship business operated by two of our previous distributors. During the year ended December 31, 2008 and the nine months ended September 30, 2009, we renewed all distributorship agreements with our distributors, and we did not terminate any of our 23 distributors. Except as disclosed in this paragraph, we did not terminate any distributorship agreement with any of our distributors, nor have we replaced any distributor with any new distributor during the Track Record Period. As of the Latest Practicable Date, we have maintained active business relationships with each of the 23 distributors.

We have been working with our distributors to expand the Meike retail network and the number of Meike outlets operated by our distributors and Meike retailers has grown rapidly without significant fluctuations during the Track Record Period from nil as of January 1, 2006 to 1,318 Meike outlets (including Meike distributor outlets and Meike retailer outlets) as of the Latest Practicable Date. During the year ended December 31, 2007, a total of 320 Meike outlets were newly opened, including 83 Meike distributor outlets and 237 Meike retailer outlets, and only 10 Meike outlets were closed, including 3 Meike distributor outlets and 7 Meike retailer outlets, all due to the termination of our relationship with the five distributors as described in the above paragraph. During the year ended December 31, 2008, a total number of 344 Meike outlets were newly opened, including 108 Meike distributor outlets and 236 Meike retailer outlets, and a total number of 17 Meike retailer outlets were closed, mainly due to the rebuilding of the relevant area by the local authority. During the nine months ended September 30, 2009, a total number of 357 Meike outlets were newly opened, including 128 Meike distributor outlets and 229 Meike retailer outlets, and only 1 Meike distributor outlet was closed due to the rebuilding of the relevant area by the local authority.

As of the Latest Practicable Date, our distributorship network of Meike branded products consisted of 23 distributors, overseeing 1,318 Meike outlets which comprised of 425 Meike distributor outlets and 893 Meike retailer outlets. These Meike outlets (together with our Self-operated Meike Outlets) cover 22 provinces, autonomous regions and municipalities, and more than 514 districts, counties, and county-level cities in the PRC.

Among the 23 Meike distributors as of the Latest Practicable Date, 10 were individuals and they, similar to the other distributors which are corporate entities, have established management teams consisting of their employees who are responsible for market development, sales management, products delivery and statistics preparation in their business operation.

We will continue to expand and optimise the Meike retail network by working with our distributors and leveraging their local resources and business networks. We currently anticipate that the number of our Meike outlets will surpass 1,800 by the end of 2010.

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The following table sets forth the total number of our Meike distributors and Meike outlets (including Meike distributor outlets and Meike retailer outlets) in the PRC by region as of December 31, 2006, 2007 and 2008 and September 30, 2009, respectively:

	As of December 31,				As of September 30,				As of the Latest	
	2006		2007		2008		2009		Practicable Date	
	Distributor	Meike outlet	Distributor	Meike outlet	Distributor	Meike outlet	Distributor	Meike outlet	Distributor	Meike outlet
Central South China ⁽¹⁾	6	68	6	205	6	335	6	479	6	510
East China ⁽²⁾	8	91	10	206	10	331	10	481	10	529
Southwest China ⁽³⁾	4	46	4	94	4	167	4	215	4	219
Northwest China ⁽⁴⁾	3	16	2	24	2	26	2	30	2	31
North China ⁽⁵⁾	3	19	1	21	1	18	1	28	1	29
Total:	<u>24</u>	<u>240⁽⁶⁾</u>	<u>23</u>	<u>550⁽⁷⁾</u>	<u>23</u>	<u>877⁽⁸⁾</u>	<u>23</u>	<u>1,233⁽⁹⁾</u>	<u>23</u>	<u>1,318⁽¹⁰⁾</u>

Notes:

- (1) Central South China includes Hunan, Hubei, Henan, Guangdong and Guangxi;
- (2) East China includes Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong;
- (3) Southwest China includes Chongqing, Sichuan, Guizhou and Yunnan;
- (4) Northwest China includes Gansu, Qinghai, Ningxia and Xinjiang;
- (5) North China includes Liaoning and Shanxi;
- (6) 77 were Meike distributor outlets and 163 were Meike retailer outlets;
- (7) 157 were Meike distributor outlets and 393 were Meike retailer outlets;
- (8) 265 were Meike distributor outlets and 612 were Meike retailer outlets;
- (9) 392 were Meike distributor outlets and 841 were Meike retailer outlets;
- (10) 425 were Meike distributor outlets and 893 were Meike retailer outlets.

We experienced a significant growth in our sales of Meike branded products during the Track Record Period and we believe this growth was healthy and was not due to the accumulation of inventory at our distributors and Meike outlets directly operated or indirectly managed by our distributors. During the Track Record Period, as a part of sales efforts, our district sales officers and regional sales managers kept weekly communications, including through phone calls and site visits, with our distributors to collect information relating to their operation status, including their sales progress and inventory levels. According to the distributorship agreements with our distributors, we have the right to require the distributors to provide their operational information to us. During the Track Record Period, we have, from time to time, collected inventory data from our major Meike distributors including the ten largest distributors measured by our sales to them during the Track Record Period. We have also required all of our distributors to provide us with inventory report starting from October 2009. In addition, one important task during the inspections conducted by our

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district sales officers and regional sales managers on our Meike distributor outlets or Meike retail outlets is to evaluate the inventory level, upon which specific advices may be given to the outlets or distributors, for example, recommendations for a promotional sales event to clear their out of season inventories or an increase of inventory to prepare for upcoming holidays.

In addition, as we believe making aggressive purchases of our products may impose risks on the stability of our sales network, we do not encourage our distributors to place aggressive purchase order. Our sales department also helps our distributors set out reasonable expansion plans basing on each distributor's historical sales records, the local market conditions and the feedbacks we collected from such distributor. In order to better estimate our distributors' appropriate expansion strategies, prior to each sales fair, we would invite a number of major distributors to discuss with each of them their respective growth plan with a view that their expansion plan should be viable. During the sales fairs, our sales department would also work closely with our distributors and help our distributors set appropriate purchase amounts for different types of products they purchase with a view to ensure that products purchased from us can be sold to the end retail consumers for each season. Please refer to paragraphs headed "Seasonal Sales Fairs and Ordering Process" for details of our sales fairs. We do not set any maximum purchase amounts per month or per order for our Meike distributors or the Meike retailers, nor do we cease to supply additional products to our Meike distributors or the Meike retailers if we find the inventory amount of any of them exceeds certain limits to prevent accumulation of inventory at the distributors or retailers level. However, we believe our long-term relationship with our distributors has put us in a better position to estimate what is the appropriate and viable expansion plan and minimum purchase targets for our distributors, through which our growth will continue to be based on actual sales of our products rather than a reflection of inventory accumulation at the distributor or retailer level.

Distributorship relationship

Our relationships with our distributors have been stable as most of these distributors or their shareholder(s) have been our customers throughout the Track Record Period.

Each of our distributors has been carefully selected by us. Various criteria were applied in the selection process, including capital resources, local recognition, social resources, managerial abilities, industry and retail experience and the principal personnel who hold our corporate culture and development strategies in high regard.

We also evaluate our distributors twice a year on their operation results, maintenance of our corporate image in the outlets, network expansion and scale and compliance of our standards of operations. As each of our distributors have been carefully selected, managed and regularly evaluated, we believe we can maintain long-term relationships with each of them and also keep abreast of the development of our distributors.

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Distributorship agreements

Our distributors have entered into standardized distributorship agreements with us and have entered into separate sales arrangements with their third-party retailers, under a standard form of agreement provided by us containing terms and conditions similar to those stipulated in the distributorship agreements.

Each distributor has made certain undertakings under the distributorship agreement with us. They undertake to sell only our Meike products within their appointed geographic area and not to sell other branded products. They undertake to meet our minimum purchase targets and to establish a minimum number of new outlets each year. They are also required to comply with our pricing policies and promotion arrangements, obtain our approval before developing new retailers and opening new outlets, cooperate with our inspections, and enforce our standardized outlet design and layout, promotional materials, and marketing guidelines upon their respective retail outlets. Please refer to the paragraphs headed “Incident of breach of distributorship agreement by a distributor” in this section for details of a Meike distributor’s breach of the terms of its distributorship agreement with us.

Under the distributorship agreement, we provide internal designs for newly opened Meike outlets (including Meike distributor outlets and Meike retailer outlets) at our expense and we supply promotional materials and display devices such as display shelves to our distributors, to maintain consistency of our brand image. At our distributors’ requests, we may develop and provide plans for advertisement campaign and promotional activities to our distributors. We are also required under the distributorship agreement to provide product information to our distributors. We also provide a credit limit to our distributors. However, we are not required to provide any subsidy to our distributors pursuant to the distributorship agreements and we do not provide any form of financing to our Meike distributors or Meike retailers or their respective Meike outlets during the Track Record Period.

Our distributorship agreements have a term of twelve months, which may be renewed by agreement of the parties and may be terminated with three months prior notice. Distributors violating their undertakings are subject to penalties, which include monetary fine and early termination of the distributorship agreement. We are entitled to terminate the exclusivity relationship or the agreement itself under certain circumstances, for instance, failure by the distributor to meet our sales targets for six months or to meet our annual minimum purchase targets or failure to open the targeted number of new outlets. Please refer to the paragraphs headed “Incident of breach of distributorship agreement by a distributor” in this section for details of monetary fine and other measures we imposed in that incident.

For the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, the top five of our customers accounted for approximately 71.8%, 59.3%, 42.4%, and 35.1% of our total revenue, respectively, and the largest customer accounted for approximately 46.6%, 39.2%, 17.1%, and 10% of our total revenue, respectively. Among our top five customers during the Track Record Period, nil, two, four and five of them were our distributors of Meike branded products and sales to them accounted for approximately nil, 10.2%, 25.3% and 35.1% of our total revenue during the same periods, respectively.

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Our top five customers for each year during the Track Record Period and all of our Meike distributors are Independent Third Parties. None of our Directors, our chief executive, or any person who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company or any of our subsidiaries, or any of their respective associates, had any interest in any of our top five customers and our Meike distributors during the Track Record Period.

Management of distribution network

We require all of our Meike outlets (including Meike distributor outlets, Meike retailer outlets and our Self-operated Meike Outlets) to comply with certain guidelines set by us, including guidelines on the design and layout of the outlets and customer service. The Meike distributors are required to comply with these rules under the distributorship agreements. While we do not have direct contractual relationships with Meike retailers, our distributors enter into separate agreements with Meike retailers and require them to comply with our standard operating procedures, some of which include guidelines on the design and layout of the outlets and customer service. Under the guidelines on the design and layout of Meike outlets, all Meike outlets (including Meike distributor outlets, Meike retailer outlets and our Self-operated Meike Outlets) are required to properly use our Meike logo, including the color, proportion and materials of such logos, the design and usage of mannequins, shoe racks, the display methods of our Meike branded products, the design of checkout counter, dressing rooms and mirrors, the construction of the outlet and the completion acceptance of such construction. Our guidelines for customer service explains in detail the required service procedures, sales skills, and courtesies.

To ensure compliance with the distributorship agreement and the standard procedures applicable to Meike distributor outlets and Meike retailer outlets, our regional sales managers and our district sales officers will conduct on-site inspections at randomly selected Meike outlets (including Meike distributor outlets and Meike retailer outlets). The subjects we inspect include number of Meike retailer outlets, sales volume, sales activities, consistency of our brand image, marketing activities, training programs and analytical ability of our Meike distributors and Meike retailers regarding local market trend and inventory control. We also inspect the layout of the outlets, the display of products, the promotion activities and the customer service procedures in order to ensure the compliance of the guidelines on the design and display and the customer service. The frequency of such visits were approximately 7, 6 and 6 times per outlet during the three years ended December 31, 2006, 2007 and 2008, respectively, and approximately 5 times per outlet during the nine months ended September 30, 2009. In addition, we have offered Meike distributors and Meike retailers a variety of training programs according to our detailed training plans, including sales skills, inventory management, product knowledge, product display, team work, corporate culture and etiquette.

Our Meike distributors are required to ensure that Meike retailers follow our pricing policies and adopt our standard operating procedures. We believe this requirement strengthens our brand recognition and helps to build a consistent brand image and management system at the retail level, which is the direct contact point with the consumers. Any non-compliance with our guidelines by Meike retailers will be referred to our relevant distributors which would be responsible to cause the relevant Meike retailers to rectify the non-compliance and the extent of compliance with our guidelines by the relevant Meike retailers supervised by the Meike distributor is one of our criteria for renewal of our distributorship agreements with such distributor. We believe this evaluation process has caused our distributors to better comply with our policies and procedures at the outlet level.

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During the Track Record Period and until the Latest Practicable Date, save as disclosed in the paragraphs headed “Incident of breach of distributorship agreement by a distributor” in this section, we are not aware of any of our distributors committing any material breach of the distributorship agreement with us.

As of the Latest Practicable Date, we have 5 regional sales managers and 23 district sales officers to manage and oversee the operations of the Meike distributors and Meike retailers. These managers and officers will oversee the implementation of the sales, direct and supervise our distributors, collect and analyze feedbacks from such distributors and Meike outlets (including Meike distributor outlets and Meike retailer outlets) they visited.

Distributors must obtain our approval for the location of the new Meike outlets (including Meike distributor outlets and Meike retailer outlets) and for the opening of such new Meike outlets. We work with distributors to choose the locations of the new outlets and we would conduct in-depth analysis when determining such location. Key factors we take into account in considering the geographical location of the outlets include sufficiency of pedestrian flow, traffic flow, rental value and proposed floor area, and potential competition with our other Meike outlets or Self-operated Meike Outlets and with retail outlets of other branded sportswear. The interior design of the new outlet is mandated by our third party designer to ensure the consistency of our Meike brand image.

In addition, our sales and marketing personnel work together with our Meike distributors and Meike retailers on various marketing, promotional, and advertising campaigns and programs for our sportswear products. We also provide regular training programs and customized training programs for our Meike distributors and Meike retailers, through which we seek to increase the efficiency of the sales activities, standardize the operation of the retail outlets, and enhance a consistent Meike brand image. Our regional sales managers also communicate with our distributors to collect market information and report such information to our design and R&D department on a weekly basis. We believe keeping a relationship with our distributors and Meike retailers may facilitate our long-term development strategy, help us better understand the market trends, and enhancing the competitiveness of our Meike branded products.

Save for their relationships as the distributors and retailers of our Meike branded products, all our Meike distributors and Meike retailers are independent of our Group, our shareholders, Directors, members of our senior management and their respective associates.

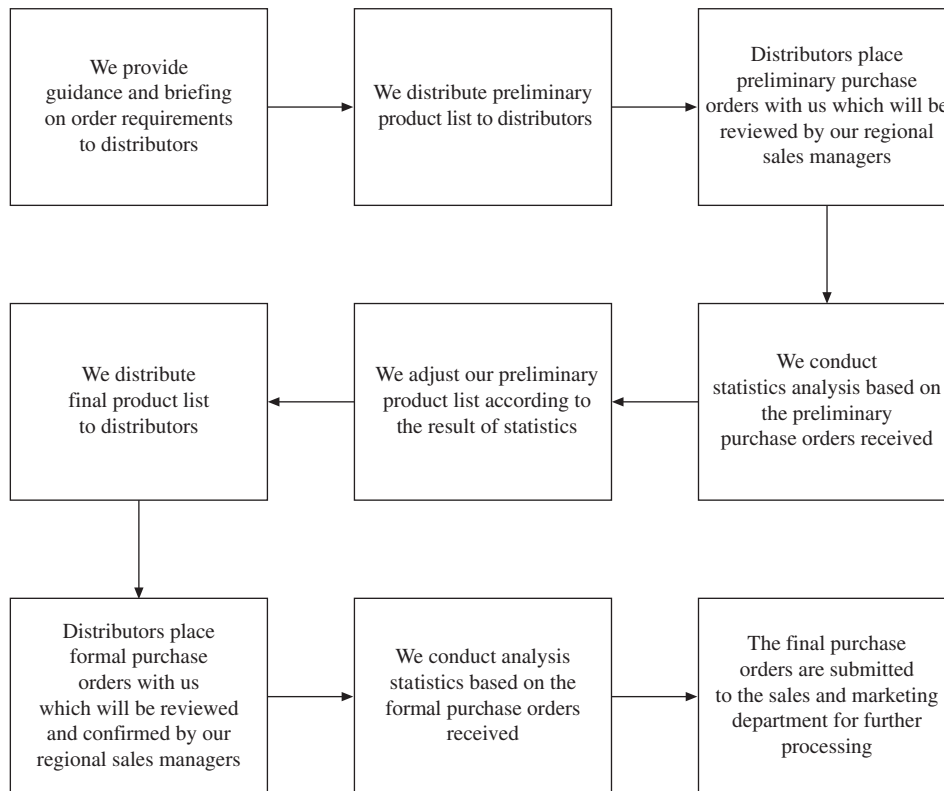
Seasonal sales fairs and ordering process

We introduce new products to our distributors and Meike retailers at our sales fairs. We have historically held two major sales fairs and two supplementary sales fairs per year. Our major sales fairs have historically been held in March or April and August or September of each year, for the sportswear for the upcoming fall and summer seasons, respectively. We usually hold our sales fairs in Jinjiang and Huian, Quanzhou City, Fujian Province. All of our distributors and some of our Meike retailers would attend our sales fairs, where they have the opportunity to view samples of the new products. Our supplementary sales fairs are historically held after the major sales fairs with less number of attendants.

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Our sales fairs enable us to communicate with our distributors and evaluate the sportswear market's ever-changing trends and demands. Our sales and design personnel are involved in the sales fairs to collect feedbacks from our distributors and to identify the market preferences. Historically, at each sales fair, we presented approximately 400 newly designed samples of clothes and 250 newly designed samples of footwear to our customers.

The following diagram illustrates our ordering process:



Pricing policies

We sell our Meike branded products to all of our distributors at a fixed discount to the suggested retail prices of our Meike branded product. Our distributors then sell our products either at the Meike distributor outlets to customers at the suggested retail price, or sell our Meike branded products to the Meike retailers they oversee at wholesale prices agreed between themselves. We have a recommended wholesale price for our distributors but our distributors are not obliged to follow this recommended wholesale price. In determining our pricing strategies, we take into account various economic and competitive factors, many of which are beyond our control, as well as internal production costs. Meike distributors and Meike retailers may, after taking into account local market conditions and consumer preferences, sell a product at a discount to the suggested retail price. Such discount is subject to our prior approval if the product concerned is new to the market, and Meike distributors and Meike retailers are generally not allowed to offer discounts of greater than 30% of the suggested retail price, unless the discounted sale is part of an out of season sales event or a promotional event. We implement our pricing policy by regularly conducting on-site inspections at randomly selected Meike outlets

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(including Meike distributor outlets and Meike retailer outlets), during which one of the items we inspect is the implementation of our pricing policy. The frequency of such visits were approximately 7, 6 and 6 times per outlet during the three years ended December 31, 2006, 2007 and 2008, respectively, and approximately 5 times per outlet during the nine months ended September 30, 2009. As a result, we believe most of our distributors and Meike retailers comply with our pricing policy during the Track Record Period.

Payment terms, credit control and return policies

Our distributors usually arrange third party transportation contractors to pick up their purchased products at our premises. As set forth in our distributorship agreements, after we deliver our products to the transportation contractor at our premises, the title of the products transfers to the distributors and the risk of loss of such products passes to the distributor as well. We do not have recourse to the products already delivered to our distributors or their transportation contractors. We recognize our revenues at the time of such delivery and we usually invoice our distributors upon or within two days from such delivery.

We usually set forth a credit limit for each distributor in the distributorship agreement in the form of certain percentage of their total purchase price. We also set forth a credit period in the distributorship agreement by which a credit period of no more than 180 days after the date of delivery of our products is granted to the distributors. Our Meike distributors usually pay us through bank transfer. Our distributors may give Meike retailers certain credit limits but we are not aware of, and no approval is required for, the terms of such credit limits.

We perform ongoing credit evaluations of our distributors' financial condition and generally require no collateral from them to secure their payment obligations. We require our distributors to comply with our credit policies, and our finance and sales departments carry out regular reconciliations of outstanding balances. We monitor our receivable balances from each distributor on a monthly basis, and will make appropriate assessments in a timely manner as to whether or not a bad debt provision will need to be made.

We adopt a sales return policy pursuant to which products may be returned for reasons related to product quality defects in accordance with the applicable laws and regulations of the PRC. We have not received any such returns notification during the Track Record Period. We are not responsible for defects caused by improper storage by the distributors, or improper use by the consumers.

Incident of breach of distributorship agreement by a distributor

During the Track Record Period, 長沙鑫桐鴻服飾貿易有限公司 (Changsha Xintonghong Apparel Trading Co., Ltd.) (“**Changsha Xintonghong**”), a Meike distributor for the Hunan Province, had engaged into the distribution of another branded sportswear products in Hunan Province (the “**Other Brand Business**”) in addition to acting as our distributor of Meike branded products and this was in breach of its undertaking under our distributorship agreement not to sell any products in Hunan

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Province other than our Meike branded products. Changsha Xintonghong commenced its Other Brand Business in June 2007 and this continued until March 2009. We had no prior knowledge of Changsha Xintonghong's involvement in the Other Brand Business until we discovered its involvement in November 2009.

Under our distributorship agreement with Changsha Xintonghong, we are entitled to terminate its distributorship of Meike branded products in Hunan Province and claim damages against it for the breach described above. However, taking into account the substantial amount of purchases of Meike branded products by Changsha Xintonghong during the Track Record Period, its status as the largest Meike distributor measured by purchases made with us during the two financial years ended December 31, 2007 and 2008 and the nine months ended September 30, 2009 and its contribution to the development of the retail network of Meike products in Hunan Province from 20 Meike outlets as of year end of 2006 to 145 Meike outlets as of September 30, 2009, we decided to impose monetary compensation and future monitoring measures to address the breach committed by Changsha Xintonghong under our distributorship agreement with it instead of appointing a new distributor in the same region. We take the view that it would be in the best interests of our Group and our Shareholders to continue our business relationship with Changsha Xintonghong as a distributor of Meike branded products in the Hunan Province in view of the reasons set out above.

To address the abovementioned breach of Meike distributorship agreement, Changsha Xintonghong and Fujian Meisike entered into an agreement (the "**Compensation Agreement**") on 13 November 2009 pursuant to which (i) Changsha Xintonghong agreed to make a compensation payment of RMB600,000 to us, which was arrived at after arm's length negotiation between us and Changsha Xintonghong and based on 1.5% of the monetary value of Changsha Xintonghong's total purchases in the Other Brand Business and (ii) Changsha Xintonghong would provide its half year and full year audited financial statements to us during the term of its Meike distributorship in the future.

In order to strengthen the supervision of Meike distributors and to prevent similar incidents in the future, we have adopted the following measures:

1. all Meike distributors must appoint auditors approved by us to conduct audit of their financial statements and submit such audited financial statements to us within four months after each financial year end (Changsha Xintonghong is required to comply with more stringent requirement to also provide half year audited financial statements to us);
2. a monetary penalty equals to 1-3% of the total amount of purchases of other branded products will be imposed on any Meike distributor which shall be discovered to be engaged in the distribution of other branded products; and
3. each Meike distributor shall prepare monthly business report to us and the preparation and submission of such monthly report will be part of the consideration in the annual renewal of distributorship of the Meike distributors.

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MARKETING AND PROMOTION OF MEIKE BRANDED PRODUCTS

Our Directors believe that our success depends on the successful sales of our Meike branded products, which ultimately depends on the market recognition of our Meike brand. Therefore, our marketing strategy has focused on the functionality and utility of our products to consumers. We have implemented multi-faceted marketing strategies to showcase our products and our brand image to consumers, including spokesperson, multi-media and flat media advertisement programs, sponsorship, brand identification program and Meike VIP club.

Multi-media advertisement programs

We successfully increased our brand awareness in the past years by strategically broadcasting TV advertisements that promote our Meike brand in CCTV Channel 1, Channel 2, Channel 5 and Hunan provincial cable TV. We broadcasted these advertisements at times during which we believe the viewers are likely to be our targeted consumers.

We have also successfully engaged several portal websites such as youku.com to make online advertisement campaign in the summer vacation in 2009 to promote our brand among the young customers. We have worked with public relation firms to promote our brand as well.

Spokesperson

We had entered into spokesperson arrangements for our Meike brand to appoint entertainment celebrities that we believe can represent our brand image and can raise our profile among our targeted group of consumers of the age from 16 to 25. We had entered into an exclusive spokesperson arrangement with Mr. Luo Zhixiang (羅志祥), a Taiwan artist, since September 30, 2007 and under the existing agreement Mr. Luo will be our spokesperson until October 31, 2011. During the term of this agreement, we were entitled to use marketing materials containing images of Mr. Luo for the promotion of our Meike branded products in the PRC and to hold publicity activities with the participation of Mr. Luo. We believe such spokesperson arrangement is effective in establishing our image as a trendy and leading leisure sportswear brand among our targeted group of young consumers in the PRC and we will continue to enter into such spokesperson arrangement with suitable entertainment celebrities or individuals with popularity among young consumers in the PRC.

Brand identification program

Our Company has started building a consistent brand image since 2003. Our goal is to set up a unique and special brand identification for our Meike brand. We try to enhance and implement our brand image by designing products that embrace our brand image, mandating the outlets' interior design and displays, standardizing our sales activities, and managing the marketing and promotional materials and activities.

Customer service

In order to foster customer loyalty and maintain our connection with our customers, we set up a nation-wide hotline, by which we can collect our customers' advices and suggestions. We also

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include a customer survey form in the shoebox of our footwear products to collect product feedback from the consumers. Through a lottery, the consumers participating in our survey may be awarded with certain gifts. In addition, we started the “Meike VIP Club” since 2006. Under this program, a VIP may enjoy certain privileges, including receiving discounts when purchasing our products. We encourage our distributors to promote this program and they are responsible for the implementation and management of the Meike VIP Club members in their respective assigned geographic area. Our distributors are responsible for providing discounts to the Meike VIP Club members of their respective assigned areas and the cost of such discount would be borne by our distributors. A Meike VIP Club member may only enjoy membership discount in the geographic area such distributor has exclusive distributorship in. As of the Latest Practicable Date, approximately 180,000 Meike VIP Club members purchased our Meike products starting from January 1, 2009 until the Latest Practicable Date, and approximately 74,000 Meike VIP Club members purchased our Meike products twice during the same period. As of the Latest Practicable Date, we have approximately 185,000 VIP members. We believe our Meike VIP Club program increases our brand awareness and creates loyalty among our end-customers.

Other advertisement campaigns

Through advertisement agents, we have initiated brand advertisement campaign in over 40 universities all over China, posting advertisements in or around basketball grounds, stadiums and other sports facilities of the universities. We have also posted advertisements on the public buses of certain major cities in our sales network.

We also initiated advertisement campaigns seasonally on sports newspapers and other flat media. We create and use advertisement images that match the product theme of the relevant season.

A majority of our advertisement activities are carried out through third party advertisement agencies. We provide guidelines and directions and we closely supervise the advertisement agencies in their marketing and promotional activities. Our expenditures on promotion and marketing for the years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 were RMB1.2 million, RMB6.8 million, RMB14.3 million and RMB4.8 million, respectively, which represented 0.7%, 2.1%, 3.9% and 1.4% of our total revenue, respectively, for the corresponding periods. We estimated that we have used RMB10.5 million on promotion and marketing for the year ended December 31, 2009.

Sponsorship of sports team

We entered into a cooperation agreement on October 18, 2007 with Chinese Hockey Association for our sponsorship to the Chinese Women Hockey Team for their preparation prior to the 2008 Beijing Olympic Games in order to capture the enormous worldwide attention on the event and increase our media exposure. Pursuant to such cooperation, members of the Chinese Women Hockey Team attended our promotion activities related to the 2008 Beijing Olympic Games and our sponsorship to the Chinese Women Hockey Team was completed. Other than this cooperation agreement, we did not have cooperation with other sports teams as at the Latest Practicable Date.

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EXPORTATION BUSINESS MODEL

Export products

For export products, we mainly sell footwear through export companies or directly to overseas customers. Before 2007, export products were a major source of our revenue. In 2006, as we adjusted our strategy to further develop our Meike branded products, we changed our focus of operation from export products to our Meike branded products. Since then, the percentage of our revenue contributed from our export segments continued to drop.

During the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, our sales to export customers amounted to RMB132.5 million, RMB189.5 million, RMB136.5 million and RMB74.1 million and accounted for approximately 73.2%, 57.7%, 37.3% and 21.3% of our total revenue during the same periods, respectively.

We applied Meike logo on some of the footwear we exported under ODM contracts during the Track Record Period. In terms of our accounting treatment, however, we do not distinguish those footwear applied with Meike logo with other footwear and none of the export sales of our Group is recorded as sales of Meike products. According to our internal records, our revenues from export of footwear with our Meike logo amounted to RMB37.3 million, RMB66.3 million, RMB50.2 million and RMB28.0 million, accounting for 20.6%, 20.2%, 13.7% and 8.1% of our total revenue, for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively.

Distribution network and our relationship with our export customers

A majority of our export sales was negotiated and made directly with local export companies in Fujian Province, the PRC. We were approached by either such local export companies or ultimate overseas customers. We will enter into sales contracts with the export companies or overseas customers, which will set forth the terms for the purchase and sale of our products. For the sales to export companies, we will deliver our products at the location designated by the export companies and after the delivery of our products, we will not be involved in or have any contractual liability for the export sales subsequently engaged by such export companies. For the sales to overseas customers, we will deliver our products to the port designated by the overseas customers and complete the custom clearance of our products.

Prior to May 2007, we only entered into contracts with export companies for our sales of export products. To explore diversified export business model, which might generate higher profit margin, we commenced our direct export of footwear to overseas customers in 2007 by obtaining custom registration form in accordance with PRC's export laws. Due to our increased focus on the PRC market, the relatively high costs related to direct export, such as staff costs and the exchange rate risks associated with direct export sales, we do not expect to continue direct export of footwear to overseas customers in the near future. Such direct export sales were approximately RMB20.6 million, RMB28.3 million and RMB8.0 million, accounting for 6.3%, 7.8% and 2.3% of our total revenue for the years

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ended December 31, 2007 and 2008 and the nine months ended September 30, 2009, respectively. We believe our cessation of direct export sales would not affect our current working relationships with the local export companies or ultimate overseas customers in view of our long term relationship with them.

Through the abovementioned export companies and overseas customers, our export products were ultimately sold to 34 overseas countries, including Germany, Netherland, the United States, Switzerland, Turkey, Argentina, France, South Africa and Poland. As many of our local export company customers and overseas customers have long term relationship with us, we believe such customers have been and will continue to be loyal to us. We will continue to enhance our product design capacity, better control our product costs and maintain the high quality of our products to meet the requirements of our export company customers and overseas customers.

For the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, among our top five customers, five, three, one and nil of them were our export customers and sales to them accounted for approximately 71.8%, 49.1%, 17.1% and nil of our total revenue during the same periods, respectively.

None of our Directors, our chief executive, or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our export customers during the Track Record Period.

Pricing policies

We priced our products for export sales based on the various factors including internal production costs, history of business relationship with the customers, particular styles of products, quality and delivery requirements of customers and location of the overseas market where our products are sold.

Payment terms and credit control

We invoiced our export customers upon delivery of our products. Although we do not provide for a credit period in our sales agreement with such export customers, in practice, we allow our export customers to pay us within a limited period of time. As a policy, such credit period is no more than 90 days.

PRODUCT DEVELOPMENT AND DESIGN

We believe that product development and design has been one of the keys to our sustained success and will continue to be an important factor in our continued success and growth. As of the Latest Practicable Date, we employed a total of 48 full-time employees for design and research and development. Our total expenditures for design and research and development amounted to approximately RMB2.0 million, RMB5.2 million, RMB6.1 million and RMB4.8 million for the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, representing 1.1%, 1.6%, 1.7% and 1.4% of our total revenue for such periods, respectively. We expect such expenditure will increase in the future.

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Our design experience

We have started to develop our design capacity since 1999 and with the experience in sole design and footwear design, we are able to design innovative and stylish sportswear for a wide variety of sports activities as well as daily leisure purpose. We believe that our advantage in product design has been one of the key factors to our success and will continue to be a key factor in our continued growth and we have a track record in the design of apparels and accessories. Our Directors believe that our outstanding sportswear design ability has won us a well-received reputation in the sportswear industry. As of the Latest Practicable Date, we have applied for 2 appearance design patents and have been granted 14 appearance design patents.

Our design team

Currently, each of our footwear and apparel segments has its own dedicated in-house design team to design products that meet the tastes and preferences of our target consumers. The core members of our design teams have extensive experience in the design industry and graduated from design or art schools in the PRC. Substantially all of our design team members graduated from college in the PRC and have design or art related diploma. Substantially all of our design team members have more than 4 years design related experience after joining us. To maintain an international perspective to our designs, each product design team from time to time visited the leading fashion stores, shopping centers and fashion shows in South Korea, North America and Europe, which we believe have been, and will continue to be, influential in determining fashion trends in the PRC. We believe this practice enables our design team to cater to the latest fashion trends while echoing thematic elements from our integrated marketing campaigns to establish a consistent image for our brand and products.

We have also subscribed for an internet website which allow us to access the latest fashion and design information in the world, keeping us abreast of the latest development in the fashion industry.

We also plan to increase our investment in resources for our design ability including construction of a new R&D center and to seek cooperation opportunities with design institutes.

During the Track Record Period, we had not been involved in any patent or design infringement disputes.

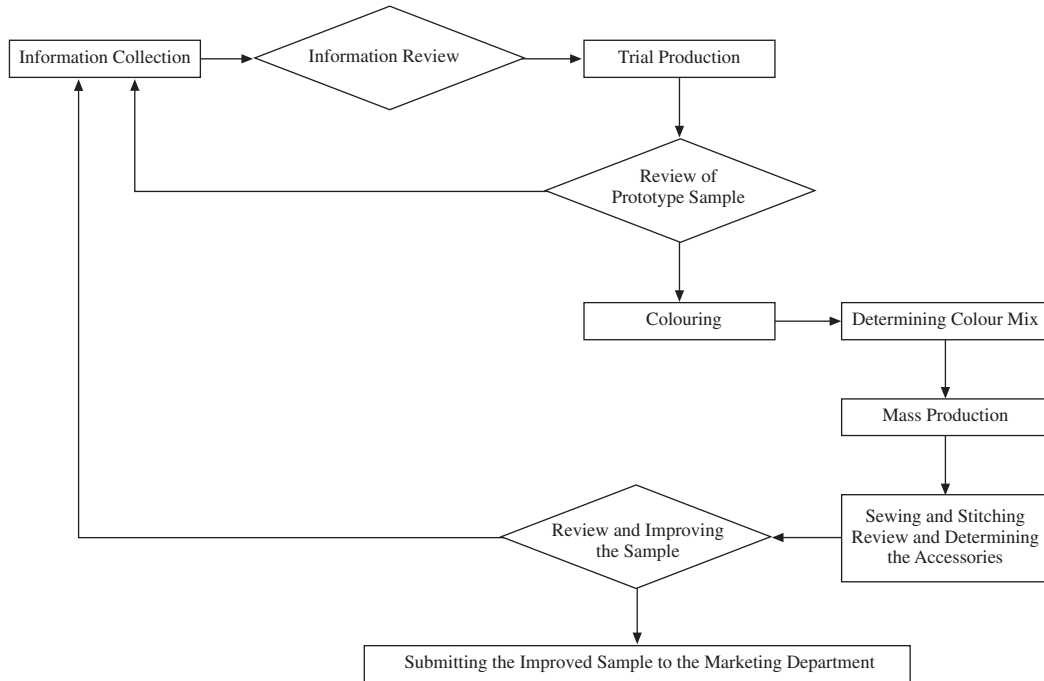
Our design capacity and design process

We have produced 900 footwear designs, 800 apparel designs and 100 accessory designs for Meike branded products and export products in the year 2008, out of which 321 footwear designs, 99 apparel designs and 25 accessory designs were produced and sold to our customers. We believe that our three product design teams have a track record in identifying and responding to sportswear market trends.

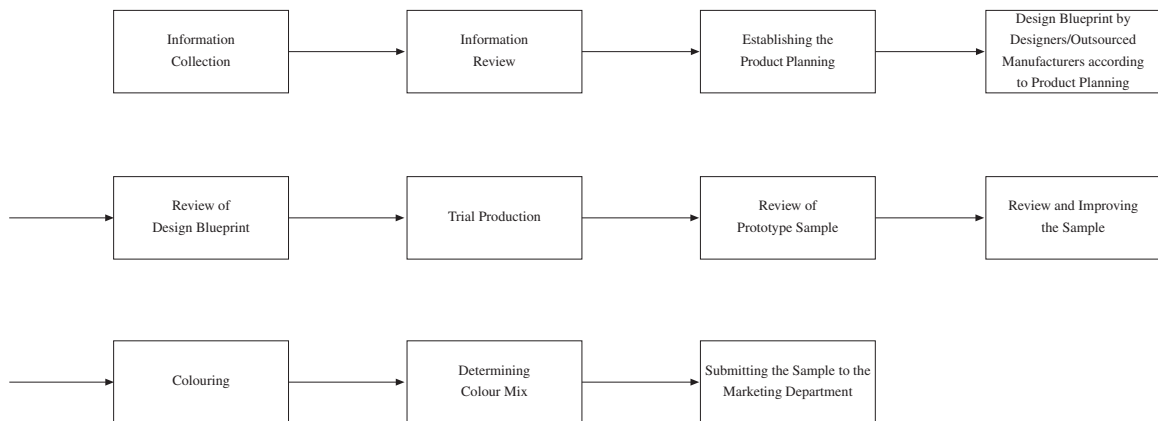
BUSINESS

Our design process is divided into several stages and incorporates several rounds of internal evaluations. The diagrams below illustrate the typical design process for our products:

Footwear Design Flow-chart:



Apparel and Accessory Design Flow-chart:



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Our integrated design and marketing efforts

We believe that the maintenance of our Meike brand image and the public's perception of our Meike brand are critical to our success. Therefore, we have paid great attention to building a uniform Meike brand image through the process of designing and marketing of our Meike branded products.

In order to promote our Meike brand recognition, we have implemented an integrated marketing strategy centered around the development of seasonal themes that recur in all aspects of our operation, including product design, advertising and retail promotion. Our designers were asked to participate in the initial discussion of seasonal themes, and to reflect such themes in their product design for such season. Our marketing personnel will also apply the seasonal theme in all aspects of our marketing activities for such season, including the design of marketing materials, the marketing campaigns and the design of our outlet displays. They would also provide feedback on latest market trend and responses from our Meike distributors and Meike retailers on the designs of our Meike branded products.

Our research and development

We believe technological innovation can help us in developing new, functional, and innovative products that will meet the needs of our customers and targeted consumers. We currently apply a variety of techniques in our design and manufacturing processes, including the usage of 3D imaging technologies.

We believe we are in a leading position in our research and development capabilities of soles, which is one of our competitive strengths in the footwear industry. We are able to apply various soling materials and technologies in our footwear products for different purposes in order to increase the comfortableness, extend the life span and strengthen the functionality of our footwear.

With more than 10 years of experience in the development and design of soles for sports footwear, we have successfully developed several soles technologies, including high abrasion resistant sole technology (高耐磨橡膠大底技術), blown runner inner layer technology (吹制滑槽內層技術) and full rubber outer layer combination technology (全橡膠外層組合技術), and have applied these technologies in the manufacturing of our products. As evidenced by a statement by National Footwear Manufacturing Industry Information Center (全國制鞋工業信息中心), these technologies are the state-of-the-art sole manufacturing technologies in the PRC and we are in a leading position in the research and development of soles.

In August 2007, we commenced our cooperation with the College of Mechanical Engineering and Automation of Huaqiao University (華橋大學機電及自動化學院, "Huaqiao MEA College") in (i) the establishment of footwear last (鞋楦) database; (ii) the realization of the personalized footwear last (鞋楦) digital design through CAD software; (iii) the integration of the personalized design and the production process and equipment; and (iv) the achievement of technical standards for digital control processing for the actual production of footwear last (鞋楦). Huaqiao MEA College has strong research capacities in many areas such as digital manufacturing technologies and CAD/CAM technologies. It is also in charge of several national and provincial science and research programs. Under our cooperation agreement with Huaqiao MEA College, Huaqiao MEA College would use its

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equipment and technology to collect data from our footwear last (鞋楦) and establish the footwear last (鞋楦) database and provide us with CAD software to improve the footwear last making machine, which enabled us to develop and design our soles and footwear. The footwear last database belongs to Huaqiao MEA College and we are entitled to use it free of charge. The patent derived from our cooperation with Huaqiao MEA College will belong to Huaqiao MEA College but we are able to use such patent free of charge. The costs involved in our cooperation with Huaqiao MEA College are mainly salaries for our staff, raw materials and depreciation of our equipment. We did not pay Huaqiao MEA College any fees or other compensation for the cooperation and we did not share profits or loss with Huaqiao MEA College. Our cooperation with Huaqiao MEA College in respect to the objectives set forth under the cooperation agreement has been completed in March 2008 but Huaqiao MEA College continue to provide us maintenance service, as there is no validity period of the cooperation agreement with Huaqiao MEA College.

We believe our capabilities in the design and manufacturing of soles allow us to produce functioning footwear that better fits our customers' requirements, vertically integrate the production process of footwear, and better control the cost for our footwear.

We believe our future success depends on our ability to deliver new technologies and to adopt existing technologies for application in our products. We will continue to conduct research and development on new raw materials for the manufacturing of our products and improvement of existing technologies to enable our products to exceed the expectations of our target consumers. During the years ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009, we incurred approximately RMB2.0 million, RMB5.2 million, RMB6.1 million and RMB4.8 million on research and development costs, respectively.

RAW MATERIALS AND SUPPLIERS

The principal raw materials used in the production of our footwear products are leather, fabrics, rubber and plastic. In addition, although we produce approximately 87.7% of the soles by our own production line during the nine months ended September 30, 2009, we sourced some soles from third parties for our footwear production because the purchase prices for such soles were lower than the estimated production cost of such soles by us due to the development costs for specific equipment (i.e. molds) that we do not already have. The amount of soles required for a specific style of footwear did not justify the cost of purchasing new equipment and therefore we sourced such soles from third parties.

We also purchase a majority of our Meike apparel products from contract manufacturers in the PRC. A majority of our suppliers are located in Quanzhou, Fujian Province, where our manufacturing facilities are also located. We have developed stable relationships with most of our key suppliers. In our relationships with our suppliers, we have not experienced any material delays in receiving supplies from our suppliers during the Track Record Period.

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We are granted credit periods primarily between 40 to 50 days by our suppliers. Our purchases attributable to five largest suppliers accounted for approximately 22.4%, 19.5%, 36.9% and 25.7% of our total purchase from all suppliers for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. The table below sets out our purchases from our five largest suppliers during the Track Record Period:

	Financial year ended December 31,						Nine months ended					
	2006		2007		2008		September 30,					
	<i>No. of</i> <i>suppliers</i>	<i>RMB</i> <i>million</i>	<i>No. of</i> <i>% suppliers</i>	<i>RMB</i> <i>million</i>	<i>No. of</i> <i>% suppliers</i>	<i>RMB</i> <i>million</i>	<i>No. of</i> <i>% suppliers</i>	<i>RMB</i> <i>million</i>	<i>%</i>			
Five largest suppliers												
Raw material suppliers	5	27.1	22.4	5	35.8	19.5	2	28.7	17.8	3	31.3	17.5
Apparel contract manufacturers	—	—	—	—	—	—	3	30.8	19.1	2	14.7	8.2
Total:	<u>5</u>	<u>27.1</u>	<u>22.4</u>	<u>5</u>	<u>35.8</u>	<u>19.5</u>	<u>5</u>	<u>59.5</u>	<u>36.9</u>	<u>5</u>	<u>46.0</u>	<u>25.7</u>

Our largest supplier accounted for approximately 5.9%, 6.7%, 12.0% and 9.9% of the aggregate amount of purchase from all suppliers for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively.

None of our Directors, our chief executive, or any person who, to our knowledge, owns more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our top five suppliers during the Track Record Period.

INVENTORY

We generally procure raw materials and commence production after having confirmed purchase orders with our distributors following our sales fairs in order to control the levels of raw material and keep finished goods inventories at an optimal level to meet our production and sales needs. We did not receive any cancelled purchase orders during the Track Record Period. In addition, we will coordinate with our distributors to reallocate products already delivered to them to regions where demand is larger. All such reallocation of products must receive our prior approval but we are not parties to the sale and purchase of the reallocated products between our distributors.

We carry out physical stock counts from time to time to identify obsolete or damaged goods. Specific provision will be made on an item of inventory if the carrying amount is lower than the net realizable value. During the Track Record Period, we did not make any provisions for inventories.

For the years ended December 31, 2006, 2007 and 2008 and for the nine months ended September 30, 2009, our average inventory turnover days was 121, 88, 103 and 85, respectively, while the balance of our inventory as at December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 accounted for approximately 23.8%, 18.9%, 19.0% and 11.4%, respectively, of our total assets.

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COMPETITION

The demand for sportswear in the PRC has grown rapidly in recent years, in line with the economic growth and the increased awareness of healthy life styles of the PRC. Participants in the sportswear industry in the PRC market include international and domestic brands, which compete on, among other things, brand loyalty, product variety, product design, product quality, marketing and promotion, price, and the ability to meet delivery commitments to distributors and retailers. This competition has led to industry consolidation, through which smaller, less profitable enterprises have been acquired by enterprises with capital and plans for expansion in the market.

Our major competitors in the PRC market are domestic sportswear brands. We mainly compete with these domestic branded sportswear competitors in the tier two and tier three cities in the PRC. Our targeted group of consumers are between the age of 16 and 25. In this regard, we compete with our competitors in terms of design, pricing and sales networks. In addition, we have adopted the following competitive measures and will implement them in our future operation:

- Product design: emphasize on the use of different designs, popular colors and concepts, develop products that focus on the elements of being “healthy, vigorous, hopeful, free, happy and outstanding” and emphasize on the fast development and marketing of new products.
- Selection of location of our outlets: when deciding to open new outlets, not only select the core business area, but also select areas with concentration of young people and wage earners such as university campus and factories.
- Product pricing: not focus on high sales prices but on the high performance and cost ratio and on the high quality of products.
- Marketing activities: select suitable product spokesman and in launching marketing activities, target on potential groups of customers.

We believe we are able to compete effectively with our competitors principally due to the following factors:

- Successful brand building;
- Innovative design ability;
- Stable sales network;
- Integrated production model;
- Competitive price advantage; and
- Experienced management team.

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We believe that competition in the PRC branded sportswear product industry will continue to remain intense in the near future. However, we also believe that our competitive advantages as stated in the section headed “Our competitive strengths” above will continue to allow us to differentiate ourselves from our competitors.

MANUFACTURING AND PRODUCTION

Our production facilities

We have our own production facilities for footwear and apparel. We produced all of our footwear products and some apparel products at our own production facilities located in Jinjiang and Huian of Quanzhou City, Fujian Province, the PRC. We operated six, eight, nine and ten footwear production lines with aggregate production capacity of approximately 5.7 million, 7.6 million, 8.6 million and 9.5 million pairs of footwear per annum⁽¹⁾ as of December 31, 2006, 2007 and 2008 and September 30, 2009, respectively. We commenced our own apparel production in July 2008 with an aggregate production capacity of approximately 0.6 million pieces of apparel products per annum⁽¹⁾ for the nine months ended September 30, 2009. The utilization rates (calculated by dividing the actual production output for the relevant period by the production capacity for such period) of our footwear production facilities were approximately 94.7%, 100.0%, 66.3% and 60.0% for the years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. The upward utilization rate from the year ended December 31, 2006 to the year ended December 31, 2007 was primarily due to the growing demand of our products. For the year ended December 31, 2008, the addition of footwear production facilities, which increased our production capacity to approximately 8.6 million pairs of footwear per annum⁽¹⁾, and the change of our business model to focus on domestic sales, contributed to the declining utilization rate during the same period. The utilization rate of our apparel production facility was approximately 85.3% for the nine month ended September 30, 2009.

While we believe that our current production facilities are cost competitive, we are constantly trying to refine and improve our production facilities and production lines to improve production equipment utilization rates, reduce stoppages and improve quality control. As of the Latest Practicable Date, our 10 footwear production lines and apparel production facilities were staffed with a total of approximately 1,860 production staff.

We commenced our own apparel production in July 2008 and, in line with our outsourcing strategy, we intend to continue to outsource some of our apparel production to contract manufacturers. In order to meet the increasing growth of this product segment, produce products that adhere to our strict quality requirements, control costs and respond rapidly to changing conditions in the market trends and preferences. We plan to apply approximately HK\$91.9 million (equivalent to RMB80.9

(1) Calculated on the basis that our production facilities are operating at 16 hours per day, 29 days per month and 11 months per year.

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million) of the proceeds from the Share Offer to establish a new apparel production facility which will increase our apparel annual production capacity from approximately 0.6 million pieces in 2008⁽¹⁾ to approximately 5.8 million⁽¹⁾ pieces in 2011. We expect this facility to commence trial production in end of 2010 and will be in full operation in 2011.

As a contingency plan to deal with electricity shortages and suspensions, we have installed 8 electricity generators which we believe are capable of generating sufficient electricity for our production and administrative operations. We did not experience any material interruption of our production operations resulting from electricity shortages or suspensions during the Track Record Period.

Footwear Manufacturing

Our footwear manufacturing process is divided into six main stages: (1) raw materials inspection and testing; (2) materials preparation and processing; (3) sewing and stitching; (4) assembly; (5) finished product inspection and testing; and (6) packaging.

The main raw materials used in footwear production are those relating to the manufacturing of soles, such as rubber, TPU and EVA, and those relating to the manufacturing of uppers, which include leather, fabrics and plastics. Raw materials are generally inspected and tested before being used in production. Raw materials for the manufacturing of uppers are cut and trimmed into individual components of the desired shape and size by various cutting machines, moulding machines and trimming machines. Logos and embroidery are affixed to the components. Individual components of different shapes and materials are then sewn and stitched together. The next process is the assembly of the semi-finished footwear components. Inspection and testing are carried out at each stage of the manufacturing process to ensure high-quality. Finally, the finished footwear is given a final inspection by our quality control staff members before it is packaged and prepared for delivery.

Apparel Manufacturing

Our apparel manufacturing process is divided into seven main stages: (1) raw materials inspection and testing; (2) materials preparation and processing; (3) sewing and stitching; (4) assembly; (5) ironing; (6) finished product inspection and testing; and (7) packaging.

The main raw materials used in producing apparel are fabrics. Fabrics and other materials are generally inspected and tested before being cut and trimmed into individual components of the desired shape. Raw materials that pass our quality control tests are then processed in preparation for sewing and stitched together. The next process is the assembly of individual components such as sleeves, front and back to form the finished products. Ironing might be necessary to preserve the shape and appearance of the apparel products. Finished products will be packed and prepared for delivery after final inspection by our quality control staff members to ensure high quality of products.

(1) Calculated on the basis that our production facilities are operating at 16 hours per day, 29 days per month and 11 months per year.

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Production outsourcing

During the two years ended December 31, 2006 and 2007, we purchased all our Meike branded apparel products from external contract manufacturers. We commenced our internal production of Meike branded apparel products in July 2008 and for the nine months ended September 30, 2009, approximately 24.0% of our Meike branded apparel products were manufactured by us. All our Meike branded accessory products were manufactured by our external contract manufacturers. For the nine months ended September 30, 2009, we engaged 12 apparel and 6 accessory contract manufacturers, which were principally located in southern China. All of such contract manufacturers are Independent Third Parties.

In the past, before we enter into purchase agreements with any external contract manufacturers, our representatives from our quality control department, manufacture and production department, and sales and marketing department would visit the production facilities of the potential external contract manufacturers to inspect and evaluate their production capacity, management, equipment status, and their creditability. After the on-site inspection, we would usually make three orders in small amounts from the potential external contract manufacturer. Only when we are satisfied with the quality of the ordered products would we enter into purchase contract.

The materials and specification of the products must be approved by us. We also dispatch quality control personnel to the external contract manufacturers to inspect the quality at different phases. We test the quality of the products not only before they are delivered to us, but also before we deliver them to our customers. If external contract manufacturer delays the delivery of the products, they will be fined for 2% of the purchase price of the products for every three days of delay. The Directors confirmed that no external contract manufacturer has been fined during the Track Record Period.

We pay our external contract manufacturers by installments. We general pay 30% of the total purchase price in the first week after the purchase contract is entered into, 50% after the delivery of the products are accepted by us, and the remaining 20% after the products are sold by us without quality complaints.

QUALITY MANAGEMENT SYSTEM

We have developed a comprehensive and effective quality management system, which is evidenced by the accreditation of ISO9001:2000 quality management system certificate for our footwear design and manufacturing issued by the Beijing United Intelligence Certification Co. Ltd. (北京聯合智業認證有限公司) since 2007. We have been granted the “Certificate of Exemption from Product Quality Surveillance Inspection” (產品質量免檢證書) 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) with a term of three years commencing from December 2006.

We have a quality control department, equipped with a product testing laboratory with professional equipment and stringent testing standards for footwear and apparel product testing. As of the Latest Practicable Date, we had 59 employees performing quality control functions.

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Our quality control activities starts at the design and development stage and is carried out during the manufacturing processes. At the design stage, we consider the functionality, quality and safety of the raw materials and other manufacturing components to be used for manufacturing. In order to ensure that the raw materials and manufacturing components purchased from our suppliers meet our quality standards, we inspect the raw materials and other manufacturing components upon delivery by their appearance. We also use our testing equipment to test the physical characteristics of such raw materials, including raw materials used for footwear and apparel materials. We from time to time engage inspection institutions to test the raw materials and other manufacturing components provided by suppliers. When new materials which we have never used before are presented to us for use on our products, we would require the suppliers to provide us a quality test report by inspection institutions, and we may engage other inspection institutions to test such new raw materials at the expense of the supplier. During the Track Record Period, we have engaged inspection institutions to test the raw materials for 53, 64, 59 and 42 times during each of the three years ended December 31, 2008 and the nine months ended September 30, 2009, respectively.

During our manufacturing process, our quality control department is responsible for monitoring the quality of our products in the production process at different manufacturing stages. After our products are finished, our staff from quality control department inspect the general quality of the products.

We dispatch at least one quality controller to each of our contract manufacturers to monitor the quality of our products and production procedures, who spends most of the working time at the contract manufacturers and reports to us every week. We also conduct tests or engage testing institutions to test the quality of the finished products delivered to us by the contract manufacturers in order to assess their functionality and quality.

EMPLOYEES

We made contributions to mandatory social security funds for our employees to provide for retirement, medical, unemployment, work-related injury and maternity benefits as required by the PRC social security regulations. Our contributions to such social insurance funds for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 amounted to approximately RMB0.1 million, RMB1.6 million, RMB4.4 million and RMB0.5 million, respectively. Because the basis of our contribution for the nine months ended September 30, 2009 was different from that of the financial year ended December 31, 2008, we made a provision of approximately RMB1.5 million for our contribution to the social insurance fund for such period.

As confirmed by relevant government authorities and our Directors, we have complied with relevant national and local labor and social welfare laws and regulations in the PRC.

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INTELLECTUAL PROPERTY RIGHTS

We use our Meike brand for the marketing and sales of our Meike branded products. As of the Latest Practicable Date, we have registered or are in the course of application for registration of our Meike trademark in Hong Kong, the PRC and under the Madrid Agreement and Protocol to applicable countries. For more information, please see the paragraph headed “Intellectual Property Rights of our Group” in Appendix VI to this prospectus.

Protection of intellectual property rights

We rely on various intellectual property laws, especially trademark and patent laws, to protect our intellectual property rights. We recognize the importance of protecting and enforcing intellectual property rights. We encountered one incident of counterfeit products before the Track Record Period. In 2005, we initiated a trademark litigation in the PRC against an infringer of our Meike trademark. The Intermediate People’s Court of Zhangzhou City, Fujian Province awarded a judgment in favor of us. During the Track Record Period, we did not encounter any incident of counterfeit products. Save as disclosed above, as at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and we believe that we have taken all reasonable measures to prevent any infringement of our intellectual property rights. Neither have we reported, informed or cooperated with the relevant PRC government authorities in any actions carried out in relation to counterfeited products during the Track Record Period. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

PROPERTIES

As of the Latest Practicable Date, we had a total site area of approximately 231,187.4 sq.m. of land and a total gross floor area of approximately 67,805 sq.m. of buildings, all of which are situated in the PRC.

As of the Latest Practicable Date, approximately 42,129.34 sq.m. of our buildings are used by us as workshops, warehouse and office buildings, representing approximately 62.1% of the total gross floor area of all of our buildings, and approximately 19,881.68 sq.m. of our buildings are used as dormitories of our employees, representing approximately 29.3% of the total gross floor area of all of our buildings. One of our buildings with a gross floor area of 149.72 sq.m. is used as power distribution room. One of our buildings with a gross floor area of 5,305.8 sq.m. is used as both an office and a dormitory. We had also constructed security guard rooms and backup power distribution room with a total gross floor area of 338.46 sq.m.

Save as disclosed under the paragraph headed “Part of our owned and leased properties in the PRC may be subject to legal irregularities” under the section headed “Risk Factors” in this prospectus, our legal advisor as to PRC laws, Fujian Zenith Law Firm, have confirmed that we hold valid land use right certificates and building ownership certificates with respect to all of our land and buildings.

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As of the Latest Practicable Date, we leased the following properties in the PRC:

- a total gross floor area of approximately 13,173.75 sq.m. factory buildings at Jinjiang, Fujian Province from a connected person of our Company. The factory buildings were used for production and storage purposes. As the leases will continue after our Listing, they would constitute continuing connected transactions of us and please refer to section headed “Connected Transactions” for details of such leases;
- a total gross floor area of approximately 1,600 sq.m. warehouse at Fuzhou, Fujian Province from an Independent Third Party for the purpose of storage of stocks; and
- a total gross floor area of approximately 357.97 sq.m. retail outlets at Fuzhou, Fujian Province from Independent Third Party landlords for our four self-operated Meike Outlets. As the landlords of our Self-operated Meike Outlets were not able to provide valid title documents of their properties leased to us, all these tenancy agreements were not registered with the relevant authority. As we are not able to verify the landlords’ title to the relevant properties, our leases for such properties are subject to challenge by third party who may claim to be the legal owner of such properties and we may be forced to leave such properties. Our Directors do not consider the properties leased to us for our self-operated Meike Outlets are crucial to our operation and believe that shops of similar size are readily available in nearby location.

Our Controlling Shareholders have undertaken under the Deed of Indemnity to indemnify us against any damages, losses or liabilities which are or become payable or incurred by any members of our Group, including relocation costs and expenses (if any), as a direct or indirect result of any title defects of the property used by our Group after the Listing or if we are forced to leave premises leased to us.

Details of the properties are set out in the section headed “Property Valuation” in Appendix IV to this prospectus.

ENVIRONMENTAL MATTERS

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

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

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

PRC environmental laws and regulations also stipulate that all enterprises that may cause environmental pollution and other public health hazards are also required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. These measures and systems must work to effectively prevent and control pollution levels and harm caused to the environment by waste gas, waste water, solid waste, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction, or other activities of the enterprise.

During the Track Record Period, we carried out the relevant environmental impact assessments before commencing construction of our production facilities and have obtained all the required permits and environmental approvals for our production facilities. We have obtained confirmation from the Jinjiang City Environmental Protection Bureau (晉江市環境保護局) and Huian County Environmental Protection Bureau (惠安縣環境保護局) confirming that we have complied with the environmental laws, regulations, rules and policies promulgated by the central government, Fujian province, Jinjiang City and Huian County; our production and operation, and the discharge and control of our polluted air, water and objects are all in compliance with the requirements and standards under the environmental laws, regulations, rules and policies in the PRC; we have not been fined for any violation of environmental laws, regulations or rules in the PRC since our establishment; and there is no circumstances under which we are expected to be punished due to environmental issues.

Pursuant to the Measures for the Administration of Pollution Discharge Fee Collection and Usage (排污費用徵收使用管理條例), Jinjiang City Environmental Protection Bureau (晉江市環境保護局) charge us pollution discharge fees at the second half of every year for the pollution we discharge in the previous year. During the years ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009, we paid RMB9,600, RMB9,600, RMB20,290 and RMB36,200 for such fees respectively. Other than the pollution discharge fees, we do not pay other annual fees relating to compliance with applicable PRC environment laws, regulations and policies which are material during the Track Record Period. Our Directors are of the view that the annual cost of compliance with applicable PRC environment laws, regulations and policies was not material during the Track Record Period and will be at similar level in the future.

As we do not produce material quantities of industrial waste in our production and we do not anticipate that our production will produce any material quantities of industrial waste in the future, other than the expenses incurred for compliance with the current PRC environmental laws and regulations, we have not allocated additional resources to new technology or to research and development to reduce our impact on the environment.

As of the Latest Practicable Date, we had obtained all the pollutant discharge permits required under the PRC laws and regulations.

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We believe that our production process does not emit material quantities of pollutants and that our operation will not be subject to any future environmental risk. However, in order to ensure that we comply with the relevant PRC environmental laws and regulations, we have appointed our executive Director, Mr. Sun Keqian, to oversee environmental protection related matters within our Group. We will ensure that we comply with applicable PRC environmental laws and regulations in the future by (i) empowering Mr. Sun to oversee and maintain our compliance with environmental protection policies, (ii) providing both regular, annual training and special, as-needed training upon the promulgation of new environmental laws and regulations with respect to the latest PRC environmental laws and regulations and encouraging our team staff to attend environmental protection training sessions organized by the local environmental protection authorities, (iii) conducting on-site inspections every week, (iv) providing relevant training to our staff, including but not limited to providing training to our Directors regarding compliance with PRC environmental laws and regulations, (v) immediately reporting to our Directors any incident or non-compliance with the relevant PRC environmental laws and regulations and (vi) immediately reporting to and coordinating with competent authorities in the case that any incident or non-compliance arises.

INSURANCE

We have purchased employee social insurance for our employees, including insurance for retirement, medical, unemployment, work-related injury and maternity, and we have purchased property insurance. We believe that our insurance coverage is adequate for our operations. Since it is not required by PRC law, and consistent with the usual industry practice in the PRC, we do not carry any business interruption or product liability insurance or third-party liability insurance.

As of the Latest Practicable Date, we have not made or been the subject of any insurance claims which are material to us.

LEGAL COMPLIANCE AND PROCEEDINGS

As of the Latest Practicable Date, we have no legal, administrative or arbitration proceedings, pending or threatened against us that had a material adverse effect on our financial condition or results of operations.

Save as disclosed in the paragraphs headed “Part of our owned and leased properties in the PRC may be subject to legal irregularities” under the section headed “Risk Factors — Risks Relating to Our Group’s Business” in this prospectus, our legal advisors as to PRC laws, Fujian Zenith Law Firm, has confirmed that we have complied with the relevant laws and regulations in all material aspects, including laws and regulations relating to environmental protection, product quality and technology standards, tax and labor, and have obtained all licences, approvals and permits from appropriate regulatory authorities for our business operations in the PRC. As confirmed by our legal advisors as to PRC laws, Fujian Zenith Law Firm, under PRC laws and regulations, a foreign-invested enterprise will be deemed as conducting foreign investments in commercial fields if it engages in the “distribution of non-self-manufactured products”, and will be required to obtain approvals from the Ministry of Commerce or its provincial counterparts. As confirmed by our legal advisors as to PRC

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laws, Fujian Zenith Law Firm, none of the sales activities currently engaged by us falls into the category of “distribution of non-self-manufactured products” and therefore, does not require approval from any government authorities.

Jinjiang City Labor and Social Security Bureau (晉江市勞動和社會保障局) confirmed that as of August 7, 2009, Fujian Meike has paid all social security payments in accordance with PRC laws and regulations; there were no outstanding social security payments payable by us, and none of Fujian Meike and Fujian Meisike had been penalized by reason of breach of any PRC laws and regulations in respect of social security. Huian County Labor and Social Security Bureau (惠安縣勞動和社會保障局) confirmed that as of August 8, 2009, Quanzhou Meike has complied with all PRC laws and regulations in respect of social security and had not been penalized by reason of breach of any PRC laws and regulations in respect of social security. Our legal advisors as to PRC laws, Fujian Zenith Law Firm has confirmed that Jinjiang City Labor and Social Security Bureau (晉江市勞動和社會保障局) and Huian County Labor and Social Security Bureau (惠安縣勞動和社會保障局) had the authority to issue such confirmations.

In order to maintain our on-going compliance with the relevant regulatory requirements in the PRC, we have appointed Mr. Li Dongxing, our executive Director, to be in charge of all legal matters and engaged Hesheng Law Firm (福建和晟律師事務所), a PRC law firm, to advise us on legal matters in the PRC. We have also established and implemented various internal control rules and guidelines in connection with the various aspects of our Group’s business and operations, which will be regularly adjusted as the business and operations environment develops. When necessary, we would also make enquiries with the relevant governmental authorities, agencies or legal experts for specific matters.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalization Issue and the Share Offer, Glory Hill and Mr. Ding will control more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Glory Hill and Mr. Ding are our Controlling Shareholders. Each of Glory Hill and Mr. Ding confirms that it/he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

- (i) *Financial independence*: our Group has an independent financial system and relies principally on cash from operations to carry on its business and bank facilities during the Track Record Period. This is expected to continue after the Listing.
- (ii) *Operational independence*: we have established our own organizational structure comprised individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Other than the property lease agreements entered into with Hengqiang (China) Co., Ltd. (恒強(中國)有限公司) as set out in the section headed “Connected transactions” in this prospectus, no services, premises and facilities will be provided by the Controlling Shareholders and/or their associates to our Group. Our Group is able to operate independently from the Controlling Shareholders after the Listing.
- (iii) *Independence of management*: our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business while preserving the management and operational continuity of our Group. The Board’s main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group’s policies and strategies. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iv) *Independence of major suppliers:* our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective associates, has any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.
- (v) *Independence of major customers:* our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective associates, has any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.
- (vi) *Ownership of trademarks and patents:* as at the Latest Practicable Date, our Group has registered or obtained licenses for, or is in the process of applying for the registration of, trademarks and patents, which are relevant to our Group's operation. Such details are set out under the paragraph headed "Intellectual property rights" in Appendix VI to this prospectus.

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of Glory Hill and Mr. Ding (the "Covenantors"), the Covenantors have executed two deeds of non-competition ("**Deeds of Non-competition**") on January 6, 2010 in favor of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deeds of Non-competition, during the period that the Deeds of Non-competition remain effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that he/it shall not, and shall procure any of the companies in which he/it has 30% or more interest ("**Controlled Entity(ies)**") (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group save for the holding of not more than 5% shareholding interests in any company listed on a recognized stock exchange and at any time the relevant listed company shall have at least one shareholder whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Where business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective Controlled Entity(ies) to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of all the Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interests or potential conflict of interests including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Board will establish a committee comprising all the independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deeds of Non-competition as requested by the committee from time to time.

The undertakings mentioned above are conditional upon the fulfillment of the conditions stated in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure and Condition of the Public Offer” in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deeds of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds of Non-competition.

The Deeds of Non-competition shall terminate on the earliest of the date on which (i) the Covenantors shall cease to hold in aggregate 30 per cent. or more of the entire issued share capital of our Company or otherwise cease to be a Controlling Shareholder; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

Family members engaging in sports footwear, apparel and accessories businesses

Certain family members of Mr. Ding have held equity interests in entities which engaged in businesses that compete (directly or indirectly) with our Group’s business, details of which are set out below:

Name of Entity	Shareholding and relationship with Mr. Ding	Business of the Entity
灌籃少年(福建)體育用品有限公司 (Guanlan Youth (Fujian) Sports Products Co., Ltd.)	Its registered capital is owned as to 53.33% by Mr. Ding Siyong (丁思勇先生) and as to 46.67% by Mr. Ding Jiabing (丁加炳先生). Mr. Ding Siyong (丁思勇先生) is the elder brother of Mr. Ding. Mr. Ding Jiabing (丁加炳先生) is a remote relative of Mr. Ding.	Manufacture and sales of branded sports footwear in the PRC

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Name of Entity	Shareholding and relationship with Mr. Ding	Business of the Entity
名樂(中國)有限公司 (Mingle (China) Co., Ltd.)	Its registered capital is wholly-owned by Mingle (International) Limited, which is a company wholly-owned by Mr. Ding Siliang (丁思亮先生). Mr. Ding Siliang (丁思亮先生) is the brother of Mr. Ding.	Manufacture and sales of sports footwear, apparel and accessories under the brand “名樂” in the PRC
Mingle (International) Limited	Its issued share capital is wholly-owned by Mr. Ding Siliang (丁思亮先生).	Investment holding in 名樂(中國)有限公司 (Mingle (China) Co., Ltd.)
福建省名樂體育用品有限公司 (Fujian Mingle Sports Products Co., Ltd.)	Its registered capital is owned as to 70% by Mr. Ding Siliang (丁思亮先生), 7.5% by Mr. Ding Jinlong (丁金龍先生), 7.5% by Mr. Ding Jiankang (丁健康先生), 7.5% by Mr. Ding Jiabing (丁加炳先生) and 7.5% by Mr. Ding Siyong (丁思勇先生). Mr. Ding Jinlong (丁金龍先生) and Mr. Jiankang (丁健康先生) are remote relatives of Mr. Ding.	Manufacture of sports footwear, apparel and accessories under the brand “名樂” in the PRC.

Mr. Ding and Ms. Ding confirmed that they had no direct or indirect equity interest in any of the above entities and were not involved in any management of the above businesses, which are separated and independent from the business of our Group.

Save as disclosed in note 32 of the accountants' report set out in Appendix I to this prospectus, there were no business transactions between the companies owned by family members of Mr. Ding as detailed above and our Group during the Track Record Period. As confirmed by the Directors, save and except the property lease agreements as disclosed in the section headed “Connected Transactions” of this prospectus, all the transactions as described in note 32 to the accountants' report set out in Appendix I to this prospectus had ceased as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ding Siqiang (丁思強), aged 47, is the Chairman and President of our Company. He was appointed as a Director on June 25, 2009 and redesignated as an executive Director of our Company on January 6, 2010. He is primarily responsible for making key decisions on our Group's overall strategies, plans and business development. Mr. Ding has 16 years of experience in the sportswear industry since he started to operate Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司) in 1993. He joined our Group in 1999 as the vice chairman of Fujian Meike. He served as the legal representative and general manager of Fujian Meike since February 2003 and became the president of Fujian Meike since August 2007. He is a director of all our subsidiaries except Fuzhou Meikesen. He has been a member of the Ninth and Tenth Fujian Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省第九屆和第十屆委員) since December 2002. He was appointed as a Standing Director of the First Session of the Jinjiang City Overseas Friendship Association (晉江市海外聯誼會第一屆常務理事) in December 2002. He was appointed as a Honorary Chairman of the First Council of the Jinjiang City Charity Federation (晉江市慈善總會首屆理事會榮譽會長) in December 2002. He was appointed as a director of the Fifth Board of Directors of Huaqiao University (華僑大學第五屆董事會董事) in December 2002. He was appointed as a Honorary Chairman of the Third Council of the Quanzhou City Footwear Chamber of Commerce (泉州市鞋業商會第三屆理事會名譽會長) in January 2006. He was appointed as the Honorary Leader of Chinese Women Hockey Team (中國女子曲棍球隊榮譽領隊) by Chinese Hockey Association (中國曲棍球協會) in October 2007. He also received his diploma in a course for chief executive officer in China (中國企業總裁高級研修班) from Peking University (北京大學) in September 2003. Mr. Ding is Ms. Ding Xueleng's husband. Mr. Ding did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to his appointment.

Ms. Ding Xueleng (丁雪冷), aged 45, is our executive Director, appointed on January 6, 2010 and is the Vice President of our Company. She is primarily responsible for the management of our footwear and apparel operations, design, research and development, financial management and overall administration management. Ms. Ding has 16 years of experience in the sportswear industry since she became the director of Fujian Jinjiang Hengqiang Shoes and Plastics Company (福建省晉江市恒強鞋塑有限公司). Ms. Ding joined us in February 1999 and was appointed as a director of Fujian Meike in 1999. She has also been the manager of Fujian Meike starting from February 1999 and was then appointed as the deputy general manager since February 2003. In August 2007, Ms. Ding was appointed the general manager of Fujian Meike. Ms. Ding is a director of each of Fujian Meike and Quanzhou Meike. Ms. Ding is the spouse of Mr. Ding. Ms. Ding did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to her appointment.

Mr. Sun Keqian (孫可謙), aged 55, was appointed as an executive Director of our Company on January 6, 2010 and is the Vice President of our Company. He is primarily responsible for the management of our product quality and manufacturing. Mr. Sun has 13 years of experience in the sportswear industry as he served as a director and the general manager from April 1996 to April 1998 in Qingdao Double Stars Stock Limited Company (青島雙星股份有限公司), a company listed in

DIRECTORS AND SENIOR MANAGEMENT

Shenzhen Stock Exchange formerly known as Qingdao Double Stars Footwear Stock Limited Company (青島雙星鞋業股份有限公司). Mr. Sun joined our Group in February 1999 as the deputy manager of Fujian Meike. He is a director of each of Fujian Meike and Fujian Meisike. He received the title of the Outstanding Young Entrepreneur in Qingdao City (青島市優秀青年企業家) by six governmental and commercial institutions in Qingdao City in September 1995. Mr. Sun received his diploma in a course for Chinese Communist Party and Governmental Officials (黨政幹部大專培訓班) from School of Kunming City Committee of Chinese Communist Party (中國共產黨昆明市委員會黨校) in July 1987. Mr. Sun did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to his appointment.

Ms. Ding Jinzhu (丁錦珠), aged 32, was appointed as an executive Director of our Company on January 6, 2010 and is the assistant to Ms. Ding. She is primarily responsible for the management of our accessory operation. Ms. Ding Jinzhu has 10 years of experience in the sportswear industry as she joined our Group in February 1999 as the deputy general manager of Fujian Meike. She served as the assistant to the deputy manager of Fujian Meike since February 2003 and as the assistant to the manager of Fujian Meike since October 2007. She became a director of Fujian Meike since October 2006. Ms. Ding Jinzhu's early responsibilities include communicating with government authorities and coordinating with administrative matters. Ms. Ding Jinzhu received her diploma in financial accounting (財務會計) from Jinjiang City Chendai Town Vocational Middle School (晉江市陳埭職業中學) in July 1995. Ms. Ding Jinzhu is the daughter of the elder brother of Ms. Ding. Ms. Ding Jinzhu did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to her appointment.

Mr. Lin Yangshan (林陽山), aged 30, was appointed as an executive Director of our Company on January 6, 2010 and is the head of the sales and marketing department of our Company. He is primarily responsible for the management of the marketing matters of our Company. Mr. Lin has 7 years of experience in sportswear industry as he joined our Group in 2002 as the sales manager of Fujian Meike. He is a director of Fujian Meike. He served as an executive director and manager of Jinhairuo (Fujian) Investment Industrial Co., Ltd. (金海若(福建)投資實業有限公司) since August 2007. Mr. Lin received his bachelor's degree in economics from Xiamen University (廈門大學) in July 2002. Mr. Lin is the son of the younger sister of Mr. Ding. Mr. Lin did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to his appointment.

Mr. Li Dongxing (李東星), aged 35, was appointed as an executive Director of our Company on January 6, 2010 and is the assistant to the chairman of our Company. He is primarily responsible for assisting our chairman in making decisions on overall strategies, planning and business development and he is responsible for the human resources of the Group. Mr. Li has 6 years of experience in the footwear industry. He served as a tax officer in Jinjiang City State Tax Bureau (晉江市國家稅務局) from November 1997 to August 2007. Starting from 2003, his tax practice has focused on footwear companies. He joined our Group in August 2007 and has served as the secretary of the board of directors of Fujian Meike since then. Mr. Li received his bachelor's degree in taxation from Xiamen University (廈門大學) in May 1997. He obtained a qualification certificate of taxation execution of the PRC issued by the State Administration of Taxation of the PRC in April 2003. Mr. Li did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to his appointment.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Yang Chengjie (楊承傑), aged 52, was appointed as an independent non-executive Director of our Company on January 6, 2010. Mr. Yang was appointed as an independent director of Fujian Meike for the period from August 2007 to May 2009. Mr. Yang has 9 years of experience in the footwear industry. He obtained the title of Professor of Engineering (教授級高級工程師) from the Appraising and Approval Committee for Professional and Technical Competence of Sinolight Corporation (中國輕工集團公司專業技術資格評審委員會) in December 2002. He has been the director of China Leather and Footwear Industry Research Institute (中國皮革和制鞋工業研究所) since September 2000. He was appointed a part-time professor and a tutor to master degree students in Shaanxi University of Science and Technology (陝西科技大學) in May 2002. Mr. Yang received his bachelor's degree in leather from Shaanxi University of Science and Technology (陝西科技大學) (formerly known as Northwest Light Industry College (西北輕工業學院)) in July 1982. He received a certificate in a 4-day course for senior management of listed companies conducted by Shenzhen Stock Exchange in January 2008. Mr. Yang did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to his appointment.

Mr. Xiang Shimin (項士敏), aged 43, was appointed as an independent non-executive Director of our Company on January 6, 2010. Mr. Xiang was appointed as an independent director of Fujian Meike since August 2007. He has 17 years of experience in general enterprise management. He obtained the title of Associate Research Fellow (副研究員) from Fujian Provincial Personnel Department (福建省人事廳) in November 2000. He has worked in Huaqiao University (華僑大學) since 1992 and he is currently the head of Foreign Affairs Office in Huaqiao University (華僑大學外事辦公室). He has been a member of the Tenth Quanzhou City Fujian Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議福建省泉州市第十屆委員) since January 2007. Mr. Xiang received his master's degree in power plant thermal energy engineering from Northeast Dianli University (東北電力大學) (formerly known as Northeast Dianli College (東北電力學院)) in March 1992. Mr. Xiang did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to his appointment.

Mr. Xie Weichun (謝煒春), aged 47, was appointed as an independent non-executive Director of our Company on January 6, 2010. He served as an accountant, a manager and a partner of Fujian Lixin Mindu Certified Public Accountants Limited (福建立信閩都會計師事務所有限公司) (formerly known as Fuzhou Accounting Firm (福州會計師事務所)) since 1989. Mr. Xie received his diploma in industrial and enterprise financial accounting from Fuzhou Technical School (福州工業學校) in July 1983. He received his diploma in statistics from Xiamen University (廈門大學) in April 1988. He also received a certificate in a 4-day course for senior management of listed companies conducted by Shenzhen Stock Exchange (深圳股票交易所) in September 2007. Mr. Xie became a Certified Public Accountant in the PRC (中國註冊會計師) in December 1999. He received a qualification certificate for senior accountant (高級會計師職稱) by Fujian Provincial Personnel Department (福建省人事廳) in May 2007. Mr. Xie did not hold any directorship with any public companies whose securities are listed on a stock exchange during the three years prior to his appointment.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Yik Sang (李奕生), aged 35, joined the Group in August 2009 and is the chief financial officer, authorized representative and company secretary of our Company. Mr. Li served as an audit assistant and a semi-senior auditor in Grant Thornton from November 2000 to December 2002. He served as a staff accountant, senior accountant and manager in Ernst & Young from January 2003 to January 2007. He had been the chief financial officer of China Packaging Group Company Limited (stock code: 572) from January 2007 to July 2009. Mr. Li has approximately 10 years of experience in auditing, finance and accounting. He received his bachelor's degree in commerce from the University of Queensland, Australia in December 1998. He received his master's degree in commerce (information systems) from the University of Queensland, Australia in August 2000. Mr. Li has been a member of CPA Australia since April 1999 and was granted a certificate of certified practicing accountant of CPA Australia in November 2006 and he has been a member of HKICPA since February 2007.

Mr. Luo Zhenye (羅振業), aged 34, is the head of the marketing department of our Company. He joined our Group as the marketing manager of Fujian Meike since March 2006. Mr. Luo has about 12 years of experience in the marketing industry. From March 1997 to January 2000, he served as an operating officer in Guangzhou New Era Exhibition Co., Ltd. (廣州市新紀元展覽有限公司). From March 2000 to December 2002, he served as a customer manager in Guangzhou Jindi Cultural Propagation Advertisement Co., Ltd. (廣州金蒂文化傳播廣告有限公司). From March 2003 to December 2005, he served as a customer manager in Longjuanfeng Film and Television Advertisement Planning Co., Ltd. (龍卷風影視廣告策劃有限公司). Mr. Luo received his diploma in mechanical and electrical engineering (機電工程專科學位) from Nanchang Higher Junior College (南昌高等專科學校) in June 1996.

Mr. Lin Kongfeng (林孔鳳), aged 38, is the head of the accounting department of our Company. He joined our Group in March 2006 as a manager of Fujian Meike's accounting department. From August 1991 to December 2003, he worked in the finance department in Fujian Provincial Datian Taoyuan State-owned Forest Farm (福建省大田桃源國有林場). From April 2005 to February 2006, he served as an accounting manager in K-boxing Men's Wear Stock Limited Company (勁霸男裝股份有限公司). Mr. Lin received his diploma in accounting from Xiamen University (廈門大學) in June 1999. He obtained the qualification certificate of middle level of accountant issued by the Ministry of Finance of the PRC in December 2000.

Mr. Chen Shuzhun (陳曙準), aged 33, is the head of the export department of our Company. Mr. Chen has 11 years of experience in the sportswear industry in the PRC as he joined our Group in September 1999 as a manager for the export department of Fujian Meike. Mr. Chen received his diploma in business management from Liming Vocational University (黎明職業大學) in June 1999. He received the title of outstanding employer by the Chentai Town Commission of the Chinese Communist Party and Chentai Town People's Government in December 2004 and the title of outstanding talented manager by the Chentai Town Commission of the Chinese Communist Party and Chentai Town People's Government in May 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Dongrong (王東榮), aged 31, is the head of the apparel research and development department of our Company. Mr. Wang joined our Group in November 2003 as the manager for the apparel department of Fujian Meike. Mr. Wang has 12 years of experience in the sportswear design industry. From October 1997 to November 2000, he served as a designer of apparel in Quanzhou City Kipone Apparel Co., Ltd. (泉州市棋牌王服飾有限公司). From December 2000 to November 2003, he served as the manager of the production department in Quanzhou City Huangxing Apparel Co., Ltd. (泉州市煌興製衣有限公司). Mr. Wang received his diploma in apparel design from Fujian Textile Light Industry College (福建紡織輕工業學校) in September 1996.

Mr. Liu Xiaohong (劉曉紅), aged 40, is the head of research and development department for footwear of our Company. He joined us in March 2005 as the manager for design and research department for Fujian Meike. Mr. Liu has 17 years of experience in the sportswear design industry. From October 1992 to December 1996, he served as a designer of footwear in Fujian Qinglu Footwear Co., Ltd. (福建清祿鞋業有限公司). From March 1997 to January 2000, he served as a manager of the design department in Daoqi (Fujian) Footwear Co., Ltd. (道崎(福建)制鞋有限公司). From February 2000 to February 2005, he served as the manager of the design department in Fujian Jinjiang City Canhuang Footwear and Apparel Co., Ltd. (福建晉江市燦煌鞋服有限公司). He received the award of national sports footwear design (全國運動鞋設計獎) by the China Leather Industry Association (中國皮革工業協會) in April 2003. Mr. Liu received his diploma in art from Sichuan University (四川大學) in July 1992.

COMPANY SECRETARY

Mr. Li Yik Sang is our Company Secretary and please refer to his biography in the paragraphs headed “Senior Management” above for details.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the principal business operations and manufacturing facilities of our Group are primarily located in China, the senior management members of our Group are and will therefore continue to be based in China. At present, Mr. Li Yik Sang, the company secretary and chief financial officer of our Company, is ordinarily resident in Hong Kong and none of the executive Directors are ordinarily resident in Hong Kong. We have applied to the Stock Exchange for a waiver from the strict compliance with the requirement under Rule 8.12. For details of the waivers, please see the paragraph headed “Management Presence” under the section headed “Waivers from compliance with the Listing Rules and the Companies Ordinance” in this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

STAFF

As at the Latest Practicable Date, our Group had a total of 2,111 full-time employees. The following table shows a breakdown of employees of our Group by department as of the Latest Practicable Date:

	As of the Latest Practicable Date <i>Number of Employees</i>
Manufacture and production	1,860
Quality control	59
Sales and marketing	55
Design, research and development	48
Finance and accounting	24
Procurement	18
Logistics	16
Apparel	11
Management and administration	10
Others	<u>10</u>
Total	<u><u>2,111</u></u>

THE GROUP'S RELATIONSHIP WITH STAFF

We recognize the importance of a good relation with our employees. The remuneration payable to the employees includes salaries and allowances. We continue to provide training for our staff to enhance technical and product knowledge as well as knowledge of industry quality standards and work place safety standards.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that we have a good working relationship with our employees.

SOCIAL INSURANCES AND HOUSING FUNDS

We made contributions to mandatory social insurance funds for our employees to provide for retirement, medical, unemployment, work-related injury and maternity benefits as required by the PRC social security regulations. Our contributions to such social insurance funds for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 amounted to approximately RMB0.1 million, RMB1.6 million, RMB4.4 million and RMB0.8 million, respectively. Because the basis of our contribution for the nine months ended September 30, 2009 was different from that of the financial year ended December 31, 2008, we made a provision of approximately RMB1.5 million for our contribution to the social insurance fund for such period.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION POLICY AND REMUNERATION OF DIRECTORS AND HIGHEST PAID INDIVIDUALS DURING THE TRACK RECORD PERIOD

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. Upon and after Listing, the remuneration package will be extended to include options granted or to be granted under the Share Option Scheme.

For the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, the aggregate of the emoluments paid and other benefits granted to our Directors by our Group were approximately RMB0.4 million, RMB0.7 million, RMB0.9 million and RMB0.8 million, respectively.

During the Track Record Period, no amount was paid or payable by our Group to the directors as an inducement to join or upon joining our Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

Save as disclosed in note 13 to the accountants' report set out in Appendix I to this prospectus, no other emoluments have been paid, or are payable, in respect of the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 by us to our Directors.

We estimate that the aggregate of the remuneration payable to, and benefits receivable by, our Directors (excluding discretionary bonus) for the financial year ended December 31, 2009 would be approximately HK\$1.0 million. After listing, we currently intend to pay our Chairman, Mr. Ding, a salary of RMB500,000 annually, to our executive Director and Fujian Meike's general manager, Ms. Ding, a salary of RMB300,000 annually, to each of our executive Directors, Mr. Sun Keqian and Mr. Li Dongxing, a salary of RMB200,000 annually, to our other executive Directors each a salary of RMB120,000 annually, and to our independent non-executive Directors each a salary of RMB35,000 annually. Under the arrangements currently in force, we estimate that the aggregate of the remuneration payable to, and benefits receivable by, our Directors (excluding discretionary bonus) for the financial year ending December 31, 2010 will be approximately RMB1.5 million.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 13 and 14 to our consolidated financial statements, included in the accountants' report set out in Appendix I to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

OTHER BOARD COMMITTEES

Audit Committee

We established an audit committee pursuant to a resolution of our Directors passed on January 6, 2010 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are mainly to review the material investment, capital operation and material financial system of our Company; to review the accounting policy, financial position and financial reporting procedures of our Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of our Company. At present, the audit committee of our Company consists of all the independent non-executive Directors, who are Mr. Xie Weichun, Mr. Yang Chengjie and Mr. Xiang Shimin. Mr. Xie Weichun is the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee on January 6, 2010 with written terms of reference. The primary duties of the remuneration committee include: (i) reviewing the terms of the remuneration package of each Director and member of senior management and making recommendations to the Board regarding any adjustment thereof; (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them; and (iii) considering the grant of options to Directors pursuant to the Share Option Scheme. No Director shall participate in any discussion about his or her own remuneration. The remuneration committee consists of three members, namely Mr. Ding Siqiang, Mr. Xiang Shimin and Mr. Xie Weichun. Mr. Ding Siqiang is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on January 6, 2010 with written terms of reference. The primary duties of the nomination committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, assess the independence of independent non-executive Directors. The nomination committee of our Company consists of three members, namely Mr. Ding Siqiang, Mr. Xiang Shimin and Mr. Yang Chengjie. Mr. Ding Siqiang is the chairman of the nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed China Merchants Securities (HK) Co., Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

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

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Glory Hill	Beneficial owner	562,500,000	56.25%
Mr. Ding	Interest in controlled corporation (<i>Note 1</i>)	562,500,000	56.25%
Ms. Ding	Interest of spouse (<i>Note 2</i>)	562,500,000	56.25%
Deep Wealth Resources Limited	Beneficial owner	75,000,000	7.5%
Mr. Ding Jinbo (丁金波先生) (<i>Notes 3 & 4</i>)	Interest in controlled corporation	75,000,000	7.5%
Bromyard Investments Limited	Beneficial owner	75,000,000	7.5%
Mr. Ding Haibo (丁海波先生) (<i>Notes 3 & 5</i>)	Interest in controlled corporation	75,000,000	7.5%

Notes:

- (1) Mr. Ding owns the entire issued share capital of Glory Hill, which owns 56.25% equity interest in our Company. Therefore, Mr. Ding is deemed or taken to be interested in all the Shares which are beneficially owned by Glory Hill for the purpose of the SFO. Mr. Ding is the sole director of Glory Hill.
- (2) Ms. Ding is the spouse of Mr. Ding. Therefore, Ms. Ding is deemed or taken to be interested in all the Shares in which Mr. Ding is interested for the purpose of the SFO.
- (3) Mr. Ding Jinbo (丁金波先生) and Mr. Ding Haibo (丁海波先生) are the sons of Mr. Ding and Ms. Ding.
- (4) Mr. Ding Jinbo (丁金波先生) owns the entire issued share capital of Deep Wealth Resources Limited, which owns 7.5% equity interest in our Company. Therefore, Mr. Ding Jinbo (丁金波先生) is deemed or taken to be interested in all the Shares which are beneficially owned by Deep Wealth Resources Limited for the purpose of the SFO. Mr. Ding Jinbo (丁金波先生) is the sole director of Deep Wealth Resources Limited.
- (5) Mr. Ding Haibo (丁海波先生) owns the entire issued share capital of Bromyard Investments Limited, which owns 7.5% equity interest in our Company. Therefore, Mr. Ding Haibo (丁海波先生) is deemed or taken to be interested in all the Shares which are beneficially owned by Bromyard Investments Limited for the purpose of the SFO. Mr. Ding Haibo (丁海波先生) is the sole director of Bromyard Investments Limited.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalization Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, any options that may be granted under the Share Option Scheme or the arrangements under the Stock Borrowing Agreement), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

SHARE CAPITAL

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

HK\$

Authorized share capital:

10,000,000,000	Shares	100,000,000.00
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Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

HK\$

1,000,000	Shares in issue at the date of this prospectus	10,000.00
749,000,000	Shares to be issued pursuant to the Capitalization Issue	7,490,000.00
<u>250,000,000</u>	<u>Shares to be issued pursuant to the Share Offer</u>	<u>2,500,000.00</u>

Total:

<u>1,000,000,000</u>	Shares	<u>10,000,000.00</u>
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Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, our issued share capital immediately following the Share Offer will be as follows:

HK\$

Authorized share capital:

10,000,000,000	Shares	100,000,000.00
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Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

HK\$

1,000,000	Shares in issue at the date of this prospectus	10,000.00
749,000,000	Shares to be issued pursuant to the Capitalization Issue	7,490,000.00
250,000,000	Shares to be issued pursuant to the Share Offer	2,500,000.00
37,500,000	Shares to be issued upon exercise of the Over-allotment Option in full	375,000.00
<u> </u>		<u> </u>

Total:

<u>1,037,500,000</u>	Shares	<u>10,375,000.00</u>
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SHARE CAPITAL

RANKING

The Offer Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalization Issue.

CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on January 6, 2010, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors are authorized to allot and issue a total of 749,000,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on January 5, 2010 in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of HK\$7,490,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in “Structure and Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalization Issue; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;

SHARE CAPITAL

- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to "A. Further Information about our Company — 3. Written resolutions of all our Shareholders passed on January 6, 2010" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in "Structure and Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognized by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Share Offer (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the sub-section headed "Repurchases of our Shares by our Company" in Appendix VI to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting, whichever is the earliest.

For further details of this general mandate, please refer to "A. Further Information about our Company — 3. Written resolutions of all our Shareholders passed on January 6, 2010" in Appendix VI to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarized in the sub-sections headed “D. Share Option Scheme” as set out in Appendix VI to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in note 32 to the accountants' report set out in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described below, these related party transactions have discontinued before the Latest Practicable Date. These related party transactions, if continue after the Listing, may constitute connected transactions under the Listing Rules.

Following the Listing, the following transactions will continue between our Group and the relevant connected persons (as defined in the Listing Rules), which will constitute continuing connected transactions under the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTION

The following transactions have been carried out by our Group and our connected person during the Track Record Period and are expected to continue following the Listing. The transactions will constitute continuing connected transactions which are exempt from all reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules upon Listing:

Property Lease Agreements

On January 6, 2010, Hengqiang (China) Co., Ltd. (恒強(中國)有限公司) (the “**Lessor**”) and Fujian Meike entered into a property lease agreement pursuant to which Fujian Meike agreed to lease from the Lessor premises of a gross floor area of approximately 10,172.50 square meters situated at Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC for use as warehouse and workshop for a term commencing on January 6, 2010 and ending on December 31, 2012 at an aggregate rental of approximately RMB610,350, RMB610,350 and RMB 610,350 for the three years ending December 31, 2010, 2011 and 2012, respectively. This property lease agreement supersedes the property lease agreements entered into between the Lessor and Fujian Meike dated January 25, 2009 regarding the above premises and December 25, 2006 regarding premises of a gross floor area of approximately 8,409.58 square meters situated at Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC. Rent paid by Fujian Meike to the Lessor for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 were approximately RMB0, RMB555,032, RMB555,032 and RMB493,843, respectively. The rent payable under each of these property lease agreements was determined with reference to the prevailing market rate.

On January 6, 2010, the Lessor and Fujian Meisike entered into a property lease agreement pursuant to which Fujian Meisike agreed to lease from the Lessor premises of a gross floor area of approximately 3,001.25 square meters situated at Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC for use as warehouse and workshop for a term commencing on January 6, 2010 and ending on December 31, 2012 at an aggregate rental of approximately RMB180,075, RMB180,075 and RMB180,075 for the three years ending December 31, 2010, 2011 and 2012, respectively. This property lease agreement supersedes the property lease agreement entered into between the Lessor and Fujian Meisike dated February 22, 2007 regarding the same premises. Rent paid by Fujian Meisike to

CONNECTED TRANSACTIONS

the Lessor for the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 were approximately RMB0, RMB165,069, RMB198,083 and RMB148,562, respectively. The rent payable under these property lease agreements was determined with reference to the prevailing market rate.

The Lessor is wholly-owned by Heng Qiang (International) Limited (恒強(國際)有限公司), which is owned as to 80% and 20% by Mr. Ding and Mr. Huang Tzu Jan (黃自然先生), respectively. Mr. Ding is our Chairman, an executive Director and our substantial shareholder, and is therefore our connected person for the purpose of the Listing Rules. Mr. Huang Tzu Jan (黃自然先生) is the brother-in-law of Mr. Ding. The transactions contemplated under the property lease agreements will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules upon the Listing.

Given that the aggregate annual rental payable under the property lease agreements referred above is less than HK\$1,000,000 and none of the percentage ratios, on an annual basis, equals or exceeds 2.5%, and that they were entered into in the ordinary and usual course of business of our Group, the transactions are exempt continuing connected transactions of the Company pursuant to Rule 14A.33(3)(b) of the Listing Rules, which are not subject to any disclosure or shareholders' approval requirement.

BMI Appraisals Limited, an independent property valuer, has confirmed that the total rent payable under the property lease agreements referred above is comparable to the current market rent. Our Directors (including our independent non-executive Directors) and the Sponsor have confirmed that the terms of the property lease agreements (including the annual caps) were entered into in the ordinary and normal course of our business and on normal commercial terms which are fair and reasonable and in the interests of our Company and Shareholders as a whole.

FINANCIAL INFORMATION

Potential investors should read the following discussion and analysis of our financial condition as of December 31, 2006, 2007 and 2008 and as of September 30, 2009 and results of operations together with our consolidated financial information for the financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2008 and 2009 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. Our consolidated financial information as of and for the nine months ended September 30, 2008 has not been audited but reviewed by our reporting accountants. Our consolidated financial statements have been prepared in accordance with HKFRSs. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are one of the fast-growing domestic branded sportswear enterprises in the PRC in terms of sales of branded products. We design, develop, produce, market and distribute leisure sportswear products, including footwear and apparel, under the Meike brand. We also design, develop, market and distribute sports accessories under the Meike brand. According to Frost & Sullivan, we ranked tenth among the leading domestic sports footwear suppliers in terms of footwear revenue including domestic sales, OEM income, and export in 2008 in China, for details, please refer to the information set out in the sub-paragraph headed "the sports footwear market" in the section headed "Industry Overview" in this prospectus. In terms of sales of apparel products, we recorded a CAGR of approximately 406.0% in 2008 as compared to 2006. During the Track Record Period, we established and expanded our distribution network of our Meike branded products, starting from 59 counters under concessionary arrangement with department stores as of January 1, 2006 to 1,318 Meike outlets owned or oversaw by our distributors, which sell our Meike products exclusively in 22 provinces, autonomous regions and municipalities, and more than 514 districts, counties, and county-level cities in the PRC as of the Latest Practicable Date.

We started our business in 1999 as a producer of soles for domestic footwear producers. We commenced our footwear export business through domestic export companies since 2001 and our sales of Meike branded products to the domestic market in the PRC in 2003.

Prior to year 2006, we sold our Meike branded products primarily to retailers and through department stores in the domestic market of the PRC. Beginning in 2006, as our management saw greater growth opportunity in domestic market we changed our business model and sold substantially all our Meike branded products to our distributors.

Other than our Meike branded products, we also sell footwear to overseas customers and export companies. The sales of such export products were the major source of our revenue in the early years of our Track Record Period but their importance had been diminishing towards the end of our Track Record Period in view of the substantial growth of our Meike branded business. For the three years ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009, our revenues

FINANCIAL INFORMATION

from export sales were approximately RMB132.5 million, RMB189.5 million, RMB136.5 million and RMB74.1 million, accounting for 73.2%, 57.7%, 37.3% and 21.3% of our total revenues during the same periods, respectively. Our export products were sold ultimately to countries including Germany, the United States, Netherland, Switzerland, Turkey, Argentina, France, South Africa and Poland.

All of our Meike footwear and export footwear were manufactured at our production facilities in Huian and Jinjiang, Quanzhou City, Fujian Province. We manufactured approximately 5.4 million, 7.6 million, 5.7 million and 4.6 million pairs of sports footwear during the three financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. We also produced a portion of our Meike apparel products at our production facilities in Huian, Fujian Province since July 2008. For the nine months ended September 30, 2009, 21.3% of our Meike apparels was manufactured at our aforesaid production facilities. We outsource production of all our Meike accessories under contract manufacturing arrangements.

Our revenue for the financial year ended December 31, 2006, 2007 and 2008 were RMB180.9 million, RMB328.7 million and RMB365.6 million, respectively. Our gross profit for the financial year ended December 31, 2006, 2007 and 2008 were RMB48.6 million, RMB101.8 million and RMB119.2 million, respectively. Our total comprehensive income for the financial year ended December 31, 2006, 2007 and 2008 were RMB23.1 million, RMB57.4 million and RMB56.4 million, respectively. Our revenue for the nine months ended September 30, 2008 and 2009 were RMB305.1 million and RMB348.4 million, respectively. Our gross profit for the nine months ended September 30, 2008 and 2009 were RMB99.0 million and RMB116.8 million, respectively. Our total comprehensive income for the nine months ended September 30, 2008 and 2009 were RMB54.2 million and RMB62.6 million, respectively.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows as set out in Appendix I to this prospectus for the Track Record Period included the results of operations of our Group of which we are comprised (or where the companies were incorporated/established at a date later than January 1, 2006, for the period from the date of incorporated/established to September 30, 2009) as if the current group structure had been in existence throughout the Track Record Period. Our consolidated statements of financial position as of December 31, 2006, 2007 and 2008 and September 30, 2009 as set out in Appendix I to this prospectus have been prepared to present the state of affairs of the companies of which we are comprised as of those dates, as if the current group structure had been in existence as of the respective dates.

The consolidated financial information included in the accountant's report in Appendix I to this prospectus has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") promulgated by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. HKFRSs include HKASs and Interpretations.

FINANCIAL INFORMATION

We did not prepare consolidated financial statements previously. This is our first HKFRSs consolidated financial information, and HKFRS 1 “First-time adoption of Hong Kong Financial Reporting Standards” has been applied.

During the Track Record Period, the HKICPA issued a number of new and revised HKFRSs. For the purpose of preparing the financial information, we have adopted all of these new and revised HKFRSs applicable to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting periods beginning on or after January 1, 2009. See note 2 to the consolidated financial statements in Appendix I to this prospectus.

Inter-group balances and transactions are eliminated in full in preparing the consolidated financial information.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operation have been and will continue to be affected by a number of factors, including those factors discussed below, some of which are beyond our control.

Consumer demand for sportswear in the PRC

Consumer demand in PRC for sportswear is one of the key drivers of our revenues from sales of our Meike products and depends in large part on the general economic conditions in the PRC, the growth in disposable income of residents of the PRC and consumption patterns in the PRC. The increase in the purchasing power of PRC residents is expected to enhance the consumers’ degree of preference purchase of sportswear products that has a recognized brand, which may improve our results of operations. Our growth also depends on the existence and the continuation of consumer spending preferences for sportswear in the PRC. However, changes in consumption patterns and preferences in the PRC or a less than expected increase in consumer spending for sportswear products may materially and adversely affect our financial condition and results of operations.

Our ability to maintain our competitive strengths

The demand for sportswear in the PRC has grown rapidly in recent years, in line with the general economic growth of the PRC. We believe that our industry is highly competitive in the PRC and will continue to be so in the near future. Competitors in the sportswear industry in the PRC market include both international and domestic brands, which compete in brand loyalty, product variety, product design, product quality, marketing and promotion, distribution networks, price and the ability to meet delivery commitments to distributors and authorized retailers. We will continue to maintain and enhance our competitive strengths, such as our innovative design, innovative marketing and promotion strategies and fast-growing distribution network in order to meet the industry competition and to offer quality and innovative products to our customers.

FINANCIAL INFORMATION

Our ability to continuously maintain and enhance our Meike brand recognition

Our financial condition and results of operations will be affected by our ability to continuously maintain and enhance recognition of our Meike brand. In particular, we believe that our success will depend on our ability to implement our innovative multimedia marketing and promotion strategies and improve our authorized distributors and retail outlets in terms of size, location and layout. For the financial years ended December 31, 2006, 2007 and 2008 and nine months ended September 30, 2009, our advertising and marketing expenses incurred were approximately RMB1.5 million, RMB6.9 million, RMB14.3 million and RMB4.8 million, accounted for approximately 0.8%, 2.1%, 3.9% and 1.4% of our total revenue, respectively. We intend to increase our expenditure in advertising and marketing in order to strengthen our brand and market position in future. If we are unsuccessful in promoting our Meike brand or fail to maintain our brand position, market perception and consumer acceptance of our Meike brand may be eroded, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our ability to continue to expand and develop the distribution network

Prior to 2006, we sold our Meike branded products primarily to retailers and through department stores in the domestic market of the PRC. Beginning in 2006, we established a distributorship business model, under which we sell our Meike branded products to our Meike distributors, who in turn sell our Meike branded products in Meike distributor outlets directly operated by them or to third party Meike retailers which then sell our Meike branded products to consumers in their Meike outlets. We believe that our rapid growth in the PRC market was attributable to our ability to leverage the resources of our distributors after adoption the new business model in 2006. However, we cannot assure that the rapid growth since the adoption of our new business model in 2006 will be sustainable or achieved at all in the future. Our financial condition and results of operations will be affected by our ability to expand and optimise our network of distributors, and the ability of our distributors and authorized retailers to further enhance the network of Meike authorized retail outlets being operated within their exclusive geographical regions. If we fail to expand and develop the distribution network of our Meike branded products, our financial condition and results of operations may be materially and adversely affected. See “Risk Factors — Our Meike brand have a limited history in the branded sportswear industry and we may not be successful in expanding our distributorship network” and “Risk Factors — We rely our Meike distributors to oversee Meike retailers of Meike branded products and to expand the Meike retail network”.

Our ability to maintain our internal and external production

We attained a utilization rate of our footwear production facilities of approximately 94.7%, 100.0%, 66.3% and 60.0% of our footwear products in terms of production volume at our own product facilities, located in Jinjiang City, Fujian Province, the PRC, for the financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009, respectively. Although we are still below the maximum designed capability for our footwear production facilities, if the market demand increases suddenly, we may not be able to increase our production capacity to meet the market demand. In addition, a portion of the production of most of our apparel products and all our accessories are outsourced to our third party contract manufacturers. If there is a sudden increase in market demand, we may not be able to increase our production capacity or locate additional contract

FINANCIAL INFORMATION

manufacturers for apparels and accessories in a short time. As a result, we may fail to meet the market demand and our business will be adversely affected. Our financial condition and results of operations will be significantly affected by our ability to maintain strong production capacity and our flexibility in making effective use of our internal production and contract manufacturers.

Cost of raw materials

Cost of raw materials is the largest component of the cost of sales, which accounted for approximately 75.1%, 71.2%, 59.7% and 63.8% of our total cost of sales for each of the three years ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009. Amongst the various raw materials used by us, fabrics and rubber are the key raw materials and together accounted for approximately 52.0%, 43.4%, 50.7% and 36.6% of our total raw material costs for each of the three years ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009. Fluctuation of the percentage of cost of fabrics and rubber to total raw materials during the Track Record Period was primarily due to the change in our products design, orders received for each model of footwear and the type and specification of raw materials used for production in each year/period. For instance, the decrease in the cost of fabrics and rubber from 52.0% to the total raw materials costs in the financial year ended December 31, 2006 to 43.4% in the financial year ended December 31, 2007 when the production of cloth shoes and fashion shoes decrease which lead to the reduction in usage of fabrics and rubber for the financial year ended December 31, 2007. On the other hand, the increase in the cost of fabrics and rubber from 50.7% to the total raw materials costs for the financial year ended December 31, 2008 from that of 2007 was primarily due to the increase in production of running shoes, which increased the consumption of fabrics. For the nine months ended September 30, 2009, production of running shoes for export business dropped and lead to the decrease in usage of fabrics and rubber, which lower their proportion in total raw materials costs from 50.7% for the financial year ended December 31, 2008 to 36.6% during this period.

The type and specification of raw materials used for production during the Track Record Period varied in line with our changes in products design during the same period. We price our products based on our estimated margin and cost of such products. We take into account the cost of raw materials during our design process of footwear. If the price of certain raw material increases substantially, we may consider replacing such raw materials with other materials to achieve our desirable cost level, provided such raw material is fungible and will not affect the functionality of such footwear, such as certain fabrics used on the upper. If the price of certain cloth increases, we may still have the flexibility to replace such cloth with other cloth which has a different composition and is lower in cost to achieve our desired cost level, although to a limited extent.

The cost of some of our key raw materials depends mainly on the general market conditions of the PRC market, and to some extent, depends on the oil prices, purchase volume and availability of substitute materials. Increase in the cost of such raw materials and our inability to pass on any surge in raw materials costs to our customers by increasing the suggested retail prices of our products or increasing the average wholesale selling price to our distributors may materially and adversely affect our cost of sales and our gross profit margin. See also the paragraphs headed “The prices for the raw materials and the costs for labor may increase” under the section headed “Risk Factors—Risks Relating to Our Group’s Business” in this prospectus.

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Pricing of our product

Prices of our products at which our distributors or consumers are willing to purchase our products are mainly driven by factors such as pricing of our competitors, purchasing power of consumers and general economic conditions, all of which are beyond our control. For our Meike branded products sold to our distributors, the prices of our Meike branded products were set by us prior to our sales fair and are subject to adjustment depending on the volume of purchase orders and feedback received from the Meike distributors. Under our new distributorship business model, we sell our products to all of our distributors at a uniform discount to the suggested retail price of the products. Our distributor then sell our products either at their outlets at the suggested retail prices or sell our Meike branded products to the Meike retailers they oversee at wholesale prices recommended by us, which we consider to be a reasonable margin for the distributors and retailers. If we fail to implement the suggested retail pricing system or if we are unable to maintain selling prices of our products at desired levels, the market value of our Meike brand could be eroded and the public perception of our brand may deteriorate, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to maintain our overseas sales

Our export products are sold indirectly to overseas customers in different countries, which include Germany, the United States, Switzerland, Netherland, France, Argentina and Poland. Our export sales fluctuate during the Track Record Period due to various factors including economic conditions of the market where our products were sold to. In addition, some of such countries may implement anti-dumping measures to exclude footwear products in order to protect their local manufacturing industry. A number of such countries passed standards relating to security, hygiene technology and environment which adversely affected on the importation of shoes from PRC. We have no control on our export sales and any substantial drop in such sales may materially and adversely affect our financial condition and results of operations.

Level of income tax and preferential tax treatment

Our profit attributable to our Shareholders is affected by the level of income tax that we pay and the level of preferential tax treatment to which we may entitled. On March 16, 2007, the National People's Congress of the PRC promulgated the Enterprise Income Tax Law of the PRC (the "**New Tax Law**"), which came into effect on January 1, 2008 and supersedes both the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC and the Provisional Regulations on Enterprise Income Tax of the PRC (the "**Old Tax Regime**"). The New Tax Law consolidates the two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified enterprise income tax rate of 25% for both types of enterprises.

Under the New Tax Law, foreign-invested enterprises that enjoyed a preferential tax rate prior to the New Tax Law's promulgation will gradually transit to the new tax rate over five years from January 1, 2008. Foreign-invested enterprises that enjoyed a tax rate of 24% will have their tax rate increased to 25% in 2008. Enterprises which enjoyed a fixed period of tax exemption and reduction

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prior to the New Tax Law's promulgation will continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced before due to lack of profit, such preferential tax treatment has commenced from January 1, 2008.

Under the Old Tax Regime and as approved by the relevant tax authorities, Fujian Meisike, a foreign-invested enterprise, was exempted from the enterprise income tax for its first two profitable years commencing from January 1, 2007, and thereafter was entitled to a 50% reduction in the enterprise income tax for the subsequent three years until December 31, 2011. Fujian Meisike enjoyed a full exemption from enterprise income tax in 2007 and 2008, which had a significant positive effect on our profit after taxation during the financial years ended December 31, 2007 and 2008. Under the New Tax Law, Fujian Meisike enjoys a 50% reduction of the phased-in enterprise income tax rate of 25% until December 31, 2011 and will thereafter be subject to a 25% tax rate.

Under the New Tax Law, Quanzhou Meike is exempted from the enterprise income tax commencing from January 1, 2008 and thereafter is entitled to a 50% reduction in the phased-in enterprise income tax rate of 25% for the subsequent three years until December 31, 2012. We expect that upon the expiry of the full exemption from the enterprise income tax currently enjoyed by Quanzhou Meike, the tax rate applicable to Quanzhou Meike will increase from 2010 onwards and will further increase from 2013 following the expiry of the above preferential tax treatment.

Under the New Tax Law, the enterprise income tax rate applicable to Fuzhou Meikesen has reduced from 33% to 25% since January 1, 2008, which had a positive effect on our profit after taxation during the financial year ended December 31, 2008.

Under the New Tax Law, if an enterprise incorporated outside the PRC has its "effective management" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% for its worldwide income. Our members that are not incorporated in the PRC may in the future be recognized as a PRC tax resident enterprise according to the New Tax Law by the PRC taxation authorities. According to the New Tax Law, dividends received by a qualified PRC tax resident from another PRC tax resident are exempted from enterprise income tax. However, given the limited history of the New Tax Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividends declared and paid by our members in the PRC to their overseas holding companies will be exempted from enterprise income tax if they are recognized as PRC tax residents.

In addition, under the New Tax Law and its implementation rules, our Company may in the future be recognized as a PRC tax resident enterprise by the PRC taxation authorities, capital gains realized by foreign Shareholders from sales of our Shares and dividends on our Share payable to foreign Shareholders may be regarded as income from "sources within the PRC" and therefore become subject to a 10% withholding income tax.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial information in conformity with HKFRS requires us to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the financial statement.

Revenue recognition

We measured at fair value of the consideration received or receivable and represents amounts receivable for goods provided and services rendered in the normal course of business, net of discounts and sales related taxes.

- Sales of goods — Revenue is recognized when the goods are delivered and titles have passed.
- Interest income — Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Government grants — Government grants relating to costs are deferred and recognized in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate and are presented separately from the costs. Government grants relating to the purchase of assets are included in non-current liabilities as deferred government grants and are recognized in the consolidated statements of comprehensive income on a straight line basis over the expected lives of the related assets.

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Impairment of trade receivables

We estimate impairment losses for trade receivables resulting from the inability of the distributors to make the required payments. We base the estimates on the aging of the trade receivable balance, distributors' credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversals occur.

We conduct physical stock counts at the end of each financial year and we record a specific provision if the estimate of the net realizable value of any inventory is below the corresponding cost of such inventory, as a result of, among other things, being obsolete or damaged.

Property, plant and equipment

We state items of property, plant and equipment including buildings held for use in production or supply of goods or services, or for administrative purposes other than construction in progress in the balance sheet at cost less subsequent accumulated depreciation and any accumulated impairment losses.

We calculate depreciation to write-off the cost of items of property, plant and equipment, less their estimated residual value, using the straight-line method over their estimated useful lives as follows:

Leasehold improvement	2.75 years
Buildings held for own uses	25 years
Machineries	10 years
Office equipment	5 years
Motor vehicles	10 years

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An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of comprehensive income in the year / period in which the item is derecognized.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. We review the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during any reporting period. Useful lives are based on our historical experience with similar assets, after taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

RESULTS OF OPERATIONS

Selected Consolidated Statements of Comprehensive Income

The selected consolidated statements of comprehensive income information presented below for the financial years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2008 and 2009 are derived from our consolidated financial statements included in the accountants' report set out in Appendix I to this prospectus. Our consolidated financial information as of and for the nine months ended September 30, 2008 has not been audited.

	For the financial year ended December 31,			For the nine months ended September 30,	
	2006	2007	2008	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	180,925	328,728	365,631	305,110	348,378
Cost of sales	(132,342)	(226,951)	(246,480)	(206,070)	(231,613)
Gross profit	48,583	101,777	119,151	99,040	116,765
Other income	1,985	1,255	3,411	2,842	905
Selling and distribution costs	(8,095)	(17,602)	(29,721)	(21,106)	(14,479)
Administrative expenses	(6,905)	(11,312)	(18,471)	(13,114)	(15,695)
Other operating expenses	(2,025)	(5,961)	(6,624)	(4,328)	(6,188)
Finance costs	(4,166)	(5,029)	(9,460)	(6,925)	(7,741)
Profit before tax	29,377	63,128	58,286	56,409	73,567
Income tax expense	(6,228)	(5,709)	(1,829)	(2,169)	(10,950)
Profit for the year/period	23,149	57,419	56,457	54,240	62,617
Other comprehensive income	—	13	(29)	(26)	(6)
Total comprehensive income for the year/period	<u>23,149</u>	<u>57,432</u>	<u>56,428</u>	<u>54,214</u>	<u>62,611</u>
Basic earnings per share (RMB)	<u>0.030</u>	<u>0.063</u>	<u>0.065</u>	<u>0.063</u>	<u>0.077</u>

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PRINCIPAL COMPONENTS ON CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

All of our revenues are derived from sales of our products, consisting sales of our Meike branded products, including footwear, apparel and accessories in the PRC market, and export sales of our footwear to our export customers. In addition, 3.5%, 1.2% and 0.6% of our revenues for the financial year ended December 31, 2006, 2007 and 2008, respectively, and 0.7% and 1.7% of our revenue for the nine months ended September 30, 2008 and 2009, respectively, were contributed by sales of shoe soles produced by us. Revenue represented the value of goods sold, less returns, discounts and value-added taxes and other sales taxes. The following table sets forth a breakdown of our revenue during the Track Record Period:

	For the financial year ended December 31,						For the nine months ended September 30,			
	2006		2007		2008		2008		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Footwear										
Domestic	38,627	21.4	104,231	31.7	132,921	36.4	107,920	35.4	174,086	50.0
Export	132,471	73.2	189,510	57.7	136,453	37.3	122,241	40.1	74,144	21.3
	171,098	94.6	293,741	89.4	269,374	73.7	230,161	75.5	248,230	71.3
Apparel	3,468	1.9	30,015	9.1	88,774	24.3	68,794	22.5	92,254	26.5
Accessories and shoe soles	6,359	3.5	4,972	1.5	7,483	2.0	6,155	2.0	7,894	2.2
Total	<u>180,925</u>	<u>100</u>	<u>328,728</u>	<u>100</u>	<u>365,631</u>	<u>100</u>	<u>305,110</u>	<u>100</u>	<u>348,378</u>	<u>100</u>

The significant growth of our revenue from sales of our Meike products during the Track Record Period was primarily due to our transition from focusing on overseas markets to the PRC market and our conversion to a distributorship business model, which encouraged our Meike distributors to concentrate their resources on the distribution of our Meike products and facilitated our expansion of our Meike retail network. Our successful expansion of our production lines to apparels and accessories, our diversification of designs of our footwear and apparel products, our implementation of marketing and promotion strategies, our efforts made to assist our Meike distributors expanding their network, and the increasing market demand for sportswear products due to world-level sports events such as Olympic Games and the rapid growth of the PRC economic conditions also contributed to our growth.

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As a result of these changes in our strategies and market conditions, the proportion of our revenues from sales to export customers in our total revenues decreased from 73.2% in the financial year ended December 31, 2006 to 57.7% in the financial year ended December 31, 2007, and further decreased from 37.3% in the financial year ended December 31, 2008 to 21.3% in the nine months ended September 30, 2009. The following table sets forth the revenue breakdown of our sales to export customers, direct export sales and domestic sales during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Export customers	132,471	73.2	168,897	51.4	108,106	29.5	101,162	33.2	66,142	19.0
Direct export	—	—	20,613	6.3	28,347	7.8	21,079	6.9	8,002	2.3
Domestic sales	48,454	26.8	139,218	42.3	229,178	62.7	182,869	59.9	274,234	78.7
	<u>180,925</u>	<u>100</u>	<u>328,728</u>	<u>100</u>	<u>365,631</u>	<u>100</u>	<u>305,110</u>	<u>100</u>	<u>348,378</u>	<u>100</u>

On the other hand, the proportion of our revenues from sales of apparel in our total revenues increased from 1.9% in the financial year December 31, 2006 to 9.1% in the financial year ended December 31, 2007, and further from 24.3% in the financial year ended December 31, 2008 to 26.5% for the nine months ended September 30, 2009.

The following table sets forth the revenue from the sales of our Meike products in the PRC market by region during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
In PRC										
East China ⁽¹⁾	21,640	44.7	63,669	45.7	97,567	42.6	79,177	43.3	123,402	45.0
Central South China ⁽²⁾	10,888	22.5	51,991	37.3	95,427	41.6	74,449	40.7	106,952	39.0
Southwest China ⁽³⁾	7,019	14.5	16,653	12.0	27,331	11.9	23,043	12.6	34,055	12.4
Northwest China ⁽⁴⁾	2,645	5.4	3,295	2.4	3,944	1.7	3,127	1.7	5,066	1.9
Northeast China ⁽⁵⁾	6,262	12.9	3,520	2.6	4,909	2.2	3,073	1.7	4,759	1.7
Total	<u>48,454</u>	<u>100</u>	<u>139,218</u>	<u>100</u>	<u>229,178</u>	<u>100</u>	<u>182,869</u>	<u>100</u>	<u>274,234</u>	<u>100</u>

Notes:

- (1) East China includes Shanghai, Anhui, Jiangsu, Zhejiang, Fujian, Jiangxi and Shandong
- (2) Central South China includes Henan, Hunan, Hubei, Guangdong and Guangxi
- (3) Southwest China includes Chongqing, Sichuan, Guizhou and Yunnan
- (4) Northwest China includes Gansu, Qinghai, Ningxia and Xinjiang
- (5) Northeast China includes Liaoning and Shanxi

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Our revenues from sales of our Meike products in the domestic markets are mainly generated from the Eastern, South Central and Southwest China which in aggregate accounted for 81.7% of our total domestic sales for the financial year ended December 31, 2006 and increased to 95.0% and 96.1%, respectively, for the financial year ended December 31, 2007 and December 31, 2008. Such rising trend was mainly due to the continual increase in the number of new Meike outlets opening throughout the periods and the increase in the recognition of our Meike brand in those areas. Currently our Meike outlets are mainly opened in the medium to small size cities or the districts of certain large cities instead of the major metropolitans and medium to large size cities', primarily due to the high setup and rental cost to be borne by our Meike distributors and retailers and intensive competitions in those metropolitans and medium to large size cities. We believe more and more retail outlets will penetrate into the major metropolitan and medium to large size cities when the cash flows and profit from business of our distributors continue to stabilize on a going forward basis and continual rising in the popularity of our Meike brand.

Our revenues from sales of our Meike products generated from the East, Central South and Southwest China have remained stable for the nine months ended September 30, 2008 and 2009.

The following table sets forth the number of units sold and the average selling prices of our products to our customers during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2006		2007		2008		2008		2009	
	Total units sold '000	Average selling price RMB	Total units sold '000	Average selling price RMB	Total units sold '000	Average selling price RMB	Total units sold '000	Average selling price RMB	Total units sold '000	Average selling price RMB
To distributors										
Footwear (pairs)	609	63	1,348	77	1,687	79	1,368	79	2,409	72
Apparel (pieces)	98	35	417	72	1,148	77	878	78	1,349	68
Accessories and others (pieces/pairs)	693	9	639	8	679	11	487	11	637	8
To export companies and overseas customers										
Footwear (pairs)	4,653	28	6,407	30	4,042	34	3,799	32	2,188	34

The total number of pairs of our footwear sold in both PRC and overseas markets increased by 47.4% from 5.3 million for the financial year ended December 31, 2006 to 7.8 million for the financial year ended December 31, 2007, primarily due to the successful expansion in both the PRC and overseas markets as a result our successful conversion to a distributorship business model, and effective advertising and promotion of our Meike branded products in the PRC market, and improved product design, range of products offerings to both our PRC and overseas customers. In addition, rapid economic growth in the PRC and market demand for sportswear products in the financial year ended December 31, 2008 also contributed to our increase in sales. The total number of pairs of footwear

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sold in both the PRC and overseas markets decreased by 26.1% from 7.8 million for the financial year ended December 31, 2007 to 5.7 million for the financial year ended December 31, 2008, primarily due to the decrease in the total number of pairs sold to our overseas customers by 2.4 million, partially offset by the increase in the total number of pairs sold to our PRC consumers of approximately 339,000. The total number of pairs of footwear sold in both PRC and overseas markets decrease by 11.5% from 5.2 million for the nine months ended September 30, 2008 to 4.6 million for the nine months ended September 30, 2009, primarily due to the decrease in the total number of pairs sold to our overseas customers by 1.6 million, partially offset by the increase in the total number of pairs of our footwear sold to our PRC consumers of approximately 1.0 million.

The average selling price of our Meike branded footwear sold to our distributors is generally higher than the average selling price of our non-Meike branded footwear sold to export companies and overseas' customers, primarily due to the lower production cost as the materials for those non-Meike branded footwear chosen by our overseas customers were cheaper than the materials used for manufacture of our Meike branded footwear and the labour hour per each pair non-Meike branded footwear is also lower as they have less parts which simplified the production process as compared to our Meike branded footwear.

The average selling price of our Meike footwear to our distributors increased by 22.2% from RMB63 for the financial year ended December 31, 2006 to RMB77 for the financial year ended December 31, 2007 and by 2.6% from RMB77 for the financial year ended December 31, 2007 to RMB79 to the financial year ended December 31, 2008, primarily due to the greater recognition of our Meike brand, improved quality, changes in our footwear product offerings which enable us to increase the suggested retail prices of our Meike brand. The average selling price sold to export companies and overseas' customers increased by 7.1% from RMB28 for the financial year ended December 31, 2006 to RMB30 for the financial year ended December 31, 2007, and by 13.3% from RMB30 for the financial year ended December 31, 2007 to RMB34 for the financial year ended December 31, 2008, primarily due to the improved product quality, design and range of our product offerings to our overseas customers.

The average selling price of our Meike footwear sold to our distributors decreased by 8.9% from RMB79 for the nine months ended September 30, 2008 to RMB72 for the nine months ended September 30, 2009 because we have reduced the selling price of some of our major footwear, such as basketball shoes and running shoes to better compete in the market. The average selling price of our export footwear sold to export companies and overseas' customers increased by 6.3% from RMB32 for the nine months ended September 30, 2008 to RMB34 for the nine months ended September 30, 2009, primarily due to improvement in product quality and design and expansion in the range of product offerings to overseas customers.

The total number of pieces of our Meike apparel sold to our distributors increased by 325.5% from approximately 98,000 for the financial year ended December 31, 2006 to approximately 417,000 for the financial year ended December 31, 2007, and by 175.3% from approximately 417,000 for the financial year ended December 31, 2007 to 1.1 million for the financial year ended December 31, 2008, primarily due to the increased recognition of our Meike brand in the PRC sportswear market and the increasing market demand for sportswear apparel. In addition, our new apparel production facility has been established in July 2008, enabling us to increase our supply of apparels and to expand our

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range of product offerings and design. The total number of pieces of our Meike apparel sold increased by 53.6% from approximately 878,000 for the nine months ended September 30, 2008 to 1.3 million for the nine months ended September 30, 2009, mainly due to the increase in our apparel product offerings, such as wind-proofing jackets, knitted winter clothes, basketball suits, etc, which are well accepted by our consumers.

The average selling price of our Meike apparel sold to our distributors increased by 105.7% from RMB35 for the financial year ended December 31, 2006 to RMB72 for the financial year ended December 31, 2007, and slightly increased by 6.9% from RMB72 for the financial year ended 2007 to RMB77 for the financial year ended December 31, 2008, primarily due to increase in our Meike brand recognition through our expansion in our range of product offerings after the establishment of our new apparel production facility in July 2008. The average selling price decreased by 12.8% from RMB78 for the nine months ended September 30, 2008 to RMB68 to the nine months ended September 30, 2009 primarily due the decrease in sales of our product with higher selling prices, such as sport suits as we increased the selling prices for sports suits from RMB90 for the nine months ended September 30, 2008 to RMB95 for the nine months ended September 30, 2009 while at the same time, the total quantity sold was decreased from approximately 427,000 pieces to 300,000 pieces.

We expand our Meike products to include accessories in 2007 to diversify our Meike product offerings. The total number of pieces of our Meike accessories sold for the financial year ended December 31, 2007 and 2008 were approximately 248,000 and 299,000, respectively. The average selling price for the financial year ended December 31, 2007 and 2008 were RMB8 and RMB11 respectively. The total number of pieces of our Meike accessories sold for the nine months ended September 30, 2008 and 2009 were approximately 269,000 and 345,000, respectively. The average selling price for the period ended September 30, 2008 and 2009, were RMB11 and RMB8, respectively.

The following table sets forth the suggested retail prices of our products during the Track Record Period:

	Nine months ended			
	Year ended December 31,			September 30,
	2006	2007	2008	2009
	Suggested retail prices			
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
In PRC				
Footwear (pair)	103-340	138-309	128-309	115-279
Apparel (piece)	94	91-301	101-309	60-325
Accessories (piece)	N/A	9-87	8-167	16-167

Authorized Meike retail outlets are required to follow our pricing policies. The suggested retail prices of our Meike footwear ranged approximately RMB103 to RMB340, RMB138 to RMB309, RMB128 to RMB309 and RMB115 to RMB279 for the year ended December 31, 2006, 2007 and 2008

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and for the nine month ended September 30, 2009, respectively. The suggested retail prices of our Meike apparel for the year ended December 31, 2006 was RMB94, and ranged approximately RMB91 to RMB301, RMB101 to RMB309 and RMB60 to RMB325, respectively, for the year ended December 31, 2007 and 2008 and for the nine month ended September 30, 2009. The suggested retail prices of our Meike accessories ranged approximately RMB9 to RMB87, RMB8 to RMB167 and RMB16 to RMB167 for the year ended December 31, 2006, 2007 and 2008 and for the nine months ended September 30, 2009. Change in the range of suggested retail prices among the Track Record Period are primarily due to the change in the product mix as we ceased to manufacture certain high selling prices Meike footwear with low sales volume for the nine months ended September 30, 2009.

Cost of sales

Substantially, all of our costs of sales are incurred the sales of our Meike products and Meike products, consisting of footwear, apparel and accessories to the PRC market and footwear of Meike brand to the overseas markets. In addition, a small portion of our cost of sales incurred during the Track Record Period related to the sales of soles. The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	Year ended December 31,						Nine months ended			
	2006		2007		2008		September 30,		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Footwear										
Raw materials	99,402	75.1	161,504	71.2	138,570	56.3	121,869	59.1	129,205	55.8
Labour	14,206	10.7	26,850	11.8	23,518	9.5	19,552	9.5	19,510	8.4
Manufacturing costs	<u>11,890</u>	<u>9.0</u>	<u>13,456</u>	<u>5.9</u>	<u>14,869</u>	<u>6.0</u>	<u>10,593</u>	<u>5.1</u>	<u>11,312</u>	<u>4.9</u>
Subtotal	125,498	94.8	201,810	88.9	176,957	71.8	152,014	73.7	160,027	69.1
Apparel										
Raw materials					8,439	3.4	3,679	1.8	11,247	4.9
Labour					2,076	0.8	1,231	0.6	3,750	1.6
Manufacturing costs					<u>357</u>	<u>0.2</u>	<u>188</u>	<u>0.1</u>	<u>524</u>	<u>0.2</u>
					10,872	4.4	5,098	2.5	15,521	6.7
Apparel (outsourced)	2,065	1.6	21,297	9.4	52,935	21.5	44,255	21.5	50,009	21.6
Accessories and others (outsourced)	<u>4,779</u>	<u>3.6</u>	<u>3,844</u>	<u>1.7</u>	<u>5,716</u>	<u>2.3</u>	<u>4,703</u>	<u>2.3</u>	<u>6,056</u>	<u>2.6</u>
Cost of sales	<u>132,342</u>	<u>100</u>	<u>226,951</u>	<u>100</u>	<u>246,480</u>	<u>100</u>	<u>206,070</u>	<u>100</u>	<u>231,613</u>	<u>100</u>

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Cost of sales for our product primarily consists of internal production costs and outsourced production costs. Internal production costs include raw material costs, labor costs and manufacturing costs incurred in the self-production of our footwear and apparel (starting from July of 2008). Raw materials costs refer to costs of procuring raw materials used in the internal production of our products, such as leather, fabrics, plastics, soles and rubber. Labor costs consist of salaries paid to production staff. Manufacturing costs mainly include salaries, welfare bonus and other compensation expenses paid to administrative staff involved in the manufacturing process, depreciation of production facilities, costs associated with operating our facilities, such as water and electricity, maintenance costs and other miscellaneous costs associated with our manufacturing operations. Outsourced production costs refer to cost of procuring finished apparel and accessories, which represent amounts paid to contract manufacturers.

Gross profit and gross profit margin

Our gross profit consist of profits generated from sales of our Meike branded products, including footwear, apparel and accessories in the PRC market and export sales of our footwear to the overseas customers. Gross profit for our products is our revenues from sales of our products for the relevant period less cost of sales for our products for the same period. The following table sets forth a breakdown of our gross profit and gross margin for our products during the Track Record Period:

	Year ended December 31,						Nine months ended September 30,			
	2006		2007		2008		2008		2009	
	Gross Profit	G.P. ratio	Gross Profit	G.P. ratio	Gross Profit	G.P. ratio	Gross Profit	G.P. ratio	Gross Profit	G.P. ratio
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Meike Products										
Footwear	14,558	37.7	40,535	38.9	54,255	40.7	44,353	41.1	66,592	38.3
Apparel	1,403	40.5	8,718	29.0	24,967	28.1	19,441	28.3	26,724	29.0
Accessories and others ^(Note)	1,591	25.0	1,128	22.7	1,766	23.6	1,452	23.6	1,838	23.3
Export Products										
Footwear	<u>31,031</u>	<u>23.4</u>	<u>51,396</u>	<u>27.1</u>	<u>38,163</u>	<u>28.0</u>	<u>33,794</u>	<u>27.6</u>	<u>21,611</u>	<u>29.1</u>
Total	<u><u>48,583</u></u>	<u><u>26.9</u></u>	<u><u>101,777</u></u>	<u><u>31.0</u></u>	<u><u>119,151</u></u>	<u><u>32.6</u></u>	<u><u>99,040</u></u>	<u><u>32.5</u></u>	<u><u>116,765</u></u>	<u><u>33.5</u></u>

Note: "Accessories and others" included Meike branded accessories and non Meike branded shoe soles

Our gross profit increased by 109.5% from RMB48.6 million for the financial year ended December 31, 2006 to RMB101.8 million for the financial year ended December 31, 2007, and increase by 17.1% from RMB101.8 million for the financial year ended December 31, 2007 to RMB119.2 million for the financial year ended December 31, 2008, primarily due to increase in sales,

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especially our Meike branded products. Our gross profit margin increased from 26.9% for the financial year ended December 31, 2006 to 31.0% to the financial year ended December 31, 2007, and increased further to 32.6% for the financial year ended December 31, 2008, primarily due to the rate of increase of our revenues outpaced the rate of increase in cost of sales. This is because the proportion of sales of Meike branded products in the PRC market out of our total sales has increased significantly from the financial year of December 31, 2006 and continue to increase in financial years ended December 31, 2007 and December 31, 2008. The proportion for the sales of our products in the domestic market as compared to our total sales were 26.8%, 42.3% and 62.7%, respectively for the financial year ended December 31, 2006, 2007 and 2008 as a result of successful brand promotion, improved quality and design and the increased the variety of our products. In addition, our Meike branded products have a higher average wholesale selling price as well as gross profit margin as compared to our export products which stemmed from the lower cost of materials and production for export products and the generally lower quality which limit the profit margin.

Gross profit increased by 18.0% from RMB99.0 million for the nine months ended September 30, 2008 to RMB116.8 million for the nine months ended September 30, 2009, primarily due to the increase in sales of our products. Gross profit margin increased from 32.5% to 33.5% over the period, primarily due to the increase of Meike apparel in our product mix, such as wind-proofing, knitted winter clothes and basketball suits, which have higher wholesale selling prices, and also due to our ability to reduce sourcing costs by placing large volume orders. In addition, gross profit margin for our export sales also increased from 27.6% for the nine months ended September 30, 2008 to 29.1% for the nine months ended September 30, 2009, primarily due to the improved in quality and design and the increase in the variety of our product offerings to our overseas customers.

Other revenue

Our other revenue consisted of government grants from the PRC Government, reversal of impairment of other receivables and interest income. Government grants from the PRC Government refer to non-recurring government grants received from the Financial Services Bureau of Jinjiang City (晉江市財政局) and People Government of Jinjiang City (晉江市人民政府), as recognition of our Meike Brand and achievement in overseas markets. Such government grants are available to all enterprises that meet the requirements stipulated by the relevant government authorities. There are no continuing obligations or requirements for us or conditions in relation to the government grants. The amount of government grants received by us varied during the Track Record Period, primarily due to changes in the aggregate amount of government grants available for all enterprise in each year, as well as the amount of government grants that we were qualified for, which in turn were primarily depended on the government policies during each of the financial year ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2008 and 2009. Reversal of impairment of other receivables for the financial years ended December 31, 2006 and 2007 represented the reversal of general provisions provided on other receivables in accordance with PRC accounting standard in previous years which is not allowed under Hong Kong accounting standards, no similar additional provisions was made after 2007 and therefore no such reversal was resulted. Interest income is derived from interest received from bank deposits.

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Selling and distribution expenses

Selling and distribution expenses primarily consist of advertising and marketing expenses which accounted for approximately 14.7%, 38.8%, 48.2% and 33.4% of the total selling and distribution expenses during the Track Record Period, including fees paid for broadcasting television advertisement, engaging spokesperson, sponsoring sport team and other marketing activities. Advertising and marketing expenses increase from 14.7% of the total selling and distribution expenses for the financial year ended December 31, 2006 to 38.8% of the total selling and distribution expenses for the financial year ended December 31, 2007 primarily due to the increase in television advertisements during the year to promote our Meike brand; further increase in advertising and marketing expenses from 38.8% of the total selling and distribution expenses for the financial year ended December 31, 2007 to 48.2% of the total selling and distribution expenses for the financial year ended December 31, 2008 was mainly related to increased expenditure on television advertisements and sponsorship on the Chinese Women Hockey Team during the period of the 2008 Beijing Olympic Games. After the advertising and marketing expenses peaked in 2008, comparatively less amounts were incurred in 2009 and decrease to 33.4% of the total selling and distribution expenses for the nine month ended September 30, 2009.

Another major components of the selling and distribution expenses is the cost of packaging materials, such as shoe boxes and shopping bags embossed with our Meike logo that we provided to our Meike distributors in connection with sales of our Meike branded products, which accounted for approximately 30.0%, 26.8%, 16.2% and 24.2% of the total selling and distribution expenses during the Track Record Period. The fluctuations in the percentage of packaging materials costs among the selling and distribution expenses was largely affected by the corresponding changes in other components of the selling and distribution expenses, in particular the advertising and marketing expenses. Packaging expenses accounted for approximately 1.0% of our revenue throughout the Track Record Period. Other selling and distribution expenses mainly include logistic cost, salary and traveling expenses for our marketing and sales staff and quality checking and testing expenses.

For the financial years ended December 31, 2006, 2007 and 2008, selling and distribution expenses were RMB8.1 million, RMB17.6 million and RMB29.7 million, respectively, representing 4.5%, 5.4% and 8.1% of our total revenues, respectively. For the nine months ended September 30, 2008 and 2009, selling and distribution expenses were RMB21.1 million and RMB14.5 million respectively, representing 6.9% and 4.2% of our total revenues, respectively.

Administrative expenses

Administrative expenses primarily consisted of salary for administrative staff, welfare and other benefits for all employees (other than staff relating to selling and distribution), office related expenses, legal and professional fees, depreciation expenses for our property, plant and equipments and amortization expenses for our land use right, electricity and water, traveling and entertainment expenses. Staff salary and welfare expenses, office related expenses, together accounted for approximately 47.6%, 49.5%, 39.9% and 47.8% of total administrative expenses during the Track Record Period.

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For the financial years ended December 31, 2006, 2007 and 2008, administrative expenses were RMB6.9 million, RMB11.3 million and RMB18.5 million, respectively, representing 3.8%, 3.4% and 5.1% of our total revenues, respectively. For the nine months ended September 30, 2008 and 2009, administrative expenses were RMB13.1 million and RMB15.7 million, respectively, representing 4.3% and 4.5% of our total revenues, respectively.

Other operating expenses

Other operating expenses consisted of research and development cost, loss on disposal of property, plant and equipment and exchange loss. For the financial years ended December 31, 2006, 2007 and 2008, other operating expenses were RMB2.0 million, RMB6.0 million and RMB6.6 million, respectively. For the nine months ended September 30, 2008 and 2009, other operating expenses were RMB4.3 million and RMB6.2 million, respectively.

Finance costs

Our finance costs represented interest on bank borrowings. For the financial years ended December 31, 2006, 2007 and 2008, finance cost were RMB4.2 million, RMB5.0 million and RMB9.5 million, respectively. For the nine months ended September 30, 2008 and 2009, finance costs were RMB6.9 million and RMB7.7 million, respectively.

Income tax

Income tax represents amounts of corporate income tax paid by us. No provision for Hong Kong profits tax has been made as we did not generate any assessable profit arising in Hong Kong during the Track Record Period. We were also not subject to any tax in the Cayman Islands and the BVI during the Track Record Period. However, our PRC subsidiaries were subject to PRC enterprise income tax. The following tables set forth the applicable PRC enterprise income tax rates during the Track Record Period for our PRC subsidiaries:

	For the financial year ended			For the nine
	December 31,			months ended
	2006	2007	2008	September 30,
				2009
Fujian Meike ⁽²⁾	27%	27%	25%	25%
Fujian Meisike ⁽³⁾	N/A	Fully exempted	Fully exempted	12.5%
Quanzhou Meike ⁽⁴⁾	N/A	N/A	Fully exempted	Fully exempted
Fuzhou Meikesen ⁽⁵⁾	N/A	33%	25%	25%

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Notes:

- (1) Fujian Meike, Fujian Meisike and Quanzhou Meike are foreign investment enterprises, pursuant to the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in PRC and the profit for each of the three subsequent years is taxed at 50% of the prevailing tax rates.
- (2) The first profit-making year of Fujian Meike of was 2000, the applicable tax rates of Fujian Meike are 24% for 2006 and 2007 under the Old Tax Regime and 25% under the New Tax Law from 2009.
- (3) Fujian Meisike was established on December 8, 2006 and the first-profit making year was 2007, therefore, is exempted from PRC enterprise income tax for 2007 and 2008 and 12.5% for the subsequent three years of 2009 to 2011.
- (4) Quanzhou Meike was established on January 8, 2007 and the first-profit making year was 2008, therefore, is exempted from PRC enterprise income tax for 2008 and 2009 and 12.5% for the subsequent three years of 2010 to 2012.
- (5) Fuzhou Meikesen was established on May 23, 2007, the applicable tax rates of Fuzhou Meikesen is 33% for 2007 under the Old Tax Regime and 25% under the New Tax Law from 2008.

The following table sets forth a reconciliation between our actual tax credit or expense and our profits before taxation during the Track Record Period:

	Year ended December 31,			Nine months ended	
	2006	2007	2008	September 30, 2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Current tax:					
Provision for the year/period					
- PRC Enterprise Income Tax	7,923	10,061	5,152	5,023	7,688
- Tax paid refund for export business of Fujian Meike ^(Note)	(2,078)	(4,376)	(5,321)	(5,321)	—
Deferred tax	<u>383</u>	<u>24</u>	<u>1,998</u>	<u>2,467</u>	<u>3,262</u>
	<u>6,228</u>	<u>5,709</u>	<u>1,829</u>	<u>2,169</u>	<u>10,950</u>

Note: The settlement dates of tax refund for the years of assessment of 2005, 2006 and 2007 were on September 28, 2006, June 28, 2007 and June 4, 2008 respectively

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2008 (unaudited) Compared to Nine Months Ended September 30, 2009

Revenue

Revenue increased by 14.2% from RMB305.1 million for the nine months ended September 30, 2008 to RMB348.4 million for the nine months ended September 30, 2009, primarily as a result of the following:

Sales of our Meike products

Sales of our Meike footwear

Revenues from sales of our Meike footwear increased by 61.4% from RMB107.9 million for the nine months ended September 30, 2008 to RMB174.1 million for the nine months ended September 30, 2009, primarily due to the increased in sales of the total number of pairs of our Meike footwear by 71.4% from approximately 1.4 million for the nine months ended September 30, 2008 to 2.4 million for the nine months ended September 30, 2009. The increase in volumes was primarily due to the rapid expansion of our Meike retail network through the successful implementation of our exclusive distributorship business model, successful promotion and marketing strategy, improved product design and quality and the broadening of our collections. In addition, increasing market demand for sportswear products and improving economic conditions in PRC also contributed to the increased in sales.

Sales of our Meike apparel

Revenue from sales of our Meike apparel increased by 34.2% from RMB68.8 million for the nine months ended September 30, 2008 to RMB92.3 million for the nine months ended September 30, 2009, primarily due the increases in sales of the number of our Meike apparel by 48.1% from approximately 878,000 pieces for the nine months ended September 30, 2008 to approximately 1.3 million pieces for the nine months ended September 30, 2009. The increase in the sales volumes was primarily due to increased in the market acceptance of our Meike apparel through the improved product design and quality and the broadening of our collections.

Sales of our Meike accessories

Revenue from sales of our Meike accessories increased by 16.7% from approximately RMB1.8 million for the nine months ended September 30, 2008 to RMB2.1 million for the nine months ended September 30, 2009, primarily due to the increased in sales through our expansion of the range of product offerings.

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Export sales

Revenue from export sales decreased by 39.4% from RMB122.2 million for the nine months ended September 30, 2008 to RMB74.1 million for the nine months ended September 30, 2009, primarily due to the economic downturn in our overseas markets and our continual effort to expand our Meike branded product in the PRC market due to the increasing market demand of sportswear and improving economic conditions in the PRC.

Cost of sales

Cost of sales increased by 12.4% from RMB206.1 million for the nine months ended September 30, 2008 to RMB231.6 million for the nine months ended September 30, 2009, primarily as a result of an increase in sales of our Meike apparel. Cost of sales for our Meike apparel increased by 32.6% from RMB49.4 million for the nine months ended September 30, 2008 to RMB65.5 million, consisting of RMB15.5 million from our internal production and RMB50.0 million outsourced production costs, for the nine months ended September 30, 2009. This was because sales of our Meike apparel increased from approximately 878,000 pieces for the nine months ended September 30, 2008 to approximately 1.3 million pieces for the nine months ended September 30, 2009. Although our total number of pairs of our footwear sold decreased from 5.2 million for the nine months ended September 30, 2008 to 4.6 million for the nine months ended September 30, 2009, the cost of sales only decreased by 5.3% or RMB8.0 million as compared to the same period. This was because the proportion of our sales of our Meike brand footwear increased from 35.4% for the nine months ended September 30, 2008 to 50.0% for the nine months ended September 30, 2009, whereas, the quality of raw materials and the labor hour per each pair are higher as compared to our export footwear.

Gross profit and gross profit margin

Gross profit increased by 18.0% from RMB99.0 million for the nine months ended September 30, 2008 to RMB116.8 million for the nine months ended September 30, 2009, primarily due to the increase in sales of our Meike branded products in the PRC market. Gross profit margin for our products increased from 32.5% to 33.5% over the same period because the rate of increase of our revenues outpaced the rate of increase in cost of sales. This was primarily due to the increased in sales of our Meike branded footwear and apparel, whereas both have higher gross profit margin, as a result of successful advertising and marketing strategy, improved product design and quality and the expansion of our range of product offerings.

Gross profit and gross profit margin for our Meike footwear

Gross profit for our Meike footwear increased by 50% from RMB44.4 million for the nine months ended September 30, 2008 to RMB66.6 million for the nine months ended September 30, 2009. Gross profit margin decreased from 41.1% for the nine months ended September 30, 2008 to 38.3% for the nine months ended September 30, 2009, primarily due to the reduction of our average wholesale selling price, from RMB79 for the nine months ended September 30, 2008 to RMB72 for the nine months ended September 30, 2009.

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Gross profit and gross profit margin for our Meike apparel

Gross profit for our Meike apparel increased by 37.6% from RMB19.4 million for the nine months ended September 30, 2008 to RMB26.7 million for the nine months ended September 30, 2009, primarily due to increases in sales. Gross profit margin for our Meike apparel remain stable as compared to the same period, which are 28.3% and 29.0% respectively.

Gross profit and gross profit margin for our Meike accessories

Gross profit from our Meike accessories increased by 20% from approximately RMB1.5 million for the nine months ended September 30, 2008 to approximately RMB1.8 million for the nine months ended September 30, 2009, primarily due to increased in sales. Gross profit margin for our Meike accessories decreased from 23.6% for the nine months ended September 30, 2008 to 23.3% for the nine month ended September 30, 2009, primarily due to the increase in sales of lower profit margin products, like socks.

Gross profit and gross profit margin for our export sales

Gross profit for our export sales decreased by 36.1% from RMB33.8 million for the nine months ended September 30, 2008 to RMB21.6 million for the nine months ended September 30, 2009, primarily due to decreased in our sales. Gross profit margin increased from 27.6% for the nine months ended September 30, 2008 to 29.1% for the nine months ended September 30, 2009 primarily due to the slightly increased average export selling price of our export footwear brought by the improved design and quality and the range of our product offerings to our overseas customers.

Other income

Other income decreased by 67.9% from RMB2.8 million for the nine months ended September 30, 2008 to approximately RMB905,000 for the nine months ended September 30, 2009, primarily due to the sharp drop in government grants by RMB1.8 million.

Selling and distribution expenses

Selling and distribution expenses decreased by 31.3% from RMB21.1 million for the nine months ended September 30, 2008 to RMB14.5 million for the nine months ended September 30, 2009, primarily as a result of decrease in our advertising and market expenses by RMB7.7 million as more significant advertising expenses relating to television advertisements ahead of the 2008 Beijing Olympic Games during the nine months period ended September 30, 2008.

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Administrative expenses

Administrative expenses increased by 19.8% from RMB13.1 million for the nine months ended September 30, 2008 to RMB15.7 million for the nine months ended September 30, 2009, primarily due to the increase in staff salary and welfare payment, depreciation charges and listing expenses.

Finance costs

Finance cost increased by 11.6% from RMB6.9 million for the nine months ended September 30, 2008 to RMB7.7 million for the nine months ended September 30, 2009, primarily due to an increase in the amount of bank borrowings for working capital.

Other operating expenses

Other operating expenses increased by 44.2% from RMB4.3 million for the nine months ended September 30, 2008 to RMB6.2 million for the nine months ended September 30, 2009, primarily due to the increase in research and development cost of RMB1 million and loss on disposal of property, plant and equipment of RMB1.3 million.

Profit before tax

Profit before tax increased by 30.5% from RMB56.4 million for the nine months ended September 30, 2008 to RMB73.6 million for the nine months ended September 30, 2009, primarily due to the factor described above.

Income tax

Income tax increased by 400.0% from approximately RMB2.2 million for the nine months ended September 30, 2008 to income tax expenses of RMB11.0 million for the nine months ended September 30, 2009, primarily due to our subsidiary, Fujian Meike has ceased to enjoy full income tax concessions as a Foreign-invested Export Enterprise (外商投資產品出口企業) in 2008 and is then subject to a 25% income tax in 2009. Besides, our subsidiary, Fujian Meisike has ceased to enjoy full income tax concessions as a Foreign-invested Enterprise (外商投資企業) in 2008 and is then subject to a 12.5% income tax in 2009.

Comprehensive income for the period

As a result of the foregoing, total comprehensive income for the year increased by RMB8.4 million from RMB54.2 million for the nine months ended September 30, 2008 to RMB62.6 million for the nine months ended September 30, 2009 and our net comprehensive income margin increased from 17.8% for the nine months ended September 30, 2008 to 18.0% for the nine months ended September 30, 2009.

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Financial Year Ended December 31, 2007 Compared to Financial Year Ended December 31, 2008

Revenue

Revenue increased by 11.2% from RMB328.7 million for the financial year ended December 31, 2007 to RMB365.6 million for the financial year ended December 31, 2008, primarily as a result of the following:

Sales of our Meike products

Sales of our Meike footwear

Revenue from sales of our Meike footwear increased by 27.5% from RMB104.2 million for the financial year ended December 31, 2007 to RMB132.9 million for the financial year ended December 31, 2008. This increase in sales was primarily due to our continual emphasis on the PRC market by devoting more resources to improve product design, expand our product range, enhance our marketing and promotion effort and strengthen our distributorship business model. As a result, our retail outlets expanded rapidly from 550 to 877 and the total number of pairs of our Meike footwear sold increased 25% from 1.3 million for the financial year ended December 31, 2007 to 1.7 million for the financial year ended December 31, 2008. Besides, increase in market demand for sportswear products and improving economic conditions in PRC also contributed to our increase in revenue.

Sales of our Meike apparel

Revenue from sales of our Meike apparel increased by 196.0% from RMB30.0 million for the financial year ended December 31, 2007 to RMB88.8 million for the financial year ended December 31, 2008, primarily due to the increase of the total number of our Meike apparel by 175.3% from approximately 417,000 pieces for the financial year ended December 31, 2007 to 1.1 million pieces for the financial year ended December 31, 2008 as a result by the increase in acceptance of our Meike brand in the PRC sportswear market. The increase in the revenue from sales of our Meike apparel during the same period is also due the increase in the average wholesale selling price of our Meike apparel, as a result of our gradually maturing operation of Meike apparel business, where we are able to expand our range of product offerings, and offer apparel with better quality and design to our consumers.

Sales of our Meike accessories

Revenue from sales of our Meike accessories increased by 129% from approximately RMB955,000 for the financial year ended December 31, 2007 to RMB2.2 million for the financial year ended December 31, 2008, primarily due to the increased sales volume attributable to the expansion of our range of Meike accessories and slight increased in the average wholesale selling price of our Meike accessories.

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Export sales

Revenue from export sales decreased by 28.0% from RMB189.5 million for the financial year ended December 31, 2007 to RMB136.5 million for the financial year ended December 31, 2008, primarily due to the economic downturn in the countries of our overseas markets whereas, we devoted more resources to expand our Meike branded product in the PRC market due to the increase in the market demand of sportswear and improving economic conditions in the PRC.

Cost of sales

Cost of sales increased by 8.6% from RMB227.0 million for the financial year ended December 31, 2007 to RMB246.5 million for the financial year ended December 31, 2008, primarily as a result of an increase in sales of our products. However, our raw materials costs for footwear production decreased by 14.2% from RMB161.5 million for the financial year ended December 31, 2007 to RMB138.6 million for the financial year ended December 31, 2008, primarily due to the decrease in the total number of footwear produced and sold during this period. The total number of footwear of our export sales decreased by 37.5% from 6.4 million pairs for the financial year ended December 31, 2007 to 4.0 million pairs for the financial year ended 2008, although the total number of our Meike footwear sold in the PRC market increased by 30.8% from 1.3 million pairs for the financial year ended December 31, 2007 to 1.7 million pairs for the financial year ended December 31, 2008. Labor costs decreased by 12.6% from RMB26.9 million for the financial year ended December 31, 2007 to RMB23.5 million for the financial year ended December 31, 2008, primarily due to the decrease in the total numbers of footwear produced and sold during the period as the wages of our production staff are calculated by piece. Cost of sales for our apparel increased by 199.5% from RMB21.3 million for the financial year ended December 31, 2007 to RMB63.8 million (consisting RMB52.9 million of outsourced production costs and RMB10.9 million of internal production costs as we began to manufacture some of our Meike apparel by new acquired production line in the second half of 2008) for the financial year ended December 31, 2008, primarily due to the increased sales volume of our Meike apparel.

Gross profit and gross profit margin

Gross profit increased by 16.9% from RMB101.8 million for the financial year ended December 31, 2007 to RMB119.0 million for the financial year ended December 31, 2008, primarily due to the increase in sales. Gross profit margin for our products slightly increased from 31.0% to 32.6% over the same period because the rate of increase of our revenues outpaced the rate of increase in cost of sales. This is primarily due to the increases in both the average wholesale selling price of our Meike footwear and accessories, and the average export selling price of our export footwear, as a result of successful brand promotion, improved product design and better quality.

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Gross profit and gross profit margin for our Meike footwear

Gross profit of our Meike footwear increased 34.1% from RMB40.5 million for the financial year ended December 31, 2007 to RMB54.3 million for the financial year ended December 31, 2008. Gross profit margin for our Meike footwear increased by 4.6% from 38.9% for the financial year ended December 31, 2007 to 40.7% for the financial year ended December 31, 2008, primarily due to the slight increase in the average wholesale selling price of some of our major models.

Gross profit and gross profit margin for our Meike apparel

Gross profit of our Meike apparel increased by 187.4% from RMB8.7 million for the financial year ended December 31, 2007 to RMB25.0 million for the financial year ended December 31, 2008, primarily due to the increase in the sales of our Meike apparel and slight increase in the average wholesale selling price. Gross profit margin for our Meike apparel decreased by 3.1% from 29.0% for the financial year ended December 31, 2007 to 28.1% for the financial year ended December 31, 2008. This was primarily due to the change of our product mix in order to diversify our products range and enhance our popularity. New shorts and t-shirts were launched in 2008, which have lower margins but have higher sales volume.

Gross profit and gross profit margin for our Meike accessories

Gross profit of our Meike accessories increased by 210.1% from approximately RMB158,000 for the financial year ended December 31, 2007 to approximately RMB490,000 for the financial year ended December 31, 2008, primarily due to increase in sales of our Meike accessories. Gross profit margin increased from 17% for the financial year ended December 31, 2007 to 22.0% for the financial year ended December 31, 2008. This increase was primarily due to the expansion of our product collection, including some newly introduced products that had a higher profit margin.

Gross profit and gross profit margin for our export sales

Gross profit of our export footwear decreased 25.7% from RMB51.4 million for the financial year ended December 31, 2007 to RMB38.2 million for the financial year ended December 31, 2008, primarily due to decreases in sales as a result of the economic downturn in our overseas markets as well as resources we devoted to the PRC market due to the increasing market demand for sportswear products. Gross profit margin remained unchanged as compared to the same period of time.

Other income

Other income increased by 161.5% from RMB1.3 million for the financial year ended December 31, 2007 to RMB3.4 million for the financial year ended December 31, 2008, primarily as a result of the increase in receipt of government grants of RMB1.7 million and an increase in interest income of approximately RMB704,000.

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Selling and distribution expenses

Selling and distribution expenses increased by 68.8% from RMB17.6 million for the financial year ended December 31, 2007 to RMB29.7 million for the financial year ended December 31, 2008, primarily as a result of a significant increase in our advertising and marketing expenses by RMB7.1 million relating to increased expenditures on television advertisements and sponsorship on the Chinese Women Hockey Team during the period of the 2008 Beijing Olympic Games. Selling and distribution expenses represented 8.1% of our total revenues for the financial year ended December 31, 2008, as compared to 5.4% of our total revenue for the financial year ended 2007.

Administrative expenses

Administrative expenses increased by 63.7% from RMB11.3 million for the financial year ended December 31, 2007 to RMB18.5 million for the financial year ended December 31, 2008, primarily due to increases in salaries and welfare payments as we recruited more staff and increases the salary levels, amortization cost for the land use right and travelling expenses.

Other operating expenses

Other operating expenses increased by 10% from RMB6.0 million for the financial year ended December 31, 2007 to RMB6.6 million for the financial year ended December 31, 2008, primarily due to the increase in research and development cost.

Finance costs

Finance costs increased by 90% from RMB5.0 million for the financial year ended December 31, 2007 to RMB9.5 million for the financial year ended December 31, 2008, primarily due to the increase in bank borrowings for capital expenditure on the production facilities located at Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province, the PRC and increase in interest rates.

Profit before tax

Profit before tax decreased by 7.8% from RMB63.1 million for the financial year ended December 31, 2007 to RMB58.3 million for the financial year ended December 31, 2008, primarily due to the factors described above.

Income tax

Income tax expense decreased by 68.4% from RMB5.7 million for the financial year ended December 31, 2007 to RMB1.8 million for the financial year ended December 31, 2008, primarily due to the subsequent refund of income tax paid for 2007 as a result of tax concessions enjoyed by Fujian Meike. Fujian Meike was a Foreign-invested Export Enterprise (外商投資產品出口企業), income tax was charged at 27% for the year of 2007. As the export business of Fujian Meike accounted for 70% of total turnover in 2007, it is eligible for a reduction in tax and was only subject to 12% income tax rate for 2007. The excess enterprise income tax paid was refunded in the year of 2008.

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Comprehensive income for the year

As a result of the foregoing, total comprehensive income for the year slightly decreased by 1.7% from RMB57.4 million for the financial year ended December 31, 2007 to RMB56.4 million for the financial year ended December 31, 2008, and our net comprehensive income margin decreased from 17.5% for the financial year ended December 31, 2007 to 15.4% for the financial year ended December 31, 2008.

Financial Year Ended December 31, 2006 Compared to Financial Year Ended December 31, 2007

Revenue

Revenue increased by 81.7% from RMB180.9 million for the financial year ended December 31, 2006 to RMB328.7 million for the financial year ended December 31, 2007, primarily as a result of the following:

Sales of our Meike products

Sales of our Meike footwear

Revenue from sales of our Meike footwear increased by 169.9% from RMB38.6 million for the financial year ended December 31, 2006 to RMB104.2 million for the financial year ended December 31, 2007, primarily due to the management's decision to shift business focus from the overseas markets to the local market because several countries passed standards relating to product safety hygiene, technology and environment in 2006, adversely affecting the footwear exportation from the PRC, while the local market demand for sportswear grew quickly and the average selling price was much higher as compared to sales to overseas markets. In addition, the rapid expansion of our retail network after our conversion to the distributorship business model in 2006, our diversified product range, the improvement in our product designs and quality controls, as well as our successful implementation of our advertising and promotion strategies in the domestic market all contributed to the increase in sales volume for the financial year ended December 31, 2007. As a result, the total volume of our Meike footwear sold in our domestic market increased by 113.1% from approximately 609,000 pairs for the financial year ended December 31, 2006 to 1.3 million pairs for the financial year ended December 31, 2007, increasing our revenue from Meike footwear.

Sales of our Meike apparels

Revenue from sales of our Meike apparels increased by 757.1% from RMB3.5 million for the financial year ended December 31, 2006 to RMB30.0 million for the financial year ended December 31, 2007, as we started to sell our Meike apparel in 2006 and revenue of our Meike apparel increased substantially in 2007. We successfully expand and diversify our product lines in 2007. The increase in revenue from sales of our Meike apparel in 2007 was primarily due to the increase of the total quantity of our Meike apparel sold in 2007, which represented more than 3 times the quantity sold in 2006. The increase in revenue from sales of our Meike apparel during the same period is also due

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to the increase in the average wholesale selling price due to the broadening of our apparel categories and the enhanced brand recognition. In addition, the recognition and acceptance of our Meike brand through successful advertising and promotion strategies also helped to boost our sales volume of our Meike apparels.

Sales of our Meike accessories

Revenue from sales of our Meike accessories was first recorded in the financial year ended December 31, 2007 as we began to sales Meike branded accessories in 2007 in order to expand our range of product offerings.

Export sales

Revenue from export sales increased by 43.0% from RMB132.5 million for the financial year ended December 31, 2006 to RMB189.5 million for the financial year ended December 31, 2007, primarily due to the increased acceptance and demand of our products with higher quality and better design in the overseas markets.

Cost of sales

Cost of sales increased by 71.6% from RMB132.3 million for the financial year ended December 31, 2006 to RMB227.0 million for the financial year ended December 31, 2007, in line with the increase in sales. Our raw materials cost increased by 62.5% from RMB99.4 million for the financial year ended December 31, 2006 to RMB161.5 million for the financial year ended December 31, 2007, primarily due to the increase in the number of footwear produced and sold by us during this period. Labour costs increased by 89.4% from RMB14.2 million for the financial year ended December 31, 2006 to RMB26.9 million for the financial year ended December 31, 2007, primarily due to the increase in number of our production staffs from 970 for the financial year ended December 31, 2006 to 1,565 for the financial year ended December 31, 2007. Outsourced production costs for our Meike apparel increased by 914.3% from RMB2.1 million for the financial year ended December 31, 2006 to RMB21.3 million for the financial year ended December 31, 2007, primarily due to the increase our apparel purchased from our contracted manufacturers and sold during the period.

Gross profit and gross profit margin

Gross profit increased by 109.5% from RMB48.6 million for the financial year ended December 31, 2006 to RMB101.8 million for the financial year ended December 31, 2007, primarily due to increase in our sales. Gross profit margin for our products increased from 26.9% to 31.0% over the same period, primarily due the increase in sales volume of our Meike footwear and apparel in the local market, which have a higher gross margin as compared to our exported footwear.

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Gross profit and gross profit margin for our Meike footwear

Gross profit for our Meike footwear increased by 177.4% from RMB14.6 million for the financial year ended December 31, 2006 to RMB40.5 million for the financial year ended December 31, 2007. Gross profit margin for our Meike footwear increased from 37.7% for the financial year ended December 31, 2006 to 38.9% for the financial year ended December 31, 2007 because the pace of growth of sales of our Meike footwear outpaced the corresponding growth in cost of sales primarily due to improved design, better quality and increase in recognition of our Meike branded footwear.

Gross profit and gross profit margin for our Meike apparel

Gross profit for our Meike apparel increased by 528.6% from RMB1.4 million for the financial year ended December 31, 2006 to RMB8.8 million for the financial year ended December 31, 2007. Gross profit margin for our Meike apparel decreased from 40.5% to 29.0%, because the increase in cost of sales was outpaced the corresponding growth of sales. This is primarily due to the expansion of our product range, use better quality of materials and improved design, and resulted in a higher outsourced contract price of our apparel.

Gross profit and gross profit margin for our Meike accessories

Gross profit for our Meike accessories was approximately RMB158,000 with a gross profit margin 16.5% for the sales of our Meike accessories in the financial year ended December 31, 2007.

Gross profit and gross profit margin for our export sales

Gross profit for our export footwear increased by 65.8% from RMB31.0 million for the financial year ended December 31, 2006 to RMB51.4 million for the financial year ended December 31, 2007. Gross profit margin for our export footwear increased by 15.8% from 23.4% for the financial year ended December 31, 2006 to 27.1% for the financial year ended December 31, 2007 because the pace of growth of sales of our export footwear outpaced the corresponding growth in cost of sales. This was primarily due to the economies of scale achieved in our self-production process resulted from our expansion of production capacity and the increase in the average export price the footwear.

Other income

Other income decreased by 35% from RMB2.0 million for the financial year ended December 31, 2006 to RMB1.3 million for the financial year ended December 31, 2007, mainly due to a reversal of impairment of other receivables of RMB1.4 million for the financial year ended December 31, 2006 and compared to approximately RMB262,000 for the financial year ended December 31, 2007.

Selling and distribution expenses

Selling and distribution expenses increased by 117.3% from RMB8.1 million for the financial year ended December 31, 2006 to RMB17.6 million for the financial year ended December 31, 2007, primarily due to an increase in advertising and marketing expenses as a result of increased advertising

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and marketing activities to promote our Meike brand. Moreover, packaging expenses also increased in line with the increase in sales volume. Selling and distribution expenses represented 5.4% of our total revenue for the financial year ended December 31, 2007, as compared to 4.5% of our total revenue for the financial year ended December 31, 2006.

Administrative expenses

Administrative expenses increased by 63.8% from RMB6.9 million for the financial year ended December 31, 2006 to RMB11.3 million for the financial year ended December 31, 2007, primarily due to increases in salaries and welfare payments as we had approximately 50 newly hired staff during the year ended December 31, 2007.

Other operating expenses

Other operating expenses increased by 200.0% from RMB2.0 million for the financial year ended December 31, 2006 to RMB6.0 million for the financial year ended December 31, 2007, primarily due to increase in research and development cost to support the Meike brand and improve products range, design and functionality.

Finance costs

Finance costs increased by 19.0% from RMB4.2 million for the financial year ended December 31, 2006 to RMB5.0 million for the financial year ended December 31, 2007, primarily due to an increase in the amount of bank borrowings as financing for our capital expenditure and working capital for our expansion of production capacity.

Profit before tax

Profit before taxation increased by 114.6% from RMB29.4 million for the financial year ended December 31, 2006 to RMB63.1 million for the financial year ended December 31, 2007, primarily due to the factors described above.

Income tax

Income tax expenses decreased by 8.1% from RMB6.2 million for the financial year ended December 31, 2006 to RMB5.7 million for the financial year ended December 31, 2007. This was because we have delegated all our sales of Meike sportswear to our newly setup subsidiary, Fujian Meisike, a foreign investment enterprise, which is entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit making year is exempted from income tax and the first profit making year of Fujian Meisike was 2007, therefore, exempted from income tax.

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Comprehensive income for the year

As a result of the foregoing, total comprehensive income increased by 148.5% from RMB23.1 million for the financial year ended December 31, 2006 to RMB57.4 million for the financial year ended December 31, 2007, and our net comprehensive income margin increased from 12.8% for the financial year ended December 31, 2006 to 17.5% for the financial year ended December 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are for payments of purchase from suppliers and contract manufacturers, our various expenses and capital expenditures. We have historically financed our liquidity requirements primarily through bank loans and shareholders' capital contributions.

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

	For the financial year ended			For the nine months	
	December 31,			ended September 30,	
	2006	2007	2008	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash from/(used in) operating activities	41,689	46,631	28,313	(16,827)	(39,335)
Net cash used in investing activities	(11,734)	(46,351)	(45,428)	(21,497)	(4,229)
Net cash generated from financing activities	<u>12,933</u>	<u>30,855</u>	<u>30,540</u>	<u>33,075</u>	<u>48,759</u>
Net increase/(decrease) in cash and cash equivalents	<u>42,888</u>	<u>31,135</u>	<u>13,425</u>	<u>(5,249)</u>	<u>5,195</u>
Cash and cash equivalents at end of the year/period, represented by cash and bank balances	<u>48,289</u>	<u>79,437</u>	<u>92,883</u>	<u>74,162</u>	<u>98,022</u>

Cash Flow from Operating Activities

We derive our cash generated from operating activities principally from the receipt of payments for the sales of our products.

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For the nine months ended September 30, 2009, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB88.4 million and net cash of RMB39.3 million used in operating activities. The difference of RMB127.7 million was attributable to an increase in trade and other receivables of RMB143.4 million, primarily due to the increase in revenue. Such cash used in operating activities was partially offset by a decrease in inventories of RMB17.0 million due to better inventory control and the timing of sales order and delivery requested by customers and an increase in trade and other payables of RMB3.1 million, primarily due to the increase in purchases to meet the production need.

For the nine months ended September 30, 2008, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB68.1 million and net cash of RMB16.8 million used in operating activities. The difference of RMB84.9 million was attributable to an increase in inventories of RMB13.1 million and increase in trade and other receivables of RMB83.0 million, both primarily due to the increase in revenue. Such cash used in operating activities was partially offset by an increase in trade and other payables of RMB11.9 million.

For the financial year ended December 31, 2008, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB74.2 million and net cash of RMB28.3 million generated from operating activities. The difference of RMB45.9 million was attributable to an increase in inventories of RMB20.1 million and increase in trade and other receivables of RMB33.8 million, both primarily due to the increase in revenue and piling inventory level to meet anticipated demand in early 2009. Such cash used in operating activities was partially offset by the increase in trade and other payables of RMB9.1 million.

For the financial year ended December 31, 2007, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB74.1 million and net cash of RMB46.6 million generated from operating activities. The difference of RMB27.5 million was attributable to an increase in inventories of RMB10.1 million and an increase in trade and other receivables of RMB31.9 million. The increase in inventories was primarily due to increased purchases of raw materials to meet production need, while the increase in trade receivables was resulted from significant sales growth. Such cash used in operating activities was partially offset by an increase in trade and other payables of RMB23.7 million, primarily due to increase trade payables to suppliers due to increase in purchases to meet production need.

For the financial year ended December 31, 2006, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB37.4 million and net cash of RMB41.7 million generated from operating activities. The difference of RMB4.3 million was attributable to an increase in inventories of RMB11.7 million primarily due to the increase in sales volume. Such cash used in operating activities was partially offset by a decrease in trade and other receivables of RMB6.6 million and an increase in trade and other payables of RMB13.3 million.

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Cash Flow from Investing Activities

We derive our cash generated from investing activities principally from interest received on bank deposits. Our cash used in investing activities is primarily consists of the cash used to purchase property, plant and equipment and land use right.

For the nine months ended September 30, 2009, we had net cash used in investing activities of RMB4.2 million, which was primarily due to the payment for purchase of property, plant and equipment of RMB5.1 million and interest received of approximately RMB776,000.

For the nine months ended September 30, 2008, we had net cash used in investing activities of RMB21.5 million, which was primarily due to payment for purchase of property, plant and equipment of RMB8.4 million, advance to a director of RMB2.4 million and payment for purchase of land use right of RMB11.6 million, partially offset by interest received of approximately RMB866,000.

For the financial year ended December 31, 2008, we had net cash used in investing activities of RMB45.4 million, which was primarily due to payment for purchase of property, plant and equipment of RMB20.0 million, advance to a director of RMB1.4 million and payment for purchase of land use right of RMB25.0 million, partially offset by interest received of approximately RMB905,000.

For the financial year ended December 31, 2007, we had net cash used in investing activities of RMB46.4 million, which was primarily due to payment for purchase of property, plant and equipment of RMB6.3 million, payment for purchase of land use right of RMB8.2 million and payment of RMB7.9 million to acquired a subsidiary and deposits of RMB26.1 million paid for acquisition of property, plant and equipment and prepaid of land use right, partially offset by interest received of approximately RMB201,000 and repayment from a director of RMB1.4 million.

For the financial year ended December 31, 2006, we had net cash used in investing activities of RMB11.7 million, which was primarily due to payment for purchase of property, plant and equipment of RMB2.6 million and deposit of RMB8.2 million paid for acquisition of property, plant and equipment and prepaid of lease payments, partially offset by interest received of approximately RMB65,000.

Cash Flow from Financing Activities

We derive our cash generated from financing activities primarily from proceeds from new bank loans, issuance of paid up capital and proceeds from capital injection by minority shareholder. Our cash used in financing activities is principally for repayment of bank loans and interest payments.

For the nine months ended September 30, 2009, we had net cash generated from financing activities of RMB48.8 million, which was primarily due to proceeds from bank loans of RMB109.5 million, which were offset by repayment of bank loans of RMB53.0 million and interest payment of RMB7.7 million.

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For the nine months ended September 30, 2008, we had net cash generated from financing activities of RMB33.1 million, which was primarily due to proceeds from bank loans of RMB102 million, which were offset by repayment of bank loans of RMB62.0 million and interest payments of RMB6.9 million.

For the financial year ended December 31, 2008, we had net cash generated from financing activities of RMB30.5 million, which was primarily due to proceeds from bank loans of RMB135.0 million, offset by repayment of bank loans of RMB95.0 million and interest payments of RMB9.5 million.

For the financial year ended December 31, 2007, we had net cash generated from financing activities of RMB30.9 million, which was primarily due to proceeds from bank loan of RMB95.0 million and proceeds from capital injection to a subsidiary by a minority shareholder of RMB4.9 million, partially offset by repayment of bank loans of RMB64.0 million and interest payments of RMB5.0 million.

For the financial year ended December 31, 2006, we had net cash generated from financing activities of RMB12.9 million, which was primarily due to proceeds from bank loan of RMB64 million and proceeds from issuance of paid up capital of RMB9.1 million, which were offset by repayment of bank loans of RMB56.0 million and interest payments of RMB4.2 million.

CAPITAL EXPENDITURES

We have historically funded our capital expenditures from proceeds from bank loans, cash generated from our operating activities and capital contributions by our shareholders. Our capital expenditures are incurred primarily in connection with purchases of property, plant and equipment, and land use rights and construction of the group's facilities.

The following table sets forth a breakdown of our capital expenditures during the Track Record Period:

	As of December 31,			As of
	2006	2007	2008	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	2,646	9,569	3,896	2,659
Construction in progress	—	4,957	33,203	2,468
Land use right	352	8,211	33,910	—
Total	<u>2,998</u>	<u>22,737</u>	<u>71,009</u>	<u>5,127</u>

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Our capital expenditures increased by 656.7% from RMB3.0 million for the financial year ended December 31, 2006 to RMB22.7 million for the financial year ended December 31, 2007, primarily due to payment of RMB6.6 million for the purchase of property, plant and equipment for our existing production facilities at Xibian Village, Chendai Town, Jinjiang City and RMB8.2 million for the land use right at Shanxia Village, Shanxia Town, Huian County. Our capital expenditures increased by 212.8% from RMB22.7 million for the financial year ended December 31, 2007 to RMB71.0 million for the financial year ended December 31, 2008, primarily due to the payment of RMB33.9 million for land use right and RMB33.2 million for construction in progress for the new production facilities at Shanxia Village, Shanxia Town, Huian County. For the nine months ended September 30, 2009, we spent RMB2.7 million mainly for purchase of property, plant and equipment for our existing production facilities at Xibian Village, Chendai Town, Jinjiang City and Shanxia Village, Shanxia Town, Huian County and RMB2.5 million for construction in progress for the foundation of staff quarter at Shanxia Village, Shanxia Town, Huian County.

We estimated to incur further capital expenditures of approximately RMB2.5 million for the financial year ended December 31, 2009 which will be mainly applied for the foundation works and site preparation works for our production site at Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province, the PRC.

We intend to fund our projected capital expenditures through cash generated from our operations and bank borrowings.

Contractual obligations

The following table sets forth the aggregate amounts of our contractual obligations on a consolidated basis as of December 31, 2006, 2007 and 2008 and September 30, 2009:

	As at December 31,			As at
	2006	2007	2008	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2009</i>
				<i>RMB'000</i>
Construction in progress	—	16,775	6,855	—
Operating lease commitments				
With one year	—	1,074	743	1,913
In the second to fifth years, inclusive	—	1,072	417	603
	—	2,146	1,161	2,516

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Off-balance sheet commitments and arrangements

As of the Latest Practicable Date, we have not entered into any off-balance sheet transaction.

SELECTED DATA ON CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at December 31,			As at
	2006	2007	2008	September 30, 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	81,065	115,216	152,245	149,248
Current assets	127,891	200,850	268,899	400,428
Current liabilities	<u>90,961</u>	<u>143,595</u>	<u>173,039</u>	<u>252,996</u>
Net current assets	36,930	57,255	95,860	147,432
Total assets less current liabilities	117,995	172,381	248,105	296,680
Non-current liabilities	<u>—</u>	<u>—</u>	<u>19,296</u>	<u>5,260</u>
Net assets	117,995	172,381	228,809	291,420

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NET CURRENT ASSETS

Details of our current assets and liabilities as of each of the balance sheet dates during the Track Record Period and as at November 30, 2009 are as follows:

	As at December 31,			As at	As at
	2006	2007	2008	September 30,	November 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current assets					
Inventories	49,749	59,827	79,928	62,883	59,886
Trade and other receivables	28,993	61,167	95,004	238,426	279,972
Amount due from a director	—	—	37	—	—
Amount due from related companies	605	—	—	—	—
Prepaid lease payments	255	419	1,097	1,097	1,097
Short term bank deposit	—	—	35,000	35,000	35,000
Cash and short term deposits	<u>48,289</u>	<u>79,437</u>	<u>57,833</u>	<u>63,022</u>	<u>52,635</u>
	<u>127,891</u>	<u>200,850</u>	<u>268,899</u>	<u>400,428</u>	<u>428,590</u>
Current liabilities					
Trade and other payables	21,770	45,447	54,593	57,700	67,320
Amount due to a director	4	1,404	—	85	85
Amount due to a related company	—	—	—	—	—
Interest-bearing bank loans	64,000	95,000	101,000	191,500	191,500
Current portion of long term interest-bearing bank loans	—	—	17,000	—	—
Income tax payable	<u>5,187</u>	<u>1,744</u>	<u>446</u>	<u>3,711</u>	<u>1,972</u>
	<u>90,961</u>	<u>143,595</u>	<u>173,039</u>	<u>252,996</u>	<u>260,877</u>
Net current assets	36,930	57,255	95,860	147,432	167,713

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Our net current assets increased by 55.0% from RMB36.9 million as of December 31, 2006 to RMB57.3 million as of December 31, 2007, primarily due to an increase in inventories of RMB10.1 million and an increase in trade and other receivables of RMB32.2 million as a result of increase in sales volume, and an increase in cash and short term deposits of RMB31.1 million. Such increases were partially offset by an increase in trade and other payables of RMB23.6 million due to an increase in sales volume and an increase in the interest-bearing loans and borrowings of RMB31.0 million, which were mainly used to fund our daily operation.

Our net current assets increased by 67.4% from RMB57.3 million as of December 31, 2007 to RMB95.9 million as of December 31, 2008, primarily due to an increase in inventories of RMB20.1 million and an increase in trade and other receivables of RMB33.8 million as a result of increase in sales volume. Such increase was partially offset by an increase in trade and other payables of RMB9.1 million due to an increase in sales volume and an increase in interest-bearing loans and borrowings of RMB23.0 million, which were used to fund our daily operation and a decrease in cash and short term deposits of RMB21.6 million.

Our net current assets increased by 53.7% from RMB95.9 million as of December 31, 2008 to RMB147.4 million as of September 30, 2009, primarily due to an increase in trade and other receivables of RMB143.4 million due to an increase in sales and our policy of extending credit terms to our distributors to encourage them to expand their sales network. Such increase was partially offset by a decrease in inventories of RMB17.0 million due to the improvement of our inventory control, an increase in trade and other payables of RMB3.1 million due to an increase in sales volume, and an increase in interest-bearing bank loans of RMB73.5 million, which were used for our daily operation.

Based on our unaudited consolidated management accounts as of November 30, 2009, we had net current assets of approximately RMB167.7 million. The key components of our current assets as of such date included inventories of RMB59.9 million, trade and other receivables of RMB280.0 million and cash and cash equivalents of RMB87.6 million. The key components of our current liabilities included short-term bank loans of RMB191.5 million and trade and other payables of RMB67.3 million.

The directors of the Company have confirmed that the amount due to a director of approximately RMB85,000 as at November 30, 2009 have been settled prior to the Listing.

INVENTORY ANALYSIS

During the Track Record Period, inventory was one of the principal components of our current assets. The value of our inventories accounted for approximately 38.9%, 29.8%, 29.7% and 15.7% of our total current assets as of December 31, 2006, 2007 and 2008 and September 30, 2009, respectively. We conduct physical stock counts at the end of each financial year and we record a specific provision if the estimate of the net realizable value of any inventory is below the corresponding cost of such inventory, as a result of, among other things, being obsolete or damaged. During the financial year ended December 31, 2007 and the financial year ended December 31, 2008, we have approximately RMB529,000 and RMB62,000 of inventories written down, due to long history and damaged of the inventories. Other than these, our inventories are stated at cost.

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The following table is a summary of our balance of inventories, which was stated at cost, as of each of the balance sheet dates during the Track Record Period:

	As at December 31,			As at
	2006	2007	2008	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw Materials	14,805	28,628	27,180	36,230
Work-in-progress	6,556	6,147	4,700	3,734
Finished goods	<u>28,388</u>	<u>25,052</u>	<u>48,048</u>	<u>22,919</u>
Total	<u>49,749</u>	<u>59,827</u>	<u>79,928</u>	<u>62,883</u>

Our inventory increased by 20.3% from RMB49.7 million as of December 31, 2006 to RMB59.8 million as of December 31, 2007, primarily due to the increase in raw materials purchased to support our expected increase in production in footwear in 2007.

Our inventory increased by 33.4% from RMB59.8 million as of December 31, 2007 to RMB79.9 million as of December 31, 2008, primarily due to the increase in finished goods from RMB25.1 million as of December 31, 2007 to RMB47.9 million as of December 31, 2008. Increase in inventory level was primarily due to the increase in finished goods level as a result of large quantity of sales orders we received before the year end and to be delivered before the Chinese New Year holiday which is earlier than previous years in the Track Record Period.

Our inventory decreased by 21.3% from RMB79.9 million as of December 31, 2008 to RMB62.9 million as of September 30, 2009, primarily due to the improvement in our inventory control and the timing of sales order and delivery requested by customers.

As of November 30, 2009, RMB51.7 million, or 82.2%, of our inventories as of September 30, 2009 were consumed or sold.

The following table sets forth our average inventory turnover days for the Track Record Period:

	For the financial year			For the nine
	ended December 31,			months ended
	2006 ⁽¹⁾	2007 ⁽¹⁾	2008 ⁽¹⁾	September 30,
				2009 ⁽²⁾
Average inventory turnover days	<u>121</u>	<u>88</u>	<u>103</u>	<u>85</u>

Notes:

- (1) Average inventory turnover days is equal to the average of the starting and ending inventory balances of the period divided by cost of sales and multiplied by 365 days

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- (2) Average inventory turnover days for the nine months ended September 30, 2009 is equal to the average of the starting and ending inventory balances of the period divided by cost of sales and multiplied by 275 days.

Our average inventory turnover days decreased from 121 days for the financial year ended December 31, 2006 to 88 days for the financial year ended December 31, 2007, primarily due to our improved inventory management to control production and delivery schedule.

Our average inventory turnover days increased from 88 days for the financial year ended December 31, 2007 to 103 days for the financial year ended December 31, 2008, primarily due to the increase of our finished goods level as of December 31, 2008 to meet delivery before the Chinese New Year holiday in early 2009.

Our average inventory turnover days decreased from 103 days for the financial year ended December 31, 2008 to 85 days for the nine months ended September 30, 2009, primarily due to improved inventory control.

TRADE AND OTHER RECEIVABLES ANALYSIS

The following table sets forth the aging analysis of our trade and other receivables for the Track Record Period:

	As of December 31,			As of
	2006	2007	2008	September 30, 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables				
Within 90 days	20,058	40,742	46,770	141,782
91-180 days	4,450	5,525	28,905	72,872
181-365 days	721	3,938	5,664	—
Over 365 days	<u>675</u>	<u>—</u>	<u>—</u>	<u>—</u>
Subtotal	25,904	50,205	81,339	214,654
Other receivables and prepayment	<u>3,089</u>	<u>10,962</u>	<u>13,665</u>	<u>23,772</u>
Total	<u><u>28,993</u></u>	<u><u>61,167</u></u>	<u><u>95,004</u></u>	<u><u>238,426</u></u>

We generally provide our overseas customers a credit period of 40 to 90 days. As a policy, we do not grant credit periods of over 90 days to our export customers. We have granted each Meike distributors a credit period of no more than 180 days. However, when we believe that extending the credit limit to a Meike distributor will allow more flexibility and working capital to Meike distributor which in turn may encourage such distributor to open new Meike outlets and expand our Meike retail network, depending on such distributor's credit history, historical sales performance, and its current plan of network expansion, we may, on a case by case basis, grant such Meike distributor a credit period of more than 180 days from the date of delivery. From the beginning of the financial year of

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2009, we have extended our credit limit to some of our major distributors to assist them in opening new Meike distributor outlets and therefore, the number of Meike outlets increased by 356, reaching 1,233 as of September 30, 2009. We expect the growth rate of the number of Meike outlets will be higher in the second half of the financial year ended December 31, 2009.

As of November 30, 2009, RMB79.4 million, or 37%, of our trade receivables as of September 30, 2009 of RMB214.7 million were settled.

Other receivables and prepayments amounted to RMB3.1 million, RMB11.0 million, RMB13.7 million and RMB23.8 million as of December 31, 2006, 2007, 2008 and as of September 30, 2009, respectively. Substantially all other receivables and prepayments are comprised of the deposits paid for the purchase of materials and prepayments for sales related expenses. Significant increase in balances from RMB3.1 million as of December 31, 2006 to RMB11.0 million as of December 31, 2007 was mainly attributed to the increased prepayment for purchase of raw materials to cope with the increase in sales in 2007. As of November 30, 2009, RMB8.3 million, or 35.3%, of our prepayment as of September 30, 2009 have been recognised as purchases.

The following table sets forth our average trade receivables turnover days for the Track Record Period:

	For the financial year ended December 31,			For the nine months ended September 30,
	2006⁽¹⁾	2007⁽¹⁾	2008⁽¹⁾	2009⁽²⁾
Average trade receivables turnover days	38	42	66	117

Notes:

- (1) Average trade receivables turnover days is equal to the average of the starting and ending trade receivables balances of the period divided by revenues and multiplied by 365 days.
- (2) Average trade receivables turnover days is equal to the average of the starting and ending trade receivables balances of the period divided by revenues and multiplied by 275 days.

Our average trade receivables turnover days increased from 38 days for the financial year ended December 31, 2006 to 42 days for the financial year ended December 31, 2007, and increased from 42 days for the financial year ended December 31, 2007 to 66 days to the financial year ended December 31, 2008. Our turnover days for the average trade receivables turnover days increased from 66 days for the financial year ended December 31, 2008 to 117 days for the nine months ended September 30, 2009, primarily due to the granting of longer credit terms and payment extensions granted to our Meike distributors in order to encourage them to expand the number of Meike outlets.

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We believe that our average trade receivables turnover days will not continue to increase as the granting of longer credit terms and payment extensions to our distributors is a measure to encourage our distributors to expand the number of their retail outlets in the period from January 1, 2009 to September 30, 2009. As we believe the cash flows and profits from the business of our Meike distributors will continue to grow and stabilize on an on-going basis and will not require longer credit terms from us, the average trade receivables turnover days will stabilize in the foreseeable future.

Impairment of trade and other receivables

The movement in the allowance for doubtful debts during the Track Record Period, including both specific and collective loss components, is as follows:

	For the financial year ended December 31,			For the nine months ended September 30,
	2006	2007	2008	2009
At the beginning of the year/period	1,667	264	2	2
Impairment loss recognized	—	—	—	—
Reversal of impairment loss recognized in previous years	<u>(1,403)</u>	<u>(262)</u>	<u>—</u>	<u>—</u>
At the end of the year/period	<u>264</u>	<u>2</u>	<u>2</u>	<u>2</u>

We estimate impairment losses for trade receivables resulting from the inability of customers to make required payments based on various parameters including the aging of the trade receivables balances, customer credit-worthiness, and historical write-off experience. If we notice that the financial condition of our customers were to deteriorate, actual write-offs would be higher than estimated.

No impairment was provided for the financial year ended December 31, 2006, 2007, 2008 and the nine months ended September 30, 2009.

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TRADE AND OTHER PAYABLES ANALYSIS

The following table sets forth the aging analysis of our trade and other payables for the Track Record Period:

	As of December 31,			As of
	2006	2007	2008	September 30, 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables				
Within 90 days	5,886	26,318	20,281	25,982
91-180 days	1,511	1,148	8,852	5,619
181-365 days	169	2,792	2,872	3,977
Over 365 days	<u>2,150</u>	<u>2,400</u>	<u>635</u>	<u>1,175</u>
Subtotal	9,716	32,658	32,640	36,753
Other payables and accruals				
Other payables	4,389	4,405	15,191	11,074
Receipts in advance	2,782	2,066	1,100	275
Accrued payroll and welfare	<u>4,883</u>	<u>6,318</u>	<u>5,662</u>	<u>9,598</u>
Subtotal	12,054	12,789	21,953	20,947
Trade and other payables	<u><u>21,700</u></u>	<u><u>45,447</u></u>	<u><u>54,593</u></u>	<u><u>57,700</u></u>

Our trade and other payables primarily arise from to the purchase of raw materials from our suppliers and payment payables to our contracted manufacturers, which are non-interest-bearing with credit terms of 30 to 50 days. Purchases by us from our suppliers or payment to our contracted manufacturers are settled by wire transfer or cash upon acceptance by us of such raw materials or products. As of November 30, 2009, RMB14.6 million or 39.7% of our trade payables as of September 30, 2009 of RMB36.8 million have been settled.

Other payables and accruals consist of other payables and accrued payroll and welfare.

Our other payables as of December 31, 2006 were RMB4.4 million, consisting of deposits received from our distributors of RMB1.8 million, RMB1.2 million of other tax payables and approximately RMB482,000 union expenses. Our other payables as of December 31, 2007 were RMB4.4 million, consisting mainly of RMB1.7 million payables for the purchase of land use right at Shanxia Village, Shanxia Town, Huian County and the remainder was deposits received from our customers. Our other payables as of December 31, 2008 were RMB15.2 million, consisting mainly RMB12.0 million for purchase of property, plant and equipment and payment for construction in progress. Our other payables as of September 30, 2009 of RMB11.1 million mainly consisting of RMB8.1 million payment for construction in progress and property, plant and equipment.

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Our receipts in advance consist of prepayment received from our distributors in relation to their orders placed with us. All receipts in advance as of September 30, 2009 have been recognised as revenue as of November 30, 2009.

Our accrued payroll and welfare increased by 28.6% from RMB4.9 million as of December 31, 2006 to RMB6.3 million as of December 31, 2007, primarily because monthly wages were paid in the following month and the increases in salary level and the number of employees. Our accrued payroll and welfare decreased by 9.5% from RMB6.3 million as of December 31, 2007 to RMB5.7 million as of December 31, 2008, primarily due to decreases in the number of employees in the month of December. Our accrued payroll and welfare increased by 68.4% from RMB5.7 million as of December 31, 2008 to RMB9.6 million as of September 30, 2009, primarily due to the increase in the number of the employees.

The following table sets forth over average trade payables turnover days for the Track Record Period:

	For the financial year ended December 31,			For the nine months ended September 30,
	2006⁽¹⁾	2007⁽¹⁾	2008⁽¹⁾	2009⁽²⁾
Average trade payables turnover days	17	34	48	41

Notes:

- (1) Average trade payables turnover days is equal to the average of the starting and ending trade payables balances of the period divided by cost of sales and multiplied by 365 days.
- (2) Average trade payables turnover days is equal to the average of the starting and ending trade payables balances of the period divided by cost of sales and multiplied by 275 days.

Our average trade payables turnover days increased from 17 days for the financial year ended December 31, 2006 to 34 days for the financial year ended December 31, 2007 and from 34 days for the financial year ended December 31, 2007 to 48 days for the financial year ended December 31, 2008. The increases were primarily due to increase in the purchase of raw materials to cope with our rapid expansion of our production as we have acquired 2 new footwear production lines in late 2006, and increase in sales orders from our overseas customers in 2007 and increase in sales orders from our distributors for our Meike branded products in both 2007 and 2008. Our average trade payables turnover days decreased from 48 days for the financial year ended December 31, 2008 to 41 days for the nine months ended September 30, 2009 because we have settled our payment obligations with our suppliers within shorter period.

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Our average trade payables turnover days in the foreseeable future will primarily depend on various factors such as credit terms granted by our suppliers and contracted manufacturers and our ability to satisfy payment obligations with our suppliers. However, we intend to settle our payment obligations with our suppliers before their due date if our cash flows allow us to do so, which will decrease our future average turnover days. We cannot give any assurance that our suppliers will not shorten our credit periods.

OTHER FINANCIAL RATIO ANALYSIS

	For the financial year ended December 31,			For the nine months period ended September 30,
	2006	2007	2008	2009
Return on equity ⁽¹⁾	20.9%	31.6%	24.7%	19.9%
Return on assets ⁽²⁾	10.8%	15.0%	11.7%	10.5%
Current ratio ⁽³⁾	1.4	1.4	1.6	1.6
Quick ratio ⁽⁴⁾	0.9	1.0	1.1	1.3

Notes:

1. The return on equity ratio is calculated by dividing the profit attributable to owner of the parent by the equity attributable to owners of the parent, multiplied by 100%.
2. The return on assets ratio is calculated by dividing the profit attributable to owner of the parent by total assets, multiplied by 100%.
3. The current ratio is calculated by dividing the current assets by the current liabilities.
4. The quick ratio is calculated by dividing the current assets less inventory by the current liabilities.

Our return on equity ratio was approximately 20.9%, 31.6% and 24.7% for the year ended December 31, 2006, 2007 and 2008. The increase in return on equity ratio from December 31, 2006 to December 31, 2007 was primarily due to the significant increase in our profit attributable to owner of the parent from RMB22.6 million for the financial year ended December 31, 2006 to RMB47.3 million for the financial year ended December 31, 2007. The decrease in return on equity ratio from December 31, 2007 to December 31, 2008 was primarily due to the increase in the shareholder's equity by 32.8% attributable to the increase in assets including property, plant and equipment and prepaid land lease payment, which was partly funded by bank borrowings but comprehensive income attributable to shareholders has slightly decreased for the year ended December 31, 2008.

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Our return on assets ratio was approximately 10.8%, 15.0% and 11.7% for the year ended December 31, 2006, 2007 and 2008. The increase in return on assets ratio from December 31, 2006 to December 31, 2007, was primarily due the significant increase in our profit attributable to owner of the parent from RMB22.6 million for the financial year ended December 31, 2006 to RMB47.3 million for the financial year ended December 31, 2007. The decrease in return on assets ratio from December 31, 2007 to December 31, 2008 was primarily due to our total assets increased by 33% attributable to the increase in property, plant and equipment, prepaid land lease payment and trade and other receivables but comprehensive income attributable to shareholders has slightly decreased for the year ended December 31, 2008.

Our current ratio was 1.4, 1.4, 1.6 and 1.6 for the financial year ended December 31, 2006, 2007 and 2008 and nine months ended September 30, 2009. Our current ratio has remained at the same level between the financial year ended December 31, 2006 and 2007. The increase in current ratio from December 31, 2007 to December 31, 2008 was primarily due to the increase in our current assets, which was, in turn, caused by (a) an increase in trade receivables in 2008 resulting from an increase in sales; (b) an increase in inventory level in 2008 and; (b) an increase in cash balance, which were partially offset by an increase in bank loans for our capital expansion in 2008. Our current ratio has remained at a similar level between the financial year ended December 31, 2008 and nine months ended September 30, 2009.

Our quick ratio was 0.9, 1.0, 1.1 and 1.3 for the financial year ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009. The gradual increase in quick ratio during the Track Record Period was the composite effects of (i) increase in our current assets, which was driven by increase in trade receivables resulting from increase in revenue and (ii) an increase in cash balances, which were partially offset by increase in bank borrowings.

INDEBTEDNESS

Borrowings

The following table sets forth our indebtedness as of each of the balance sheet dates during the Track Record Period and as of November 30, 2009:

	As of December 31,			As of	As of
	2006	2007	2008	September 30, 2009	November 30, 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans — secured	—	—	54,000	128,500	128,500
Bank loans — unsecured	<u>64,000</u>	<u>95,000</u>	<u>81,000</u>	<u>63,000</u>	<u>63,000</u>
	<u>64,000</u>	<u>95,000</u>	<u>135,000</u>	<u>191,500</u>	<u>191,500</u>

(unaudited)

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The following table sets forth the maturity profile of our bank loans as of each of the balance sheet dates during the Track Record Period and as of November 30, 2009:

	As of December 31,			As of	As of
	2006	2007	2008	September 30,	November 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Analysed into:					
Bank loans repayable					
within 1 year	64,000	95,000	118,000	191,500	191,500
Bank loans repayable after					
1 year but within 2 years	<u>—</u>	<u>—</u>	<u>17,000</u>	<u>—</u>	<u>—</u>
	<u>64,000</u>	<u>95,000</u>	<u>135,000</u>	<u>191,500</u>	<u>191,500</u>

As of November 30, 2009, being the latest practicable date for the purpose of this indebtedness statement in this Prospectus, our total indebtedness amounted to RMB191.5 million, consisting of short term secured bank loans of RMB128.5 million which were secured by prepaid land lease payments, building and account receivables of the Group, short-term unsecured bank loans of RMB63.0 million which were guaranteed by Quanzhou Meike and Fujian Meike. The above bank loans are all denominated in RMB. The bank loans bear interest rates ranging from 5.58% to 6.12% per annum for the financial year ended December 31, 2006, ranging from 4.93% to 8.75% per annum for the financial year ended December 31, 2007, ranging from 6.8% to 8.96% per annum for the financial year ended December 31, 2008 and ranging from 3.72% to 7.47% per annum for the nine months ended September 30, 2009. Due to their short repayment period, the carrying amounts of current bank loans are approximately equal to their fair values. There were no unutilised banking facilities as of November 30, 2009. We confirmed that there has not been any material change in our indebtedness since November 30, 2009.

The bank loans of RMB191.5 million as of September 30, 2009 were secured by the following interests and/or guaranteed by the following guarantors:

- RMB43.0 million was secured by properties held by Fujian Meike;
- RMB11.0 million was secured by properties and land use right held by Fujian Meike;
- RMB56.0 million was secured by land use right held by Quanzhou Meike;
- RMB18.5 million was secured by account receivables held by Quanzhou Meike;
- RMB40.0 million was guaranteed by Quanzhou Meike; and
- RMB23.0 million was guaranteed by Fujian Meike.

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Out of the bank loans of RMB135.0 million as of December 31, 2008, RMB111.0 million were secured by the following interests and/or guaranteed by the following guarantors:

- RMB43.0 million was secured by properties held by Fujian Meike;
- RMB11.0 million was secured by properties and land use right held by Meike Fujian and guaranteed by Ding Siqiang and Ding Xueleng;
- RMB15.0 million was guaranteed by 福建省名樂體育用品有限公司, a company owned by 丁思亮, who is the brother of Ding Siqiang;
- RMB23.0 million was jointly guaranteed by 福建省名樂體育用品有限公司 and Ding Siqiang and Ding Xueleng; and
- RMB19.0 million was guaranteed by Quanzhou Meike.

The bank loans of RMB95.0 million as of December 31, 2007 were guaranteed by the following guarantors:

- RMB31.0 million was guaranteed by 福建省名樂體育用品有限公司, a company owned by 丁思亮, who is the brother of the shareholder of the Group, Ding Siqiang;
- RMB59.0 million was guaranteed by an Independent Third Parties;
- RMB5.0 million was guaranteed by Ding Siqiang and Ding Xueleng.

The bank loans of RMB64.0 million as of December 31, 2006 were guaranteed by the following guarantors:

- RMB18.0 million was guaranteed by 福建省名樂體育用品有限公司, a company owned by 丁思亮, who is the brother of Ding Siqiang;
- RMB46.0 million was guaranteed by Independent Third Parties.

Our Directors have confirmed that the above guarantees will be released prior to the Listing.

Gearing ratios

Our gearing ratio was 30.6%, 30.1%, 32.1% and 34.8% as of December 31, 2006, 2007 and 2008 and September 30, 2009, respectively. Gearing ratio is derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

Although our bank loans increased from RMB64 million as of December 31, 2006 to RMB95 million as December 31, 2007, and to RMB135 million as of December 31, 2008, our gearing ratio throughout these three years were relatively stable, primarily due to the increases in property, plant

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and equipment, land use right, inventories and trade receivables which resulted in an increase in total assets. Our gearing ratio increased from 32.1% as of December 31, 2008 to 34.8% as of September 30, 2009, primarily due to an increase in bank loans by RMB56.5 million for the nine months ended September 30, 2009.

Contingent liabilities

As of September 30, 2009, we had no material contingent liabilities. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Disclaimers

Save as disclosed in “Financial Information- Indebtedness” above, and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding at September 30, 2009.

Our Directors confirm that, up to the Latest Practicable Date, there have been no material changes in our indebtedness and contingent liabilities since November 30, 2009.

PROFIT ESTIMATE

We believe that, in the absence of unforeseen circumstances and on the basis and assumptions as set out in “Appendix III — Profit Estimate”, our Company’s consolidated profit attributable to equity shareholders for the financial year ended December 31, 2009 is unlikely to be less than RMB90.6 million (HKD103.0 million).

The full texts of letter from the reporting accountants of our Company, and from the Sponsor in respect of the profit estimate are set out in “Appendix III — Profit Estimate”.

DIVIDEND AND DIVIDEND POLICY

Our Company declared dividends of approximately RMB23.8 million, RMB8.4 million and RMB15.6 million, respectively at December 9, 2009, December 11, 2009 and January 4, 2010. All such declared dividends were paid out prior to our 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.

No dividend, may be declared or paid other than out of our profit and reserves of our Company lawfully available for distribution, including share premium. We may declare dividends via a general

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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 the 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 Shares 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 Company 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 may or may not reflect on its historical declaration 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.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in our consolidated financial statements included in the accountants' report set out in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms/or that such terms were no less favorable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

For a discussion of related party transactions, see Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As of September 30, 2009, we did not have any distributable reserves available for distribution to the Shareholders of our Company.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration of the financial resources presently available to our Company, including banking facilities, our operating cashflows and the estimated net proceeds from our Share Offer, our Company has sufficient working capital for its working capital requirements at least in the next 12 months commencing from the date of this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since September 30, 2009 and there is no event since September 30, 2009 which would materially affect the information shown in our consolidated financial statements included in the accountants' report set out in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

PROPERTY INTERESTS AND PROPERTY VALUATION

Particulars of the Group's property interests are set out in Appendix IV to this prospectus. BMI Appraisals Limited has valued the property interests of the Group as at October 31, 2009. A summary of values and valuation certificates issued by BMI Appraisals Limited are included in Appendix IV to this prospectus.

The table below sets forth the reconciliation of aggregate amounts of our properties from the Group's audited consolidated financial statements as at September 30, 2009 to the unaudited net book value of the Group's property interests as at October 31, 2009:

	<i>RMB'000</i>
Audited net book value of properties as at September 30, 2009	116,786
Additions during the period from October 1, 2009 to October 31, 2009	—
Disposals during the period from October 1, 2009 to October 31, 2009	—
Amortisation of land use rights and depreciation of buildings during the period from October 1, 2009 to October 31, 2009	(324)
Unaudited net book value of properties as at October 31, 2009	116,462
Revaluation surplus as at October 31, 2009	21,745

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Interest Rate Risk

We do not have any significant exposure for risk of changes in market interest rate as our debt obligations were all with fixed interest rates.

Foreign Currency Risk

We have sales by operating units in currencies other than the unit's functional currency, we have subject to transactional currency exposures. As at December 31, 2006, 2007 and 2008 and September 30, 2009, approximately 0%, 6%, 8% and 2% of our revenue are denominated in foreign currency, respectively. The possible changes in the exchange rate may affect our profit before tax due to the changes in fair value of monetary assets and liabilities and our equity. We historically have not entered into any foreign currency derivative instruments to hedge the potential foreign currency risk.

FINANCIAL INFORMATION

Credit Risk

Our principal financial assets are trade and other receivables and cash and cash equivalents, which represent the maximum exposure to credit risk in relation to the financial assets.

It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, we will review the recoverable amount of each individual debt at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts.

During the Track Record Period, we were exposed to concentration of credit risk because as of December 31, 2006, 2007 and 2008 and September 30, 2009 approximately 39%, Nil, 1% and 13% of our total trade receivables were due from our largest customer, respectively, and approximately 42%, 25%, 39% and 42% of the total trade receivables were due from our five largest customers, respectively. Given our customers' credit history during the Track Record, the credit evaluation performed by us, and our efforts to keep close relationship with our customers by visiting our Meike outlets from time to time to inspect, among other things, their financial conditions, and, by frequently communicating with our customers about their business and operations, our Directors believe we do not have a significant exposure to credit risk. See "Risk Factors — We are exposed to certain concentration of credit risk and our financial condition and results of operations could be adversely affected if our customers do not pay us for their purchases in a timely manner or at all".

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. We do not have any significant exposure to liquidity risk as we were in a net current asset position as of December 31, 2006, 2007, 2008 and September 30, 2009.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets ("Unaudited Pro Forma NTA") of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing and Public Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as of September 30, 2009 as if the Placing and Public Offer had taken place on September 30, 2009.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at September 30, 2009 or at any future dates following

FINANCIAL INFORMATION

the Placing and Public Offer. It is prepared based on the consolidated net tangible assets of the Group as at September 30, 2009 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to the owners of the Parent as at September 30, 2009 RMB'000 (Note 1)	Estimated net proceeds from the Placing and Public Offer RMB'000 (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to the owners of the Parent RMB'000	Unaudited pro forma adjusted net tangible assets per Share RMB (Note 3)	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 4)
Based on the Offer Price of HK\$1.20 per Share	<u>291,420</u>	<u>245,823</u>	<u>537,243</u>	<u>0.54</u>	<u>0.61</u>
Based on the Offer Price of HK\$1.43 per Share	<u>291,420</u>	<u>294,804</u>	<u>586,224</u>	<u>0.59</u>	<u>0.67</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Parent as at September 30, 2009 are arrived based on our audited consolidated net tangible assets of approximately RMB291,420,000 as at September 30, 2009 extracted from the Accountants' Report set out in Appendix I to this Prospectus.
- (2) The estimated net proceeds from the Placing and Public Offer are based on the Offer Price of HK\$1.20 and HK\$1.43 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. The calculation of the estimated net proceeds adjusted from the Placing and Public Offer does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Placing and Public Offer payable to the Company as described in note (2) and on the basis that a total of 1,000,000,000 Shares were in issue as at September 30, 2009 (including Shares in issue as at the date of this Prospectus and those Shares to be issued pursuant to the Placing and Public Offer and the Capitalisation Issue).
- (4) The unaudited pro forma adjusted net tangible asset per Share is translated into HK\$ at exchange rate of RMB0.88 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) Details of valuation of the Group's properties interest as at October 31, 2009 are set out in Appendix IV to this Prospectus. The Group will not incorporate the revaluation surplus or deficit in its financial statements for the year ended December 31, 2009. It is the Group's accounting policy to state its land use rights and property, plant and equipment at cost less accumulated depreciation/amortisation and any impairment losses in accordance with the relevant HKASs, rather than at revalued amounts. With reference to the valuation of the Group's property interests as set out in Appendix IV to this Prospectus, there was a revaluation surplus of the Group's lands and properties of approximately RMB21,745,000. If the revaluation surplus was incorporated in the Group's financial statements for the year ended December 31, 2009, an additional depreciation charged of approximately RMB863,000 per annum would be incurred.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses payable by us in connection thereto, are estimated to be approximately HK\$302.2 million assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.32 per Share, being the mid-point of the proposed Offer Price range of HK\$1.20 to HK\$1.43 per Share. We presently intend to apply such net proceeds as follows:

- as to approximately HK\$91.9 million or 30.4% towards expansion of our production capacity for apparel products which will include: approximately HK\$72.4 million for construction of manufacturing facilities, warehouse, staff quarters and approximately HK\$19.5 million for the purchases of machinery and equipment, at our land at Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province and upgrading of current manufacturing facilities, plant and machinery;
- as to approximately HK\$92.2 million or 30.5% towards, expanding and improving the coverage of our distribution network and providing renovation subsidies in the form of standardized promotional materials and display equipment to Meike distributor outlets and Meike retailer outlets;
- as to approximately HK\$71.9 million or 23.8% towards organizing trade fairs, brand promotion, sponsorship of sports league and events, media advertising (including but not limited to television commercials, outdoor media, magazine advertising and web-based advertising), launching marketing campaigns, activities and engaging celebrities as spokespersons of Meike brand including approximately HK\$51.7 million towards media advertising and approximately HK\$20.2 million towards brand promotion and marketing activities;
- as to approximately HK\$24.2 million or 8.0% towards enhancing our research and development capabilities, including approximately HK\$19.8 million for the establishment of a research and development centre and approximately HK\$4.4 million for purchases of facilities for material research, product testing, innovation and technology development and for the recruitment of experts and designers; and
- as to approximately HK\$22.0 million or 7.3% towards working capital and other general corporate purposes.

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

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 Share Offer, when combined with such alternate sources of financing, are sufficient for the uses set forth above.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, the net proceeds from the Share Offer will increase to approximately HK\$350.1 million, assuming an Offer Price of HK\$1.32 per Share, being the mid-point of the proposed Offer Price range. We intend to apply the additional net proceeds to the above usage in the proportions stated above. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, we intend to adjust the allocation of the net proceeds to the above usage in the proportions stated above.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of our Directors that such net proceeds will be deposited into interest-bearing accounts with licensed and/or financial institutions.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Lead Manager

China Merchants Securities (HK) Co., Limited

Co-Lead Manager

CIMB Securities (HK) Ltd.

Co-Managers

Cheong Lee Securities Limited
Grand Vinco Capital Limited
Guotai Junan Securities (Hong Kong) Limited
Oriental Patron Securities Limited
Sinomax Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be offered as mentioned herein and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to subscribe or procure subscribers for, their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been signed and becoming unconditional.

UNDERWRITING

Grounds for termination

The Sponsor (on behalf of itself and the other Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or prior to 8:00 a.m. on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position or prospects of our Group;
 - (b) any change or development involving a prospective change or development, or any event or series of events resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, Singapore, Japan or any other jurisdictions where any member of our Group is incorporated (collectively, the “**Relevant Jurisdictions**”);
 - (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions;
 - (d) any new Laws or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions;
 - (e) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in Shares;
 - (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions;
 - (g) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the warrantors under the Public Offer Underwriting Agreement pursuant to the indemnity contained therein;

UNDERWRITING

- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the Singapore Stock Exchange or (ii) any moratorium on commercial banking activities or material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions;
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions;
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions;
- (k) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus;
- (l) any change in the system under which the value of the Hong Kong dollars or Renminbi is linked to that of the US dollar or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency;
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable Laws;
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer;
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable Laws;
- (q) a petition being presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with our creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group;

UNDERWRITING

- (r) any loss or damage sustained by any member of our Group;
- (s) any litigation or claim of any third party being threatened or instigated against any member of our Group;
- (t) a Director being charged with an indictable offence or prohibited by the operation of Laws or is otherwise disqualified from taking part in the management of a company;
- (u) the chairman or president of our Company vacating his office;
- (v) the commencement by any governmental, regulatory or judicial body or organization of any action against a Director or an announcement by any governmental, regulatory or judicial body or organization that it intends to take any such action;
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof; or
- (x) any matter or event resulting in any statement contained in any of this prospectus or the Application Forms being untrue, inaccurate, misleading or incomplete in any material respects,

which in the sole and absolute opinion of the Sponsor:

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of any member of our Group and/or our Group taken as a whole;
 - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus;
- (ii) any of the Public Offer Underwriters shall become aware of the fact that, or have reasonable cause to believe that:
- (a) any of the warranties given by the warrantors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate,

UNDERWRITING

misleading or breached in any material respect when given or as repeated as determined by the Sponsor in its sole and absolute discretion, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

- (b) any statement contained in this prospectus was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sponsor in its sole and absolute discretion, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplement or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
- (c) there has been a material breach on the part of any of the warrantors under the Public Offer Underwriting Agreement of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Sponsor in its sole and absolute discretion.

Undertakings from our Company and the Covenantors

Our Company has undertaken to the Lead Manager and the other Public Offer Underwriters that the Company will, and each of Glory Hill, Mr. Ding, Deep Wealth Resources Limited, Bromyard Investments Limited and Rainbow Star Worldwide Limited (the “**Covenantors**”) and Mr. Ding and Ms. Ding (in their capacities as our executive Directors) has undertaken to procure that the Company will, among others:

- (i) not, during the Lock-up Period, except pursuant to the Share Offer (including the exercise of the Over-allotment Option), the Capitalization Issue, the exercise of any options which may be granted under the Share Option Scheme, or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, without the prior written consent of the Lead Manager (on its behalf and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules:
 - (a) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its Affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise; or

UNDERWRITING

- (c) announce any intention to effect any such transaction,
- (ii) not at any time during the Lock-up Period, except pursuant to the Share Offer (including the exercise of the Over-allotment Option), the Capitalization Issue or the exercise of any options which may be granted under the Share Option Scheme, or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of the Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of the Company or agree to do any of the foregoing;
- (iii) not at any time within the period of six months immediately following the expiry of the Lock-up Period (“**Second Six Months Period**”), do any of the acts set out in paragraphs (i) and (ii) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company; and
- (iv) in the event that our Company does any of the acts set out in paragraphs (i) and (ii) above after the expiry of the Lock-up Period or the Second Six Month Period, as the case may be, take all steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Nothing in the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of our subsidiaries provided that any such sale, or any enforcement of such pledge, mortgage or charge will not result in such subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company; or (b) restrict any of our subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary (as defined in the Companies Ordinance) of our Company.

Each of the Covenantors has undertaken to each of the Sponsor, the Public Offer Underwriters and our Company that it will not, without the prior written consent of the Sponsor (on behalf of the Public Offer Underwriters), directly or indirectly, and will procure that none of his or its associates or companies controlled by him or it or any nominee or trustee holding in trust for him or it will:

- (i) offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

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- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities

at any time during the Lock-up Period, save in connection with the Stock Borrowing Agreement between Glory Hill and the Lead Manager or as provided under note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such other securities at any time during the Second Six Months Period, (a) such disposal shall not result in any of the Controlling Shareholders, directly or indirectly, ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six Months Period; and (b) he or it shall take all steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Each of our Controlling Shareholders has undertaken to each of our Company and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of such Controlling Shareholder's direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, such Controlling Shareholder shall:

- (i) when such Controlling Shareholders or such Controlling Shareholders' nominees or trustees holding in trust for such Controlling Shareholders pledge or charge any of the Shares or other securities of our Company beneficially owned by such Controlling Shareholders in favor of any authorized institution pursuant to Note (2) to Rule 10.07 of the Listing Rules, immediately inform our Company of such pledge or charge (as the case may be) together with the number of Shares or securities so pledged or charged; and
- (ii) when such Controlling Shareholders receive any indication, either verbal or written, from the pledgee or chargee of any of the Shares or securities such Controlling Shareholders pledged or charged shall be disposed of, immediately inform our Company of such indication.

Each of the Covenantors has undertaken to the Sponsor and each of the Public Offer Underwriters and our Company that, within the Lock-up Period and the Second Six Months Period it shall:

- (i) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company and the Sponsor in writing of such pledge or charge together with the number of such Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities so pledged or charged; and
- (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company and the Sponsor in writing of such indications.

UNDERWRITING

Our Company shall inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) and disclose such matters by way of an announcement in accordance with the Listing Rules.

The Placing

In connection with the Placing, it is expected that our Company and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to purchase, or procure purchasers for, all Shares being sold in the Placing.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Lead Manager on behalf of the Placing Underwriters, within 30 days from the last day for lodging applications under the Public Offer, to require our Company to issue and allot up to an aggregate of 37,500,000 additional Shares, representing in aggregate 15% of the Offer Shares initially available under the Share Offer, at the same price per Share under the Placing, to, among other things, cover over-allocations, if any, in the Placing.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 3.2% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer, out of which they will pay any sub-underwriting commission. For unsubscribed or unpurchased Public Offer Shares reallocated to the Placing, our Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to the Lead Manager and the relevant Placing Underwriters (but not the Public Offer Underwriters). For Placing Shares reallocated to the Public Offer, our Company will pay an underwriting commission, at the rate applicable to the Placing, to the Placing Underwriters.

If the aggregate gross proceeds of the Share Offer exceed HK\$390 million, in addition to the 3.2% underwriting commission as described above, we agree to further pay the Lead Manager an additional incentive fee equals to 5% of the difference between the amount of aggregate gross proceeds (including proceeds from the exercise of the Over-allotment Option) and HK\$300 million.

The aggregate underwriting commissions and fees, together with listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Share Offer which are payable by us, are estimated to amount to approximately HK\$27.8 million, assuming an Offer Price of HK\$1.32 per Share, being the mid-point of the proposed Offer Price range of HK\$1.20 to HK\$1.43 per Share, and assuming the Over-allotment Option is not exercised.

Public Offer Underwriters' Interests in our Company

None of the Public Offer Underwriters is legally or beneficially interested in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises 250,000,000 Shares initially being offered by our Company for subscription by way of Placing and Public Offer (assuming the Over-allotment Option is not exercised). A total of 225,000,000 Shares, representing an aggregate of 90% of the initial total number of the Offer Shares, will initially be offered under the Placing to professional and institutional investors for cash at the Offer Price. A total of 25,000,000 Shares, representing 10% of the initial total number of the Offer Shares, will initially be offered under the Public Offer.

The number of Shares to be offered under the Public Offer and the Placing is subject to reallocation and, in the case of the Placing only, the Over-allotment Option, as described below.

Investors may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors that received Placing Shares, and to identify and reject indications of interest in the Placing from investors that received Public Offer Shares. The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. The Placing will involve selective marketing of the Placing Shares to institutional, professional and/or other investors, which are anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our enlarged issued share capital immediately after completion of the Share Offer.

If the Over-allotment Option is exercised in full, the Shares comprised in the Share Offer will represent approximately 28% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the exercise of the Over-allotment Option.

PRICE PAYABLE ON APPLICATION

The maximum Offer Price of HK\$1.43 per Share plus brokerage of 1%, trading fee payable to the Stock Exchange of 0.005% and transaction levy payable to the SFC of 0.004%, in each case of the Offer Price, amounting to a total of HK\$2,888.85 per board lot of 2,000 Public Offer Shares, is payable in full on application.

If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum Offer Price of HK\$1.43 per Share, appropriate refund payments will be made. Further details in this regard are set out in the section headed “How to Apply for the Public Offer Shares” in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Placing Shares. Prospective investors will be required to specify the number of Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding”, is expected to continue up to, and to cease on or about January 22, 2010.

The Offer Price is expected to be determined by agreement between our Company and the Lead Manager (on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before January 25, 2010 or by the latest on January 26, 2010. If the Lead Manager (on behalf of the Underwriters) and our Company is unable to reach an agreement on the Offer Price on or before January 26, 2010, the Share Offer will not proceed and will lapse.

The Offer Price will not be more than HK\$1.43 per Share and is currently expected to be not less than HK\$1.20 per Share. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective investors during the “book-building” process, the Lead Manager (on behalf of the Underwriters), and with the consent of our Company, thinks it appropriate (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range stated in this prospectus), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the day which is the latest day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the latest day for lodging applications under the Public Offer cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. Applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics, as currently set out in “Summary” and any other financial information which may change materially as a result of any such change. Applicants under the Public Offer should note that, even if the indicative Offer Price is so reduced, in no circumstances can applications be withdrawn once submitted, except where a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which limits the responsibility of that person for this prospectus, in which case applications made may be revoked before the said fifth day.

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction of the indicative Offer Price range in the manner set out above, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Offer Price, level of indication of interest in the Placing, level of the applications and basis of allocation of the Public Offer Shares under the Public Offer are expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on January 29, 2010.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares in the Share Offer is conditional upon, among other conditions:

(a) **Listing**

The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any additional Shares up to 10% of the issued share capital of our Company as of the date of listing of the Shares on the Main Board of the Stock Exchange, which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and

(b) **Underwriting Agreements**

- (i) the execution and delivery of the Placing Underwriting Agreement in accordance with its terms or otherwise, prior to, on or about the date of the Price Determination Agreement; and
- (ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (which requires, amongst other things, that the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement be entered into) and the obligations under any of the Underwriting Agreements not being terminated in accordance with their terms or otherwise, prior to 8:00 a.m. on the day on which the Shares commence trading on the Main Board of the Stock Exchange.

If, for any reason, the Price Determination Agreement or the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions is not fulfilled (or, where applicable, waived by the Lead Manager (on behalf of the Underwriters)) at or before 8:00 a.m. on February 1, 2010, the Share Offer will lapse and notice of the lapse will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, application monies will be returned, without interest. The terms on which money will be returned are set out in “Refund of your money” on the Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Pursuant to the Public Offer, our Company is initially offering 25,000,000 new Shares, representing 10% of the total number of Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised), for subscription to the public in Hong Kong at the Offer Price. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

For allocation purposes only, the Public Offer Shares (after taking into account of any reallocation of Offer Shares between the Placing and the Public Offer referred to below) will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will initially consist of 12,500,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less. The Public Offer Shares in pool B will initially consist of 12,500,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the total value of pool B. Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Public Offer Shares in either pool A or pool B.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he has not taken up any Shares under the Placing nor otherwise participated in the Placing nor has he indicated (nor will he indicate) an interest under the Placing, and such applicant's application will be rejected if the said undertaking and confirmation is breached and/or found to be untrue (as the case may be). The Public Offer will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" above. The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in the section headed "How to Apply for the Public Offer Shares" in this prospectus. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares in either pool A or pool B initially being offered for subscription pursuant to the Public Offer will be rejected at the discretion of the Sponsor on behalf of our Company.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Pursuant to the Placing, our Company is initially offering 225,000,000 new Shares for subscription, representing 90% of the total number of Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised).

It is expected that the Placing Underwriters or selling agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Offer Price with professional, institutional and/or other investors in Hong Kong and certain other jurisdictions. Professional and/or institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and/or other securities and corporate entities which regularly invest in shares and/or other securities. In Hong Kong, retail investors should apply for the Public Offer Shares under the Public Offer, as retail investors applying for the Placing Shares (including applying through banks and/or other institutions) are unlikely to be allocated any Placing Shares. Prospective investors may be required to give an undertaking and confirmation that he has not applied for or taken up any Public Offer Shares.

The Placing is subject to the same conditions as stated in the paragraph headed “Conditions of the Share Offer” above. The total number of Placing Shares to be allotted and issued or transferred pursuant to the Placing may change as a result of the clawback arrangement referred to in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” below, exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Public Offer.

Allocation of Placing Shares to investors pursuant to the Placing will be effected in accordance with the “book-building” process undertaken by the Placing Underwriters. Final allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares or hold or sell its Shares, after the listing of the Shares on the Main Board of the Stock Exchange. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of our Company and our Shareholders taken as a whole.

Professional and institutional investors may apply for Offer Shares under the Public Offer or receive Offer Shares under the Placing. However, such investor will only receive Offer Shares under either the Public Offer or the Placing, but not both.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Shares between the Placing and the Public Offer is subject to adjustment.

If the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will increase to 75,000,000 Shares, representing 30% of the Shares initially available for subscription under the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased so that the total number of Shares available for subscription under the Public Offer will be 100,000,000 Shares, representing 40% of the Shares initially available for subscription under the Share Offer.

If the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will be increased, so that the total number of Shares available for subscription under the Public Offer will increase to 125,000,000 Shares, representing 50% of the Shares initially available for subscription under the Share Offer. In each such case, the additional Shares reallocated to the Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the Placing will be correspondingly reduced.

If the Public Offer is not fully subscribed, the Lead Manager, in its discretion, may reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing.

OVER-ALLOTMENT OPTION

Pursuant to the Placing Underwriting Agreement, our Company is expected to grant the Placing Underwriter a right, exercisable by the Lead Manager on behalf of the Placing Underwriters (but not an obligation) to exercise the Over-allotment Option up to the day which is the 30th day after the last date for the lodging of applications under the Public Offer, to require our Company to issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Share Offer. These Shares will be issued or sold (as the case be) at the Offer Price for the purpose of covering over-allocations in the Placing, if any. Any election in respect of the Over-allotment Option may be exercised in whole or in part and from time to time.

The Offer Shares will constitute 25% of our issued share capital before exercise of the Over-allotment Option and approximately 28% of the enlarged issued share capital of our Company immediately following the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable in accordance to the requirements of the Listing Rules.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

In connection with the Share Offer, the Lead Manager, as stabilizing manager, or its authorized agents, on behalf of the Underwriters, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilizing activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilizing activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilization including the Securities and Futures (Price Stabilizing) Rules made under the SFO. However, there is no obligation on the stabilizing manager or its authorized agents to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the stabilizing manager or its authorized agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the stabilizing manager or its authorized agents may maintain a long position in the Shares. The size of the long position, and the period for which the stabilizing manager or its authorized agents will maintain the long position is at the discretion of the stabilizing manager or its authorized agents and is uncertain. In the event that the stabilizing manager or its authorized agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing activity by the stabilizing manager or its authorized agents is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the day on which the application lists close under the Public Offer. The stabilizing period is expected to end on February 21, 2010. As a result, demand for the Shares, and its market price, may fall after the end of the stabilizing period.

Any stabilizing activity taken by the stabilizing manager or its authorized agents may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the stabilizing manager or its authorized agents may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by investors.

In order to facilitate the settlement of over-allocations, the stabilizing manager or its authorized agents may, amongst other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The stabilizing manager or its authorized agents may borrow up to 37,500,000 Shares from Glory Hill, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The stock borrowing arrangement under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules such that it will not be subject to the restrictions of Rule 10.07(1) of the Listing Rules. Rule 10.07(3) of the Listing Rules requires that:

- the Stock Borrowing Agreement will only be effected by stabilizing manager or its authorized agents for settlement of over-allocations in the Placing and solely covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Glory Hill will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Glory Hill within the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- borrowing of shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Glory Hill by the stabilizing manager in relation to the Stock Borrowing Agreement.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. METHODS TO APPLY FOR THE PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form; or
- electronically instructing HKSCC to cause HKSCC Nominees Limited to apply for Public Offer Shares on your behalf;
- by means of **HK eIPO White Form** by submitting applications online through the designated website at *www.hkeipo.hk*. Use the **HK eIPO White Form** if you want the Shares to be issued in your own name.

You or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider (individual applicant only).

2. WHICH APPLICATION METHOD YOU SHOULD USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.

(b) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

(c) **Giving Electronic Application Instructions to HKSCC via CCASS on your behalf**

Instead of using a **WHITE** or **YELLOW** Application Form or **HK eIPO White Form** service, you may **electronically** instruct HKSCC to cause HKSCC Nominees Limited to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(d) **Apply through the designated HK eIPO White Form service**

You may apply for Public Offer Shares online through the designated website at www.hkeipo.hk, referred to herein as the “**HK eIPO White Form**” service. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form**.

Note: Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive of our Company or any of our subsidiaries or associates or Connected Persons or to legal or natural persons of the PRC (except qualified domestic institutional investors) or a US person, not outside the United States, or will not be acquiring Public Offer Shares in an offshore transaction (as defined in Regulation S) or persons who do not have a Hong Kong address.

3. WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, January 19, 2010 until 12:00 noon on Friday, January 22, 2010 from:

any of the following Public Offer Underwriters:

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

CIMB Securities (HK) Ltd.
25/F, Central Tower
28 Queen’s Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen’s Road Central
Hong Kong

Grand Vinco Capital Limited
Room 4909-4910, The Center
99 Queen’s Road Central
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Oriental Patron Securities Limited
Suite 2701-3 & 2705-8
27/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Cheong Lee Securities Limited
Room 1106
11/F, Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Sinomax Securities Limited
Room 1601
16/F, Far East Finance Centre
16 Harcourt Road Central
Hong Kong

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

Branches	Address
<i>Hong Kong Island:</i>	
Central Branch	Shop No. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
<i>Kowloon:</i>	
Kwun Tong Hoi Yuen Road Branch	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan
San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
Lok Fu Shopping Centre Branch	Shop G101, G/F, Lok Fu Shopping Centre

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Branches	Address
<i>New Territories:</i>	
Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long
Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

- (b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, January 19, 2010 until 12:00 noon on Friday, January 22, 2010 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or your broker may have **YELLOW** Application Forms and this prospectus available.

4. WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

(a) **WHITE or YELLOW Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, with a check or banker's cashier order attached, must be lodged by 12:00 noon on Friday, January 22, 2010, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with a payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banker listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Tuesday, January 19, 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, January 20, 2010 — 9:00 a.m. to 5:00 p.m.
Thursday, January 21, 2010 — 9:00 a.m. to 5:00 p.m.
Friday, January 22, 2010 — 9:00 a.m. to 12:00 noon

(b) **Electronic application instructions to HKSCC**

CCASS Clearing Participants or CCASS Custodian Participants should input **electronic application instructions** at the following times:

Tuesday, January 19, 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, January 20, 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, January 21, 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, January 22, 2010 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, January 19, 2010 until 12:00 noon on Friday, January 22, 2010 (24 hours daily, except on the last application date).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Friday, January 22, 2010 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

(c) **HK eIPO White Form**

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Tuesday, January 19, 2010 until 11:30 a.m. on Friday, January 22, 2010 or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, January 22, 2010, the last application day, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(d) **Application lists**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, January 22, 2010, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) **Effect of bad weather conditions on the opening of the application lists**

The application lists will be open between 11:45 a.m. and 12:00 noon on Friday, January 22, 2010, subject to weather conditions. The application lists will not be open in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 22, 2010. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

5. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying check or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay in accordance with the table set out in the Application Forms on the basis of the maximum Offer Price of HK\$1.43 per Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%.
- (d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorized attorney, our Company, the Sponsor (or their respective agents or nominees) may accept or reject the application at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney. The Sponsor in its capacity as agent of our Company has full discretion to accept or reject any application, in full or in part, without assigning any reasons therefor.
- (e) Each Application Form must be accompanied by either one check or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form. If you pay by check, the check must:
 - be in Hong Kong dollars;
 - not be post-dated;
 - be drawn on your Hong Kong dollar bank account in Hong Kong;
 - show your account name, which must either be pre-printed on the check, or be endorsed on the reverse of the check by an authorized signatory of the bank. This

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account name must correspond with the name of the applicant on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the check is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;

- be made payable to “Horsford Nominees Limited — Meike International Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your check does not meet all these requirements or is dishonored on our first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorized signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the reverse of the banker’s cashier order must be the same as the name of the first-named joint applicant;
- not be post-dated;
- be in Hong Kong dollars;
- be made payable to “Horsford Nominees Limited — Meike International Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your banker’s cashier order does not meet all these requirements.

- (f) Lodge your **WHITE** or **YELLOW** Application Forms in one of the collection boxes by the time and at one of the locations, as respectively referred to in sub-paragraphs 4(a) and 3(a) above.
- (g) The right is reserved to present all or any remittance for payment. However, your check or banker’s cashier order will not be presented for payment before 12:00 noon on Friday, January 22, 2010. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund checks). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your check or banker’s cashier order.

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(h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed “How many applications you can make” in this section.

(i) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the application form. Only written signature will be accepted.

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by an individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain your full name and your Hong Kong identity card number; and
 - the CCASS Investor Participant should insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by a joint individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain all joint CCASS Investor Participants’ names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and
 - the CCASS Participant I.D. must be inserted in the appropriate box on the **YELLOW** Application Form.
- If you are applying as a corporate CCASS Investor Participant:
 - the **YELLOW** Application Form must contain the CCASS Investor Participant’s company name and Hong Kong Business Registration number; and
 - the CCASS Participant I.D. and company chop (bearing the CCASS Investor Participant’s company name) must be inserted in the appropriate box on the **YELLOW** Application Form.
- Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

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- (j) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are required to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

6. HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

- (a) You may apply through **HK eIPO White Form** by submitting an application through the designated website at *www.hkeipo.hk*. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name. For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk* will be treated as an applicant.
- (b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at *www.hkeipo.hk*. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.
- (c) The designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at *www.hkeipo.hk*. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorized the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.
- (e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at *www.hkeipo.hk*.
- (f) You should give **electronic application instructions** through **HK eIPO White Form** at the times set out in paragraph (c) of the section headed “When to apply for the Public Offer Shares”.
- (g) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at *www.hkeipo.hk*. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, January 22, 2010, or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the

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opening of the application lists” in the section headed “When to apply for the Public Offer Shares”, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.

- (h) Warning: The application for Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Our Company, Directors, the Lead Manager, the Sponsor and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Public Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS. See “How many applications you can make” below.

7. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Public Offer Shares and to arrange for payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.
- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Customer Service Centre of HKSCC
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

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- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.
- (d) You are deemed to have authorized HKSCC and/or HKSCC Nominees Limited to transfer the details of your application whether submitted by you or through your designated CCASS Clearing Participant or CCASS Custodian Participant to our Company and our Hong Kong Share Registrar.
- (e) You may give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table on the Application Form.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees Limited on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:
 - (i) HKSCC Nominees Limited is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form and/or this prospectus; and
 - (ii) HKSCC Nominees Limited does all the things on behalf of each of such persons as stated in the paragraph headed “Effect of making any application” below.
- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees Limited will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.
- (h) For the purpose of allocating the Public Offer Shares, HKSCC Nominees Limited shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (i) The paragraph headed “Personal data” below applies to any personal data held by the Sponsor, our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees Limited.

Warning

Application for the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Sponsor and all other parties involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

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To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) submit the WHITE or YELLOW Application Form (as appropriate); or
- (b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Friday, January 22, 2010 or such later time as described under the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" above.

8. RESULTS OF ALLOCATIONS

It is expected that the final Offer Price, the level of indications of interest in the Placing, the level of applications and the basis of allocation of the Public Offer Shares under the Public Offer will be published on Friday, January 29, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- on our website at www.meike.cn and the Stock Exchange's website at www.hkexnews.hk from 9:00 a.m., Friday, January 29, 2010 onward;
- on our Public Offer results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Friday, January 29, 2010 to 12:00 midnight on Thursday, February 4, 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its application form to search for his/her/its own allocation result;
- from our Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Public Offer Shares allocated to them, if any, by calling 369-18-488 between 9:00 a.m. and 6:00 p.m. from Friday, January 29, 2010 to Wednesday, February 3, 2010 (excluding Saturday, Sunday and public holiday);
- from special allocation results booklets which set out the results of allocations will be available for inspection during opening hours of the designated branches of the receiving banker of the Public Offer from Friday, January 29, 2010 to Tuesday, February 2, 2010 at the addresses set forth under the paragraph headed "Where to collect the Application Forms" in this section above.

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9. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Public Offer Shares only if:
- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.

Multiple or suspected multiple applications are liable to be rejected.

- (b) Save as referred to (a) above, all of your applications for the Public Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider; or
 - both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider; or
 - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider for more than 100% of the Public Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed “Structure and Conditions of the Share Offer” in this prospectus; or

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- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any Placing Shares under the Placing.
- (c) All of your applications for the Public Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**). If an application is made by an unlisted company and:
- (i) the principal business of that company is dealing in securities; and
 - (ii) you exercise statutory control over that company,

then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- (i) control the composition of the board of directors of that company; or
 - (ii) control more than half of the voting power of that company; or
 - (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profit or capital).
- (d) If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at www.hkeipo.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

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10. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- instruct and authorize our Company and/or the Sponsor (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees Limited, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees Limited, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles;
 - represent and warrant that you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing the Application Form and you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S);
 - confirm that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning our Company and you agree that neither our Company, the Sponsor and the Public Offer Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Share Offer will have any liability for any such other information or representations;
 - agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
 - (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
 - (if the application is made for your own benefit) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service;

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- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, or to the designated **HK eIPO White Form** Service Provider via **HK eIPO White Form** service, and that you are duly authorized to sign the Application Form or to give electronic application instruction as that other person's agent;
- agree that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by our Company;
- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing;
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to our Company, our Hong Kong Share Registrar, receiving banker, the Sponsor and the Public Offer Underwriters and any of their respective officers, advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorize our Company to place your name(s) or the name of HKSCC Nominees Limited, as the case may be, on the register of members of our Company as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any share certificate(s) (where applicable) and/or any refund check(s) (where applicable) to you or (in case of joint applicants) the first-named applicant on the Application Form by ordinary post at your own risk to the address stated on your application (unless you have applied for 1,000,000 Public Offer Shares or more and have indicated on your Application Form that you wish to collect your share certificate(s) (where applicable) and/or refund check(s) (where applicable) in person then you can collect them from Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Friday, January 29, 2010;
- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Sponsor and the Public Offer Underwriters nor any of their respective

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officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Form and in this prospectus;

- agree with our Company, for ourselves and for the benefit of each shareholder of our Company (and so that our Company will be deemed by our acceptance in whole or in part of the application to have agreed, for ourselves and on behalf of each shareholder of our Company) to observe and comply with the Companies Law, Companies Ordinance, the Memorandum of Association and the Articles;
- agree with our Company, each shareholder, Director, manager and officer of our Company, and our Company acting for ourselves and for each Director, manager and officer of our Company agrees with each shareholder, to refer all differences and claims arising from the Articles or any rights or obligations conferred or imposed by the Companies Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agree that our Company, the Lead Manager, the Sponsor, the Underwriters and any of their respective directors, officers, employees, agents or advisors and any other parties involved in the Share Offer are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- agree with our Company and each shareholder of our Company that Shares are freely transferable by the holders thereof;
- authorize our Company to enter into a contract on behalf of you with each Director and officer of our Company whereby such Directors and officers undertake to observe and comply with their obligations to Shareholders stipulated in the Articles;
- confirm that you are aware of the restrictions on Share Offer of the Public Offer Shares described in this prospectus;
- understand that these declarations and representations will be relied upon by our Company and the Sponsor in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted for making a false declaration; and

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- agree that the processing of your application, including the dispatch of refund check(s) (if any), may be done by our Company's receiving banker and is not restricted to the bank at which your application was lodged.
- (b) If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:
- any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees Limited reserves the right: (1) not to accept any or part of such allotted Public Offer Shares issued in the name of HKSCC Nominees Limited or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Public Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees Limited may adjust the number of allotted Public Offer Shares issued in the name of HKSCC Nominees Limited;
 - neither HKSCC nor HKSCC Nominees Limited shall have any liability for the information and representations not so contained in this prospectus and the Application Forms; and
 - neither HKSCC nor HKSCC Nominees Limited shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees Limited will be liable to our Company nor any other person in respect of such things:
- instruct and authorize HKSCC to cause HKSCC Nominees Limited (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;

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- instruct and authorize HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$1.43 per Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
- instruct and authorize HKSCC to cause HKSCC Nominees Limited to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;
- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorize HKSCC to cause HKSCC Nominees Limited to do on your behalf the following:
 - agree that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;
 - undertake and agree to accept the Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
 - undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing;
 - (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorized to give those instructions as that other person's agent;
 - understand that the above declaration will be relied upon by our Company and the Sponsor in deciding whether or not to make any allocation of the Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
 - authorize our Company to place the name of HKSCC Nominees Limited on the register of members of our Company as the holder of the Public Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;

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- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;
- agree that our Company, the Sponsor and the Public Offer Underwriters and any of their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus;
- agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees Limited has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agree to disclose to our Company, our Hong Kong Share Registrar, receiving banker, the Sponsor and the Underwriters and any of their respective officers, advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree that any application made by HKSCC Nominees Limited on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) which, based on the current expected timetable, is expected to be January 29, 2010, such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person before January 29, 2010, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees Limited may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agree that once the application of HKSCC Nominees Limited is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Public Offer made available by our Company; and
- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked or withdrawn:**

By completing and submitting an Application Form or submitting **electronic application instructions** to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service or HKSCC, you agree that your application or the application made by HKSCC Nominees Limited on your behalf cannot be revoked on or before the expiration of the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) which, based on the current expected timetable, is expected to be January 29, 2010. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider. This collateral contract will be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person before January 29, 2010 except by means of one of the procedures referred to in this prospectus.

However, your application or the application made by HKSCC Nominees Limited on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees Limited on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(b) If the allocation of the Public Offer Shares is void:

Your allocation of the Public Offer Shares (and the allocation to HKSCC Nominees Limited, as the case may be) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Public Offer as well as the Placing:

By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you agree not to apply for Placing Shares under the Placing. Reasonable steps will be taken to identify and reject applications under the Public Offer from investors who have received Placing Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer.

(d) If our Company, the Sponsor or the HK eIPO White Form Service Provider or their respective agents or nominees exercise their discretion to reject your application:

Our Company, the Sponsor (for itself and on behalf of the Public Offer Underwriters) or the **HK eIPO White Form** Service Provider or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(e) If:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form);
- your payment is not made correctly or you pay by check or banker's cashier order and the check or banker's cashier order is dishonored on our first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares under the Placing;
- your application is for more than 100% of the Public Offer Shares being initially available in either pool A or pool B to the public (i.e., 12,500,000 Public Offer Shares) as referred to under the section headed "Structure and Conditions of the Share Offer" in this prospectus;

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- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof or otherwise; or
- we believe that accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed.

12. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price of the Public Offer Shares is HK\$1.43 each. You must also pay brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.004%. The proposed board lot for trading in the Shares is 2,000 Shares. This means that for every 2,000 Public Offer Shares, you will pay HK\$2,888.85. The Application Forms have tables showing the exact amount payable for certain numbers of Public Offer Shares.

You must pay the maximum Offer Price, brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.004% in full when you apply for the Public Offer Shares.

If your application is successful, the brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than HK\$1.43 per Offer Share, appropriate refund payments (including brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.004% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedures for refund are set out in the paragraph headed “Refund of your money — additional information” below.

13. IF YOUR APPLICATION FOR THE PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

- (a) If you are applying using a **WHITE** Application Form and you elect to receive any share certificate(s) in your name:
- Refund check(s) and share certificate(s) for these applicants who apply for less than 1,000,000 Public Offer Shares or for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund check(s) (where applicable) and/or share certificate(s) (where applicable) in person are expected to be despatched on Friday, January 29, 2010 to the same address as that for share certificate(s), being the address specified in the relevant Application Form.
 - Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have indicated on their Application Forms that they wish to collect share certificate(s) and/or refund check(s) (where applicable) in person from

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our Hong Kong Share Registrar may collect share certificate(s) and/or refund check(s) (where applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, January 29, 2010.

- Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection cannot authorize any other person to make collection on their behalf. Corporate applicants who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorized representatives bearing letters of authorization from the corporation stamped with the corporation's respective chops. Both individuals and authorized representatives (where applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.
 - Uncollected share certificate(s) and refund check(s) (where applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms.
- (b) If: (i) you are applying on a **YELLOW** Application Form; or (ii) you are giving **electronic application instructions** to HKSCC, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), at the close of business on Friday, 29 January, 2010 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form:*

For Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant on a **YELLOW** Application Form:*

Our Company is expected to make available the results of the Public Offer, including the results of CCASS Investor Participants' applications, in the manner described above in the paragraph headed "Results of allocations" on Friday, 29 January, 2010. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 29 January, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately

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after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

- *If you have given **electronic application instructions** to HKSCC:*

Our Company is expected to make available the application results of the Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner), your Hong Kong identity card number or passport number or Hong Kong Business Registration number or other identification code (as appropriate) in the manner described above in the paragraph headed "Results of allocations" on Friday, 29 January, 2010. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 29 January, 2010 or any other date HKSCC or HKSCC Nominees Limited chooses.

- *If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** to HKSCC on your behalf:*

You can also check the number of Public Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- *If you are applying as a CCASS Investor Participant by giving **electronic application instruction** to HKSCC:*

You can also check the number of the Public Offer Shares allotted to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 29 January, 2010. Immediately following the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

- (c) If you are applying through **HK eIPO White Form**:

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund

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check(s) (where applicable) in person from Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on January 29, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/refund checks.

If you do not collect your share certificate(s) and/or refund check(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund check(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk on January 29, 2010 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out below in "Refund of your money — additional information".

No receipt will be issued for application monies paid. Our Company will not issue temporary documents of title.

14. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of refund checks will be retained for the benefit of our Company) if:
- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
 - your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
 - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
 - the conditions of Share Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and Conditions of the Share Offer" in this prospectus.

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- (b) If you apply on a **YELLOW** Application Form for 1,000,000 Public Offer Shares or more and have indicated on your Application Form that you wish to collect your refund check in person, you may collect your refund check (where applicable) in person from our Hong Kong Share Registrar on Friday, January 29, 2010. The procedure for collection of refund checks for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Public Offer Shares is successful (in whole or in part)” in this section.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund check (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund check (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Friday, January 29, 2010, by ordinary post and at your own risk.

- (c) If you are applying by giving **electronic application instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing Participant or CCASS Custodian Participant) on Friday, January 29, 2010.
- (d) If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at *www.hkeipo.hk*.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in this section shall be made pursuant to the arrangements described above in “If your application for the Public Offer Shares is successful (in whole or in part) — If you are applying through HK eIPO White Form”.

- (e) All refunds by check will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund check, where applicable. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund check.
- (f) Refund checks are expected to be despatched on Friday, January 29, 2010. Our Company intends to make special efforts to avoid undue delays in refunding money.

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15. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “**Ordinance**”) came into effect in Hong Kong on December 20, 1996. This Personal Information Collection Statement informs the applicant for and holder of the Public Offer Shares of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of or encashment of refund check(s) to which you are entitled.

It is important that holders of securities inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund check, where applicable and verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees Limited;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;

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- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) **Transfer of personal data**

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, our Company may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- we or our appointed agents such as financial advisors, receiving bankers and our principal share registrar and Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees Limited, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of our businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **HK eIPO White Form**, you agree to all of the above.

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(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our Company Secretary or (as the case may be) our Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

16. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on February 1, 2010.
- The Shares will be traded in board lots of 2,000 Shares.
- The stock code of the Shares is 00953.
- Any share certificates in respect of Public Offer Shares collected or received by successful applicants will not be valid if the Share Offer is terminated in accordance with the terms of the Underwriting Agreements.

(b) Shares will be eligible for admission into CCASS

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.



SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

January 19, 2010

The Directors

Meike International Holdings Limited

China Merchants Securities (HK) Co., Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Meike International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended December 31, 2008 and the nine months ended September 30, 2009 (the “Track Record Periods”) for inclusion in the prospectus of the Company dated January 19, 2010 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company, which acts as an investment holding company, was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on June 25, 2009. Pursuant to a group reorganization (“Group Reorganization”), as more fully explained in the section headed “Corporate Reorganization” in Appendix VI to the Prospectus, the Company became the holding company of the companies comprising the Group on September 10, 2009.

As at the date of this report, the particulars of the Company’s subsidiaries are as follows:

Name	Place and date of incorporation or establishment/operation	Equity interest attributable to the Group as at the date of this report		Issued and fully paid share capital/registered capital	Principal activities
		Direct	Indirect		
Amber Jungle Limited (“Amber Jungle”) 珀森有限公司	British Virgin Islands (“BVI”) March 12, 2009	100%	—	US\$2/ US\$50,000	Investment holding
Mega Pacific Enterprises Limited (“Mega Pacific”) 太平洋企業有限公司	Hong Kong March 30, 2009	—	100%	HK\$1/ HK\$10,000	Investment holding

Name	Place and date of incorporation or establishment/ operation	Equity interest attributable to the Group as at the date of this report		Issued and fully paid share capital/ registered capital	Principal activities
		Direct	Indirect		
Meike (H.K.) Trade Company Limited ("Meike HK") 美克(香港)貿易投資有限公司	Hong Kong August 31, 2007	—	100%	HK\$42,488,800/ HK\$42,488,800	Investment holding
Meike (Fujian) Sports Leisure Co., Limited ("Meike Fujian") 福建美克休閒體育用品有限公司 (Notes (i) and (iv))	The People's Republic of China (the "PRC") February 12, 1999	—	100%	RMB100,000,000/ RMB100,000,000	Manufacturing and trading of sporting goods
Meisike Sports Goods Co., Ltd., Fujian ("Fujian Meisike") 福建省美斯克體育用品有限公司 (Notes (ii) and (iv))	The PRC March 15, 2007	—	100%	HK\$20,000,000/ HK\$20,000,000	Manufacturing and trading of sporting goods
Quanzhou Meike Sports Goods Co., Limited ("Meike Quanzhou") 泉州市美克體育用品有限公司 (Notes (ii) and (iv))	The PRC January 30, 2007	—	100%	RMB 85,000,000/ RMB 85,000,000	Manufacturing and trading of sporting goods
Fuzhou Meikesen Sports Goods Co., Ltd. ("Meikesen Fuzhou") 福州美克森體育用品有限公司 (Notes (iii) and (iv))	The PRC May 23, 2007	—	100%	RMB500,000/ RMB500,000	Trading of sporting goods

Notes:

- (i) The entity is wholly foreign-owned enterprise established in the PRC.
- (ii) The entities are sino-foreign joint venture established in the PRC.
- (iii) The entity is limited liability company established in the PRC.
- (iv) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

All the companies comprising the Group have adopted 31 December as their financial year end date.

Meike Fujian, formerly known as 恒強(福建)鞋塑發展有限公司, was established on February 12, 1999 as a wholly foreign-owned enterprise in the PRC. On December 5, 2007, pursuant to the approval from the relevant authorities, Meike Fujian was converted into a joint stock limited enterprise with a

new name known as 福建美克運動休閒股份有限公司. On May 27, 2009, the directors of Meike Fujian passed a resolution to convert its status from a joint stock limited enterprise into a wholly foreign-owned enterprise. Accordingly, its name was changed to 福建美克休閒體育用品有限公司, which was approved by the relevant PRC authorities on June 23, 2009.

No audited financial statements have been prepared for the Company and Amber Jungle since their respective dates of incorporation as these companies have not carried on any business other than acting as investment holding company and incorporated in countries where there is no such statutory requirement.

No audited financial statements have been prepared for Mega Pacific for the period from the date of incorporation to September 30, 2009 as the period is less than one year and not subject to statutory audit requirement.

The statutory financial statements of Meike HK for each of the years ended December 31, 2007 and 2008 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance and was audited by Lak & Associates C.P.A. Limited, a certified public accountant registered in Hong Kong. No statutory financial statements for the nine months ended September 30, 2009 have been issued.

The statutory financial statements of companies comprising Meike Fujian for the year ended December 31, 2006 and Meike Fujian, Fujian Meisike, Meike Quanzhou and Meikesen Fuzhou for the years ended December 31, 2007 and 2008 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by Fujian Huaxing Certified Public Accountants Limited (福建華興有限責任會計師事務所), a certified public accountant registered in the PRC. No statutory financial statements for the nine months ended September 30, 2009 have been issued.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Periods (“Underlying Financial Statements”) in accordance with HKFRSs issued by the HKICPA. We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared in accordance with HKFRSs based on the Underlying Financial Statements and is presented, on the basis set out in note 1 to the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The comparative consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the nine months ended September 30, 2008 together with the notes thereto have been extracted from the Group's financial information for the same period (the "September 30, 2008 Financial Information"), which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the September 30, 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Our review consists principally of making enquiries of the Company's management and applying analytical procedures to the September 30, 2008 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the September 30, 2008 Financial Information.

In our opinion, on the basis of preparation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at December 31, 2006, 2007 and 2008 and as at September 30, 2009 and of the Company as at September 30, 2009 and of the consolidated results and consolidated cash flows of the Group for the Track Record Periods.

Moreover, on the basis of our review which does not constitute an audit, we are not aware of any material modification that should be made to the September 30, 2008 Financial Information.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended December 31,			Nine months ended	
		2006	2007	2008	September 30, 2008	September 30, 2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	7	180,925	328,728	365,631	305,110	348,378
Cost of sales		(132,342)	(226,951)	(246,480)	(206,070)	(231,613)
Gross profit		48,583	101,777	119,151	99,040	116,765
Other income	9	1,985	1,255	3,411	2,842	905
Selling and distribution costs		(8,095)	(17,602)	(29,721)	(21,106)	(14,479)
Administrative expenses		(6,905)	(11,312)	(18,471)	(13,114)	(15,695)
Other operating expenses		(2,025)	(5,961)	(6,624)	(4,328)	(6,188)
Finance costs	10	(4,166)	(5,029)	(9,460)	(6,925)	(7,741)
Profit before tax		29,377	63,128	58,286	56,409	73,567
Income tax expense	11	(6,228)	(5,709)	(1,829)	(2,169)	(10,950)
Profit for the year/period	12	23,149	57,419	56,457	54,240	62,617
Other comprehensive income:						
Exchange differences on translating foreign operations		—	13	(29)	(26)	(6)
Other comprehensive income for the year/period, net of tax		—	13	(29)	(26)	(6)
Total comprehensive income for the year/period		23,149	57,432	56,428	54,214	62,611
Profit for the year/period attributable to:						
Owners of the parent		22,647	47,305	49,118	47,189	57,869
Non-controlling interests		502	10,114	7,339	7,051	4,748
		23,149	57,419	56,457	54,240	62,617
Total comprehensive income attributable to:						
Owners of the parent		22,647	47,316	49,093	47,167	57,864
Non-controlling interests		502	10,116	7,335	7,047	4,747
		23,149	57,432	56,428	54,214	62,611
Earnings per share — Basic (RMB)	15	0.030	0.063	0.065	0.063	0.077

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,			As at	The Company
	NOTES	2006	2007	2008	September 30,	As at
		RMB'000	RMB'000	RMB'000	2009	September 30,
					RMB'000	2009
						RMB'000
Non-current assets						
Property, plant and equipment	16	61,607	70,017	100,492	98,604	—
Prepaid lease payments	17	11,234	19,019	51,455	50,644	—
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments		8,200	26,090	—	—	—
Investment in a subsidiary	18	—	—	—	—	9
Deferred tax assets	19	24	—	298	—	—
		<u>81,065</u>	<u>115,126</u>	<u>152,245</u>	<u>149,248</u>	<u>9</u>
Current assets						
Inventories	20	49,749	59,827	79,928	62,883	—
Trade and other receivables	21	28,993	61,167	95,004	238,426	3,678
Amount due from a director	24	—	—	37	—	—
Amounts due from related companies	24	605	—	—	—	—
Prepaid lease payments	17	255	419	1,097	1,097	—
Short-term bank deposit	22	—	—	35,000	35,000	—
Cash and bank balances	22	48,289	79,437	57,833	63,022	—
		<u>127,891</u>	<u>200,850</u>	<u>268,899</u>	<u>400,428</u>	<u>3,678</u>
Current liabilities						
Trade and other payables	23	21,770	45,447	54,593	57,700	—
Amount due to a director	24	4	1,404	—	85	79
Amounts due to subsidiaries	24	—	—	—	—	5,481
Interest-bearing bank loans	25	64,000	95,000	101,000	157,500	—
Current portion of long term interest-bearing bank loans	25	—	—	17,000	34,000	—
Income tax payable		5,187	1,744	446	3,711	—
		<u>90,961</u>	<u>143,595</u>	<u>173,039</u>	<u>252,996</u>	<u>5,560</u>
Net current assets/(liabilities)		<u>36,930</u>	<u>57,255</u>	<u>95,860</u>	<u>147,432</u>	<u>(1,882)</u>

		As at December 31,			As at	The Company
	NOTES	2006	2007	2008	September 30,	As at
		RMB'000	RMB'000	RMB'000	2009	September 30,
					RMB'000	2009
						RMB'000
Total assets less current liabilities		<u>117,995</u>	<u>172,381</u>	<u>248,105</u>	<u>296,680</u>	<u>(1,873)</u>
Non-current liabilities						
Interest-bearing bank loans	25	—	—	17,000	—	—
Deferred tax liabilities	19	<u>—</u>	<u>—</u>	<u>2,296</u>	<u>5,260</u>	<u>—</u>
		<u>117,995</u>	<u>172,381</u>	<u>228,809</u>	<u>291,420</u>	<u>(1,873)</u>
Capital and reserves						
Equity attributable to owners of the parent						
Paid in capital/share capital	26	63,329	87,316	87,316	9	9
Reserves	27	<u>45,065</u>	<u>62,579</u>	<u>111,672</u>	<u>291,411</u>	<u>(1,882)</u>
		108,394	149,895	198,988	291,420	(1,873)
Non-controlling interests		<u>9,601</u>	<u>22,486</u>	<u>29,821</u>	<u>—</u>	<u>—</u>
		<u>117,995</u>	<u>172,381</u>	<u>228,809</u>	<u>291,420</u>	<u>(1,873)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Share Exchange reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000		
As at January 1, 2006	63,329	—	—	4,662	—	17,756	85,747	—	85,747
Profit for the year	—	—	—	—	—	22,647	22,647	502	23,149
Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	22,647	22,647	502	23,149
Appropriations to statutory reserve funds	—	—	—	4,805	—	(4,805)	—	—	—
Capital injection	—	—	—	—	—	—	—	9,099	9,099
As at December 31, 2006 and January 1, 2007	63,329	—	—	9,467	—	35,598	108,394	9,601	117,995
Profit for the year	—	—	—	—	—	47,305	47,305	10,114	57,419
Other comprehensive income	—	—	11	—	—	—	11	2	13
Total comprehensive income	—	—	11	—	—	47,305	47,316	10,116	57,432
Capital injection	—	—	—	—	—	—	—	4,884	4,884
Appropriations to statutory reserve funds	—	—	—	5,810	—	(5,810)	—	—	—
Transfer upon the Group reorganization	23,987	14,926	—	(9,416)	—	(35,312)	(5,815)	5,815	—
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(7,930)	(7,930)
As at December 31, 2007 and January 1, 2008	87,316	14,926	11	5,861	—	41,781	149,895	22,486	172,381
Profit for the year	—	—	—	—	—	49,118	49,118	7,339	56,457
Other comprehensive income	—	—	(25)	—	—	—	(25)	(4)	(29)
Total comprehensive income	—	—	(25)	—	—	49,118	49,093	7,335	56,428
Appropriations to statutory reserve funds	—	—	—	1,928	—	(1,928)	—	—	—
As at December 31, 2008	87,316	14,926	(14)	7,789	—	88,971	198,988	29,821	228,809

		Attributable to owners of the parent								
	Notes	Share capital RMB'000	Share premium RMB'000	Share Exchange reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
As at January 1, 2009		87,316	14,926	(14)	7,789	—	88,971	198,988	29,821	228,809
Profit for the period		—	—	—	—	—	57,869	57,869	4,748	62,617
Other comprehensive income		—	—	(5)	—	—	—	(5)	(1)	(6)
Total comprehensive income		—	—	(5)	—	—	57,869	57,864	4,747	62,611
Acquisition of non-controlling interests	26(f)	12,684	2,230	—	—	19,654	—	34,568	(34,568)	—
Issue of shares arising from corporate reorganization	26(g)	9	—	—	—	(9)	—	—	—	—
Reserve arising from corporate reorganization	26(h)	(100,000)	(17,156)	—	—	117,156	—	—	—	—
As at September 30, 2009		9	—	(19)	7,789	136,801	146,840	291,420	—	291,420
For the nine months ended September 30, 2008 (unaudited)		87,316	14,926	11	5,861	—	41,781	149,895	22,486	172,381
Balance as at January 1, 2008		—	—	—	—	—	47,189	47,189	7,051	54,240
Profit for the period		—	—	(22)	—	—	—	(22)	(4)	(26)
Other comprehensive income		—	—	—	—	—	—	—	—	—
As at September 30, 2008		87,316	14,926	(11)	5,861	—	88,970	197,062	29,533	226,595

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,			Nine months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Operating activities					
Profit before tax	29,377	63,128	58,286	56,409	73,567
Adjustments for:					
- Interest income	(65)	(201)	(905)	(866)	(776)
- Finance costs	4,166	5,029	9,460	6,925	7,741
- Depreciation	5,143	5,730	6,538	5,191	5,675
- Loss on disposal of property, plant and equipment	—	386	59	—	1,340
- Reversal of impairment of other receivable	(1,403)	(262)	—	—	—
- Amortisation of prepaid land lease payments	228	262	796	439	811
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash generated from operations before changes in working capital	37,446	74,072	74,234	68,098	88,358
(Increase) decrease in inventories	(11,693)	(10,078)	(20,101)	(13,050)	17,045
(Increase) decrease in trade and other receivables	6,557	(31,912)	(33,837)	(83,048)	(143,422)
Increase in trade and other payables	<u>13,254</u>	<u>23,677</u>	<u>9,146</u>	<u>11,926</u>	<u>3,107</u>
Cash from/(used in) operations	45,564	55,759	29,442	(16,074)	(34,912)
PRC income tax paid	<u>(3,875)</u>	<u>(9,128)</u>	<u>(1,129)</u>	<u>(753)</u>	<u>(4,423)</u>
Net cash from/(used in) operating activities	<u>41,689</u>	<u>46,631</u>	<u>28,313</u>	<u>(16,827)</u>	<u>(39,335)</u>

	Year ended December 31,			Nine months ended	
	2006	2007	2008	September 30,	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Investing activities					
Payment for purchase of property, plant and equipment	(2,646)	(6,326)	(19,889)	(8,361)	(5,127)
Payment for purchase of prepaid lease payment	(352)	(8,211)	(25,030)	(11,613)	—
Proceeds from disposal of property, plant and equipment	—	—	27	—	—
Further acquisition of subsidiary from non-controlling interests	—	(7,930)	—	—	—
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments	(8,200)	(26,090)	—	—	—
(Advance to)/repayment from related companies	(605)	605	—	—	—
Repayment from/(advance to) a director	4	1,400	(1,441)	(2,389)	122
Interest received	65	201	905	866	776
Net cash used in investing activities	<u>(11,734)</u>	<u>(46,351)</u>	<u>(45,428)</u>	<u>(21,497)</u>	<u>(4,229)</u>
Financing activities					
New bank loans raised	64,000	95,000	135,000	102,000	109,500
Issuance of paid up capital	9,099	—	—	—	—
Capital injection to a subsidiary by non-controlling interests	—	4,884	—	—	—
Repayment of bank loans	(56,000)	(64,000)	(95,000)	(62,000)	(53,000)
Interest paid	(4,166)	(5,029)	(9,460)	(6,925)	(7,741)
Net cash generated from financing activities	<u>12,933</u>	<u>30,855</u>	<u>30,540</u>	<u>33,075</u>	<u>48,759</u>
Net increase (decrease) in cash and cash equivalents	<u>42,888</u>	<u>31,135</u>	<u>13,425</u>	<u>(5,249)</u>	<u>5,195</u>
Cash and cash equivalents at the beginning of the year/period	<u>5,401</u>	<u>48,289</u>	<u>79,437</u>	<u>79,437</u>	<u>92,833</u>
Effect of foreign exchange rate changes	<u>—</u>	<u>13</u>	<u>(29)</u>	<u>(26)</u>	<u>(6)</u>
Cash and cash equivalents at the end of the year/period, represented by cash and bank balances	<u><u>48,289</u></u>	<u><u>79,437</u></u>	<u><u>92,833</u></u>	<u><u>74,162</u></u>	<u><u>98,022</u></u>

B. NOTES TO THE FINANCIAL INFORMATION**1. BASIS OF PREPARATION OF FINANCIAL INFORMATION**

The consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Periods, or since the respective dates of incorporation of the relevant entity, where this is a shorter period. The consolidated statements of financial position as at December 31, 2006, 2007 and 2008 and September 30, 2009 present the assets and liabilities of the companies now comprising the Group as at the relevant year/period end dates as if the current group structure had been in existence at those dates. The Group Reorganization completed on September 10, 2009 was to intersperse the Company and certain companies under the control of Mr. Ding Siqiang between Meike Fujian and the shareholder of Meike Fujian.

As Mr. Ding Siqiang ultimately controlled the sporting goods business before and after the Reorganization and, consequently there was a continuation of the risks and benefits to the ultimate shareholder, the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence throughout the Track Record Periods. The net assets of the combining companies are consolidated using the existing book values from the ultimate shareholder perspective.

The Financial Information is presented in Renminbi (“RMB”), which is the functional currency of the Company and its subsidiaries.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

Throughout the Track Record Periods, the Group has applied all of the new or revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“INTs”) (herein collectively referred to as “New HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for annual reporting periods commencing on or after January 1, 2009.

The Group has not early applied the following new or revised standards, amendments and interpretations that have been issued but are not yet effective as at the date of the report.

HKFRSs (Amendments)	Improvements to HKFRSs May 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs April 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 (Amendment)	Classification of Right Issues ⁵
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ⁴
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs ⁶
HKFRS 2 (Amendment)	Share-based Payment: Group Cash-settled Share-based Payment Transactions ⁶
HKFRS 3 (Revised)	Business Combinations ⁴

HKFRS 9	Financial Instruments ⁷
HK(IFRIC)-INT 9 and HKAS 39 (Amendments)	Embedded Derivatives ⁸
HK(IFRIC)-INT 14 (Amendment)	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners ⁴
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments ⁹

¹ Amendments to HKFRS 5, effective for annual periods beginning on or after July 1, 2009

² Effective for annual periods beginning on or after July 1, 2009 and January 1, 2010 as appropriate

³ Effective for annual periods beginning on or after January 1, 2011

⁴ Effective for annual periods beginning on or after July 1, 2009

⁵ Effective for annual periods beginning on or after February 1, 2010

⁶ Effective for annual periods beginning on or after January 1, 2010

⁷ Effective for annual periods beginning on or after January 1, 2013

⁸ Effective for annual periods ending on or after June 30, 2009

⁹ Effective for annual periods beginning on or after July 1, 2010

The application of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by HKFRS 3 (Revised) and HKAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The directors are in the process of assessing the impact of other new or revised standards, amendments or interpretations upon initial adoption. So far, the directors have preliminarily concluded that the initial adoption of these standards, amendments or interpretations are unlikely to have a significant impact on the Group's results and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set

out below. These accounting policies have been consistently applied throughout the Track Record Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, the consolidated financial information incorporates the financial information of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Subsidiaries

Subsidiaries are entities that are controlled by the Company where the Company has the power to govern the financial and operating policies of such entities so as to obtain benefits from their activities.

In the Company's statement of financial position, the investment in a subsidiary is stated at cost less impairment loss. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year/period in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Interest in leasehold land is accounted for as operating leases and amortised over the lease term on a straight-line basis.

Prepaid lease payments on land use rights

Payment for obtaining land use right is considered prepaid operating lease payment. Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses, amortisation is charged to consolidated statement of comprehensive income over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

Prepaid lease payments represented land use rights held for use in the production or supply of goods, or for administrative purposes.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average method other costs incurred in bringing the inventories to their present location and condition.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the Track Record Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade and other receivables, short-term bank deposit, cash and bank balances, amount due from a director and amounts due from related companies) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Track Record Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a director and interest-bearing bank loans are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sales of goods is recognised when the goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Government grants are recognised as income over the periods necessary to match them with the related costs.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowings costs

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the year/period in which they are incurred.

Research cost

Expenditure on research activities is recognised as expense in the period in which it is incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year/period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange difference arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the date of statement of financial position, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years/periods. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities, are discussed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year/period in which the estimate is revised if the revision affects only that year/period, or in the year/period of the revision and future periods if the revision affects both current and future year/period.

Depreciation of property, plant and equipment

Property, plant and equipment assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charged in the year and the estimate will be changed in the future period.

Write down of inventories

As explained in note 3, the Group's inventories are stated at the lower of cost and net realisable value. If there is an increase in costs of sales or a decrease in net sales value, the net realisable value will decrease and this may result in provision for inventories. Such provision requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying value and provision for inventories in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the seasonally fashion trend for the sporting goods market, the actual outcomes in terms of costs and revenue may be higher or lower than those amounts estimated at the end of the reporting period. Any increase or decrease on the provision would affect profit or loss in future years.

Impairment for trade receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of customers to make the required payments. The Group bases the estimates on the aging of the trade receivable balance, customers credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

Impairment for property, plant and equipment

The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the Track Record Periods.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and bank balances, borrowings and equity of the Group, comprising share capital reserves and retained earnings.

The directors of the Company regularly review and manage the Group's capital structure. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through raise of new capital and new loans or repayment of existing loans.

6. FINANCIAL INSTRUMENTS**a. Categories of financial instruments**

The Company

	As at
	September 30, 2009
	<i>RMB'000</i>
Financial liabilities at amortised cost	<u>5,560</u>

The Group

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Loan and receivables (including cash and cash equivalents)	74,534	129,690	174,884	312,920
Financial liabilities at amortised cost	<u>82,992</u>	<u>139,785</u>	<u>188,493</u>	<u>249,010</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and bank balances, short-term bank deposit, amount due from a director, amounts due from related companies trade and other payables, amount due to a director and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets are trade and other receivables, cash and bank balances, short-term bank deposit, amounts due from a director and related companies which represent the Group's maximum exposure to credit risk in relation to financial assets. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 to 180 days from the date of billing. Debtors with balances that are more than 1 year from the date of billing are requested to settle all outstanding balances before any further credit is granted.

The Group's trade receivables consist of small customers and mainly arise from distributors of the Group. As at December 31, 2006, 2007 and 2008 and September 30, 2009, the Group had a certain concentration of credit risk as of 39%, 0%, 1% and 13% of the total trade receivables that were due from the Group's largest customer respectively, and 42%, 25%, 39% and 42% of the total trade receivables were due from the Group's five largest customers respectively.

In order to minimise the credit risk, the management reviews the recoverable amount of each individual debt at each reporting date to ensure adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk for bank balances is considered minimal as such amounts are placed with banks with good credit standing.

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales by operating units in currencies other than the unit's functional currency. The Group's sales are denominated in currencies other than the functional currency of the operating units making the sale approximately 0%, 6% and 8% respectively for the year ended December 31, 2006, 2007 and 2008 and 7% and 2% respectively for the nine months ended September 30, 2008 and 2009.

The Group minimises the expose of foreign currency risk through export business with import and export companies in the PRC, which settles the Group with RMB instead of foreign currencies.

Sensitivity analysis

The following table demonstrates the sensitivity at the reporting date to a reasonably possible change in the United States dollar ("US\$") and Hong Kong dollar ("HK\$") exchange rates, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

	December 31, 2006		December 31, 2007		December 31, 2008		September 30, 2009	
	Strengthened/ (weakened) against foreign currencies	Increase/ (decrease) in profit before tax RMB'000	Strengthened/ (weakened) against foreign currencies	Increase/ (decrease) in profit before tax RMB'000	Strengthened/ (weakened) against foreign currencies	Increase/ (decrease) in profit before tax RMB'000	Strengthened/ (weakened) against foreign currencies	Increase / (decrease) in profit before tax RMB'000
HK\$	5%	—	5%	—	5%	(3)	5%	(8)
	(5%)	—	(5%)	—	(5%)	3	(5%)	8
US\$	5%	—	5%	(487)	5%	(384)	5%	(16)
	(5%)	—	(5%)	487	(5%)	384	(5%)	16

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its fixed deposit, bank balances and bank loans. Short-term bank deposit, bank balances and bank loans at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates. To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

Sensitivity analysis

As at the end of each reporting period of the Track Record Periods, it is estimated that a general 100 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease the Group's profit for the year and retained earnings by approximately RMB478,000, RMB728,000 and RMB559,000 for the year ended December 31, 2006, 2007 and 2008 and decrease or increase the Group's profit for the period and retained earnings by approximately RMB442,000 for the nine months ended September 30, 2009.

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the respective reporting dates of the Track Record Periods and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis was performed on the same basis for each of the Track Record Periods.

Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale, maturity of loans in order to monitor the Group's liquidity requirements in the short and longer terms.

The following table details the contractual maturities at the respective reporting dates of the Track Record Periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Company and Group can be required to pay:

The Company

At September 30, 2009	Weighted average interest rate	On demand or within one year RMB'000	More than one year less than two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities					
Amount due to a director	N/A	79	—	79	79
Amount due to subsidiaries	N/A	<u>5,481</u>	<u>—</u>	<u>5,481</u>	<u>5,481</u>
		<u>5,560</u>	<u>—</u>	<u>5,560</u>	<u>5,560</u>

The Group

At December 31, 2006	Weighted average interest rate	On demand or within one year <i>RMB'000</i>	More than one year less than two years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
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Financial liabilities

Trade and other payables	N/A	18,988	—	18,988	18,988
Amount due to a director	N/A	4	—	4	4
Interest-bearing bank loans	6.05%	<u>66,444</u>	<u>—</u>	<u>66,444</u>	<u>64,000</u>
		<u>85,436</u>	<u>—</u>	<u>85,436</u>	<u>82,992</u>

At December 31, 2007	Weighted average interest rate	On demand or within one year <i>RMB'000</i>	More than one year less than two years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
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Financial liabilities

Trade and other payables	N/A	43,381	—	43,381	43,381
Amount due to a director	N/A	1,404	—	1,404	1,404
Interest-bearing bank loans	5.97%	<u>97,990</u>	<u>—</u>	<u>97,990</u>	<u>95,000</u>
		<u>142,775</u>	<u>—</u>	<u>142,775</u>	<u>139,785</u>

At December 31, 2008	Weighted average interest rate	On demand or within one year <i>RMB'000</i>	More than one year less than two years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
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Financial liabilities

Trade and other payables	N/A	53,493	—	53,493	53,493
Interest-bearing bank loans	7.40%	<u>123,335</u>	<u>18,349</u>	<u>141,684</u>	<u>135,000</u>
		<u>176,828</u>	<u>18,349</u>	<u>195,177</u>	<u>188,493</u>

At September 30, 2009	Weighted average interest rate	On demand or within one year RMB'000	More than one year less than two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Financial liabilities					
Trade and other payables	N/A	57,425	—	57,425	57,425
Amount due to a director	N/A	85	—	85	85
Interest-bearing bank loans	5.21%	<u>196,106</u>	<u>—</u>	<u>196,106</u>	<u>191,500</u>
		<u>253,616</u>	<u>—</u>	<u>253,616</u>	<u>249,010</u>

c. **Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their immediate or short-term maturities.

The directors of the company consider the fair values of the other non-current liabilities approximate their carrying amounts as the impact of discounting is not significant.

7. REVENUE

Revenue represents the amounts received and receivable for sale of sporting goods, including footwear, apparel and accessories, net of sales related taxes. Revenue is analysed as follows:

	Year ended December 31,			Nine months ended	
	2006	2007	2008	September 30, 2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>
Footwear	171,098	293,741	269,374	230,161	248,230
Apparel	3,468	30,015	88,774	68,794	92,254
Accessories and shoe sole	<u>6,359</u>	<u>4,972</u>	<u>7,483</u>	<u>6,155</u>	<u>7,894</u>
	<u>180,925</u>	<u>328,728</u>	<u>365,631</u>	<u>305,110</u>	<u>348,378</u>

8. SEGMENT INFORMATION

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group is organised into a single operating segment as selling sports goods products primarily in the PRC. Accordingly, no segment analysis by business and geographical information is provided for the Track Record Periods and the nine months ended September 30, 2008.

9. OTHER INCOME

	Year ended December 31,			Nine months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Government grants	517	792	2,506	1,976	129
Reversal of impairment of other receivables	1,403	262	—	—	—
Interest income	<u>65</u>	<u>201</u>	<u>905</u>	<u>866</u>	<u>776</u>
	<u>1,985</u>	<u>1,255</u>	<u>3,411</u>	<u>2,842</u>	<u>905</u>

Government grants of approximately RMB517,000, RMB792,000, RMB2,506,000 and RMB129,000 during the Track Record Periods and RMB1,976,000 for the nine months ended September 30, 2008 respectively, were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

10. FINANCE COSTS

	Year ended December 31,			Nine months ended	
	2006	2007	2008	September 30, 2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interest on bank loans wholly repayable within 5 year	<u>4,166</u>	<u>5,029</u>	<u>9,460</u>	<u>6,925</u>	<u>7,741</u>

11. INCOME TAX EXPENSE

	Year ended December 31,			Nine months ended	
	2006	2007	2008	September 30, 2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Current tax:					
Provision for the year/period					
- PRC Enterprise Income Tax	7,923	10,061	5,152	5,023	7,688
- Tax paid refund for export business of Meike Fujian	(2,078)	(4,376)	(5,321)	(5,321)	—
Deferred tax (note 19)	<u>383</u>	<u>24</u>	<u>1,998</u>	<u>2,467</u>	<u>3,262</u>
	<u>6,228</u>	<u>5,709</u>	<u>1,829</u>	<u>2,169</u>	<u>10,950</u>

Enterprise Income Tax

Pursuant to the rule and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong during the Track Record Periods and the nine months ended September 30, 2008.

Pursuant to the income tax rules and regulations of the PRC, the companies comprising the Group are liable to PRC enterprise income tax as follows:

Meikesen Fuzhou is a limited liability company incorporated under laws of the PRC in 2007, which is subject to the statutory income tax rate of 33% in 2007. Pursuant to the income tax law that was passed by the Standing Committee of the Tenth National People's Congress on March 16, 2007, the income tax rate was revised to 25% with effect from January 1, 2008. Accordingly, Meikesen Fuzhou is subject to applicable income tax rate at 25% during the Track Record Periods after 2007.

Meike Fujian, Fujian Meisike and Meike Quanzhou are foreign investment enterprises and, pursuant to the Income Tax Law of the PRC For Enterprises with Foreign Investment And Foreign Enterprises (effective as of July 1, 1991), are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the local authorities. The first profit-making year of Meike Fujian was 1999. The applicable tax rates of Meike Fujian supposed to be 27% for the year 2006 and 2007. Due to the export business of Meike Fujian accounted for over 70% of total turnover of Fujian Meike, under the 福建省對外貿易經濟合作廳閩外經貿證出字(2005)143號《福建省外商投資產品出口企業年度考核證》, Meike Fujian was subject to 12% of applicable income tax rate for 2006 and 2007. The differences of 15% income tax paid in 2006 and 2007 were refunded in 2007 and 2008 respectively, which were recognised on cash receipt basis. Afterwards, the applicable income tax rate of Fujian Meike was 25% during the Track Record Periods after 2007.

The first profit-making year of Fujian Meisike was 2007. Accordingly, Fujian Meisike is exempted from PRC enterprise income tax from the date of incorporation to December 31, 2008 and the applicable rate for the period from January 1, 2009 to September 30, 2009 is 12.5%.

The first profit-making year of Meike Quanzhou was 2008 and therefore, exempted from PRC enterprise income tax during the Track Record Periods.

Withholding tax

Pursuant to the new tax law passed on March 16, 2007, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC effective from January 1, 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors. On February 22, 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at December 31, 2007 are exempted from the withholding tax.

The taxation for the Track Record Periods and the nine months ended September 30, 2008 can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Nine months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before tax	<u>29,377</u>	<u>63,128</u>	<u>58,286</u>	<u>56,409</u>	<u>73,567</u>
Tax on profit before tax calculated at applicable tax rates	7,932	17,045	14,572	14,102	18,390
Tax effect of non-deductible expenses	51	452	2,777	2,555	4,063
Tax effect of profits entitled to tax exemption in the PRC	<u>(1,755)</u>	<u>(11,788)</u>	<u>(15,520)</u>	<u>(14,488)</u>	<u>(11,503)</u>
Tax charge for the year/period	<u>6,228</u>	<u>5,709</u>	<u>1,829</u>	<u>2,169</u>	<u>10,950</u>

12. PROFIT FOR THE YEAR/PERIOD

Profit for the Track Record Periods and the nine months ended September 30, 2008 is arrived at after charging:

	Year ended December 31,			Nine months ended	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period has been arrived at after charging:					
Salaries and allowances	17,188	31,597	37,675	27,172	34,141
Contributions to retirement benefits scheme	<u>87</u>	<u>1,213</u>	<u>3,452</u>	<u>2,878</u>	<u>2,741</u>
Total staff costs (including directors' remuneration)	17,275	32,810	41,127	30,050	36,882
Cost of inventories	132,342	226,951	246,612	206,070	231,613
Write down of inventories (included in cost of inventories)	—	529	62	—	—
Depreciation and amortisation	5,371	5,992	7,334	5,630	6,486
Research cost (included in other operating expenses)	2,025	5,246	6,075	3,845	4,820
Loss on disposal of property, plant and equipment	—	386	59	—	1,340
Net exchange loss	—	329	490	483	28
Operating lease rentals in respect of rented premises	<u>—</u>	<u>1,295</u>	<u>1,338</u>	<u>1,257</u>	<u>974</u>

13. DIRECTORS' EMOLUMENTS

The details of directors' remuneration of each of the directors during the Track Record Periods and the nine months ended September 30, 2008 are set out below:

For the year ended December 31, 2006:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Ding Siqiang	—	120	4	124
Ms. Ding Xueleng	—	100	4	104
Mr. Sun Keqian	—	90	4	94
Mr. Li Dongxing	—	—	—	—
Ms. Ding Jinzhu	—	48	4	52
Mr. Lin Yangshan	—	60	—	60
	—	418	16	434
Independent non-executive directors				
Mr. Xiang Shimin	—	—	—	—
Mr. Yang Chengjie	—	—	—	—
Mr. Xie Weichun	—	—	—	—
	—	—	—	—
	—	418	16	434

For the year ended December 31, 2007:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Ding Siqiang	—	164	4	168
Ms. Ding Xueleng	—	135	4	139
Mr. Sun Keqian	—	111	4	115
Mr. Li Dongxing	—	106	2	108
Ms. Ding Jinzhu	—	68	4	72
Mr. Lin Yangshan	—	82	4	86
	—	666	22	688
Independent non-executive directors				
Mr. Xiang Shimin	—	12	—	12
Mr. Yang Chengjie	—	12	—	12
Mr. Xie Weichun	—	—	—	—
	—	24	—	24
	—	690	22	712

For the year ended December 31, 2008:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Ding Siqiang	—	215	2	217
Ms. Ding Xueleng	—	184	2	186
Mr. Sun Keqian	—	139	2	141
Mr. Li Dongxing	—	134	2	136
Ms. Ding Jinzhu	—	77	2	79
Mr. Lin Yangshan	—	93	2	95
	—	842	12	854
Independent non-executive directors				
Mr. Xiang Shimin	—	35	—	35
Mr. Yang Chengjie	—	35	—	35
Mr. Xie Weichun	—	—	—	—
	—	70	—	70
	—	912	12	924

For the nine months ended September 30, 2008 (Unaudited):

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Ding Siqiang	—	135	2	137
Ms. Ding Xueleng	—	126	2	128
Mr. Sun Keqian	—	108	2	110
Mr. Li Dongxing	—	90	2	92
Ms. Ding Jinzhu	—	54	2	56
Mr. Lin Yangshan	—	59	2	61
	—	572	12	584
Independent non-executive directors				
Mr. Xiang Shimin	—	27	—	27
Mr. Yang Chengjie	—	27	—	27
Mr. Xie Weichun	—	—	—	—
	—	54	—	54
	—	626	12	638

For the nine months ended September 30, 2009:

Name of Director	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Ding Siqiang	—	302	2	304
Ms. Ding Xueleng	—	162	2	164
Mr. Sun Keqian	—	108	2	110
Mr. Li Dongxing	—	108	2	110
Ms. Ding Jinzhu	—	56	2	58
Mr. Lin Yangshan	—	63	2	65
	—	799	12	811
Independent non-executive directors				
Mr. Xiang Shimin	—	24	—	24
Mr. Yang Chengjie	—	18	—	18
Mr. Xie Weichun	—	—	—	—
	—	42	—	42
	—	841	12	853

Mr. Xiang Shimin and Mr. Yang Chengjie were appointed as independent directors of Meike Fujian since August 2007 and for the period from August 2007 to May 2009, respectively. Salaries were paid to them prior to their appointment as independent non-executive directors of the Company.

No directors waived or agreed to waive any emolument paid by the Group during the Track Record Periods and the nine months ended September 30, 2008. No emolument were paid by the Group to any directors as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Periods and the nine months ended September 30, 2008.

14. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group included three directors for the year ended December 31, 2006 and four directors for the year ended December 31, 2007 and 2008 and for the nine months ended September 30, 2008 and 2009, details of whose emoluments are set out in note 13 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended December 31,			Nine months ended	
	2006	2007	2008	September 30, 2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other benefits	450	604	864	603	770
Contributions to retirement benefit scheme	<u>19</u>	<u>17</u>	<u>9</u>	<u>7</u>	<u>8</u>
	<u>469</u>	<u>621</u>	<u>873</u>	<u>610</u>	<u>778</u>

The above individuals' emoluments are within the following bands:

	Year ended December 31,			Nine months ended	
	2006	2007	2008	September 30, 2008	2009
	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
Nil to RMB500,000	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the Track Record Periods and the nine months ended September 30, 2008.

15. EARNINGS PER SHARE

The calculation of basic earnings per share for each of the year ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2008 and 2009 is based on the profit for the year/period attributable to owners of the parent of approximately RMB22,647,000, RMB47,305,000 and RMB49,118,000 and RMB47,189,000 and RMB57,869,000 respectively, and the proposed 750,000,000 ordinary shares in issue as at the date of listing of the Company's shares on the Stock Exchange as described in the sub-section headed "Written resolutions of all our Shareholders passed on January 6, 2010" under the section headed "Further information about our Company" in Appendix VI to the Prospectus, as if the shares were outstanding throughout the entire Track Record Periods.

The Company did not have any potential dilutive shares throughout the Track Record Periods and the nine months ended September 30, 2008.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for owned uses RMB'000	Leasehold improvement RMB'000	Machineries RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:							
As at January 1, 2006	44,540	—	37,150	891	—	—	82,581
Additions	—	—	2,330	316	—	—	2,646
As at December 31, 2006 and January 1, 2007	44,540	—	39,480	1,207	—	—	85,227
Additions	—	388	7,107	1,265	809	4,957	14,526
Disposals	—	—	(1,182)	—	—	—	(1,182)
As at December 31, 2007 and January 1, 2008	44,540	388	45,405	2,472	809	4,957	98,571
Additions	—	199	2,405	948	344	33,203	37,099
Disposals	—	(172)	—	—	—	—	(172)
Transfer from construction in progress	33,355	—	—	—	—	(33,355)	—
As at December 31, 2008 and January 1, 2009	77,895	415	47,810	3,420	1,153	4,805	135,498
Additions	—	—	2,118	541	—	2,468	5,127
Disposals	—	—	(4,048)	—	—	—	(4,048)
Transfer from construction in progress	139	—	151	—	—	(290)	—
As at September 30, 2009	78,034	415	46,031	3,961	1,153	6,983	136,577
ACCUMULATED DEPRECIATION:							
As at January 1, 2006	6,042	—	11,805	630	—	—	18,477
Charge for the year	1,603	—	3,408	132	—	—	5,143
As at December 31, 2006 and January 1, 2007	7,645	—	15,213	762	—	—	23,620
Charge for the year	1,603	65	3,823	195	44	—	5,730
Eliminated on disposals	—	—	(796)	—	—	—	(796)
As at December 31, 2007 and January 1, 2008	9,248	65	18,240	957	44	—	28,554
Charge for the year	1,714	179	4,227	322	96	—	6,538
Eliminated on disposals	—	(86)	—	—	—	—	(86)
As at December 31, 2008 and January 1, 2009	10,962	158	22,467	1,279	140	—	35,006
Charge for the period	2,027	108	3,134	328	78	—	5,675
Eliminated on disposals	—	—	(2,708)	—	—	—	(2,708)
As at September 30, 2009	12,989	266	22,893	1,607	218	—	37,973
CARRYING VALUES:							
As at December 31, 2006	36,895	—	24,267	445	—	—	61,607
As at December 31, 2007	35,292	323	27,165	1,515	765	4,957	70,017
As at December 31, 2008	66,933	257	25,343	2,141	1,013	4,805	100,492
As at September 30, 2009	65,045	149	23,138	2,354	935	6,983	98,604

All the buildings of the Group are situated on land with medium-term land use rights in the PRC.

The above property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis, taking into account their estimated residual values, as follows:

Buildings held for own uses	25 years
Leasehold improvement	2.75 years
Machineries	10 years
Office equipment	5 years
Motor vehicles	10 years

At September 30, 2009, the Group was applying for certificates of ownership for buildings, with net carrying values of approximately RMB641,000 from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

17. PREPAID LEASE PAYMENTS

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
COST				
At 1 January	12,389	12,741	20,952	54,862
Additions	<u>352</u>	<u>8,211</u>	<u>33,910</u>	<u>—</u>
At December 31/September 30	<u>12,741</u>	<u>20,952</u>	<u>54,862</u>	<u>54,862</u>
ACCUMULATED AMORTISATION				
At January 1	1,024	1,252	1,514	2,310
Provided for the year/period	<u>228</u>	<u>262</u>	<u>796</u>	<u>811</u>
At December 31/September 30	<u>1,252</u>	<u>1,514</u>	<u>2,310</u>	<u>3,121</u>
NET CARRYING VALUES				
At December 31/September 30	<u>11,489</u>	<u>19,438</u>	<u>52,552</u>	<u>51,741</u>
Analysed for reporting purposes as:				
Non-current asset	11,234	19,019	51,455	50,644
Current asset	<u>255</u>	<u>419</u>	<u>1,097</u>	<u>1,097</u>
	<u>11,489</u>	<u>19,438</u>	<u>52,552</u>	<u>51,741</u>

The Group's prepaid lease payments are in relation to land use rights in the PRC with lease terms of 50 years.

18. INVESTMENT IN A SUBSIDIARY

The detail of investment in a subsidiary of the Company is as follows:

	As at September 30, 2009 <i>RMB'000</i>
Unlisted investment, at cost	<u>9</u>

19. DEFERRED TAX ASSETS/(LIABILITIES)

The movement in deferred income tax assets is as follows:

	Provision for impairment of assets <i>RMB'000</i>	Unrealised profit on inter-company transaction <i>RMB'000</i>	Total <i>RMB'000</i>
Deferred tax assets arising from:			
At January 1, 2006	407	—	407
Charged to consolidated statement of comprehensive income	<u>(383)</u>	<u>—</u>	<u>(383)</u>
At December 31, 2006 and at January 1, 2007	24	—	24
Charged to consolidated statement of comprehensive income	<u>(24)</u>	<u>—</u>	<u>(24)</u>
At December 31, 2007 and at January 1, 2008	—	—	—
Credited to consolidated statement of comprehensive income	<u>—</u>	<u>298</u>	<u>298</u>
At December 31, 2008 and at January 1, 2009	—	298	298
Credited to consolidated statement of comprehensive income	<u>—</u>	<u>(298)</u>	<u>(298)</u>
At September 30, 2009	<u>—</u>	<u>—</u>	<u>—</u>

The movement in deferred income tax liabilities is as follows:

	Withholding tax on dividends
	<i>RMB'000</i>
Deferred tax liabilities arising from:	
At January 1, 2006	—
Charged to consolidated statement of comprehensive income	<u>—</u>
At December 31, 2006 and at January 1, 2007	—
Charged to consolidated statement of comprehensive income	<u>—</u>
At December 31, 2007 and at January 1, 2008	—
Charged to consolidated statement of comprehensive income	<u>2,296</u>
At December 31, 2008 and at January 1, 2009	2,296
Charged to consolidated statement of comprehensive income	<u>2,964</u>
At September 30, 2009	<u><u>5,260</u></u>

20. INVENTORIES

	As at December 31,		As at September 30,	
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	14,805	28,628	27,180	36,230
Work-in-progress	6,556	6,147	4,700	3,734
Finished goods	<u>28,388</u>	<u>25,052</u>	<u>48,048</u>	<u>22,919</u>
	<u>49,749</u>	<u>59,827</u>	<u>79,928</u>	<u>62,883</u>

21. TRADE AND OTHER RECEIVABLES

The Company

	As at September 30, 2009 <i>RMB'000</i>
Prepayment	<u>3,678</u>

The Group

	As at December 31,			As at September 30,
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	25,904	50,205	81,339	214,654
Other receivables and prepayments				
Other receivables	—	50	677	246
Prepayment	<u>3,353</u>	<u>10,914</u>	<u>12,990</u>	<u>23,528</u>
	3,353	10,964	13,667	23,774
Less: Allowance for impairment loss	<u>(264)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Other receivables and prepayment, net	<u>3,089</u>	<u>10,962</u>	<u>13,665</u>	<u>23,772</u>
Trade and other receivables	<u>28,993</u>	<u>61,167</u>	<u>95,004</u>	<u>238,426</u>

The aging analysis of the Group's trade receivables is as follows:

	As at December 31,			As at September 30,
	2006	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	20,058	40,742	46,770	141,782
91 to 180 days	4,450	5,525	28,905	72,872
181 to 365 days	721	3,938	5,664	—
Over 365 days	<u>675</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>25,904</u>	<u>50,205</u>	<u>81,339</u>	<u>214,654</u>

The Group generally allows an average credit period of 90 to 180 days to its trade customers, except for new customers, where payment in advance is normally required.

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of RMB1,436,000, RMB5,383,000, RMB5,664,000 and RMB Nil as at December 31, 2006, 2007, 2008 and September 30, 2009 respectively, which were past due as at the respective reporting date for which the Group has not provided for impairment loss. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Aging of trade receivables based on payment due date:

	Total	Neither past due nor impaired	Past due but not impaired		
			less than 91 days	91 to 180 days	Over 180 days
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2006	25,904	24,468	480	280	676
December 31, 2007	50,205	44,822	1,567	3,816	—
December 31, 2008	81,339	75,675	3,923	1,741	—
September 30, 2009	<u>214,654</u>	<u>214,654</u>	<u>—</u>	<u>—</u>	<u>—</u>

The gross amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at December 31,			As at
	2006	2007	2008	September 30, 2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	29,257	52,439	91,642	238,428
US\$	<u>—</u>	<u>8,730</u>	<u>3,364</u>	<u>—</u>
Total	<u>29,257</u>	<u>61,169</u>	<u>95,006</u>	<u>238,428</u>

Movement on impairment loss of other receivables is as follows:

	As at December 31,			As at September 30,
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	1,667	264	2	2
Reversal of impairment loss recognised in previous years	<u>(1,403)</u>	<u>(262)</u>	<u>—</u>	<u>—</u>
At December 31/September 30	<u>264</u>	<u>2</u>	<u>2</u>	<u>2</u>

Included in the impairment loss recognised are individually impaired other receivables with an aggregate balance of approximately RMB264,000, RMB2,000, RMB2,000 and RMB2,000 as at December 31, 2006, 2007, 2008 and September 30, 2009 respectively over which the Group did not hold any collateral. The individually impaired receivables mainly related to customers that are in unexpected financial difficulty or of poor credit history. The factors considered by management in determining the impairment are described in Note 4. It was assessed that a portion of the receivables is expected to be recovered.

As at September 30, 2009, certain trade receivables with a carrying amount of approximately RMB4,087,000 were pledged to banks to secure the short term loans of the Group, which is described in Note 25. The loan has been repaid subsequent to September 30, 2009.

Subsequent to September 30, 2009, certain trade receivables with a carrying amount of approximately RMB18,220,000 were pledged to banks on November 27, 2009 to secure the short term loans of the Group, which is described in Part D of this accountant's report.

22. CASH AND BANK BALANCES AND SHORT-TERM BANK DEPOSIT

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Cash and bank	<u>48,289</u>	<u>79,437</u>	<u>57,833</u>	<u>63,022</u>
Bank deposit				
- Term deposit within 3 months	<u>—</u>	<u>—</u>	<u>35,000</u>	<u>35,000</u>
	<u>48,289</u>	<u>79,437</u>	<u>92,833</u>	<u>98,022</u>
Denominated in:				
- HK\$	—	—	50	175
- RMB	48,288	78,414	88,463	97,800
- US\$	<u>1</u>	<u>1,023</u>	<u>4,320</u>	<u>47</u>
	<u>48,289</u>	<u>79,437</u>	<u>92,833</u>	<u>98,022</u>

Bank balances carried interest at average market rates from 0.36% to 0.81% per annum during the Track Record Periods.

Short-term bank deposit carried interest at average market rates from 2.25% to 3.78% per annum during the Track Record Periods.

23. TRADE AND OTHER PAYABLES

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Trade payables	<u>9,716</u>	<u>32,658</u>	<u>32,640</u>	<u>36,753</u>
Other payables and accruals:				
Other payables	4,389	4,405	15,191	11,074
Receipts in advance	2,782	2,066	1,100	275
Accrued payroll and welfare	<u>4,883</u>	<u>6,318</u>	<u>5,662</u>	<u>9,598</u>
	<u>12,054</u>	<u>12,789</u>	<u>21,953</u>	<u>20,947</u>
Trade and other payables	<u>21,770</u>	<u>45,447</u>	<u>54,593</u>	<u>57,700</u>

The aging analysis of trade payables is as follows:

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
0 to 90 days	5,886	26,318	20,281	25,982
91 to 180 days	1,511	1,148	8,852	5,619
181 to 365 days	169	2,792	2,872	3,977
Over 365 days	<u>2,150</u>	<u>2,400</u>	<u>635</u>	<u>1,175</u>
Trade payables	<u>9,716</u>	<u>32,658</u>	<u>32,640</u>	<u>36,753</u>

24. AMOUNTS DUE FROM (TO) A DIRECTOR AND RELATED COMPANIES AND SUBSIDIARIES

The Company

The amount due to a director and a subsidiary and fellow subsidiaries are unsecured, interest-free and repayable on demand.

	Nine months ended September 30, 2009 <i>RMB'000</i>
Amount due to	
- Mr. Ding Siqiang (Notes 1 and 4)	<u>79</u>
Amounts due to a subsidiary and fellow subsidiaries	<u>5,481</u>

The Group

The amounts due from (to) a director and related companies are unsecured, interest-free and repayable on demand.

During the reporting period, a director and a related company have debit balances as follows:

	2006 <i>RMB'000</i>	Year ended 2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	Nine months ended September 30, 2009 <i>RMB'000</i>
Amount due from				
- Mr. Ding Siqiang (Notes 1 and 4)	<u>—</u>	<u>—</u>	<u>37</u>	<u>—</u>
Maximum debt balance during the reporting year/period	<u>18,203</u>	<u>148</u>	<u>985</u>	<u>871</u>
Amounts due from related companies				
- 福建晋江市恒強鞋塑發展有限公司 (Note 2)	97	—	—	—
- 恒強(中國)有限公司 (Notes 3 and 4)	<u>508</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>605</u>	<u>—</u>	<u>—</u>	<u>—</u>
Maximum debt balance during the reporting period				
- 福建晋江市恒強鞋塑發展有限公司	97	97	—	—
- 恒強(中國)有限公司	<u>508</u>	<u>508</u>	<u>—</u>	<u>—</u>
Amount due to				
- Mr. Ding Siqiang (Notes 1 and 4)	<u>(4)</u>	<u>(1,404)</u>	<u>—</u>	<u>(85)</u>

Notes:

- 1) Mr. Ding Siqiang is the director and shareholder of the Company.
- 2) Mr. Ding Siqiang is a shareholder of 福建晉江市恒強鞋塑發展有限公司.
- 3) Mr. Ding Siqiang is holding 80% of 恒強(國際)有限公司, which is the ultimate holding company of 恒強(中國)有限公司.
- 4) The balances are related to payment on behalf of a director and related companies.

The directors of the Company have confirmed that the amount due to a director had been settled after September 30, 2009.

25. INTEREST-BEARING BANK LOANS

At the end of each reporting period, the bank loans were repayable as follows:

	As at December 31,			As at
	2006	2007	2008	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	64,000	95,000	118,000	191,500
After 1 year but within 2 years	—	—	17,000	—
	<u>64,000</u>	<u>95,000</u>	<u>135,000</u>	<u>191,500</u>
Current portion analysed for reporting purposes as:				
Short-term loans	64,000	95,000	101,000	157,500
Current portion of long-term loans	—	—	17,000	34,000
	<u>64,000</u>	<u>95,000</u>	<u>118,000</u>	<u>191,500</u>

	As at December 31,			As at
	2006	2007	2008	September 30, 2009
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed rate bank borrowings:				
Within 1 year	64,000	90,000	84,000	50,000
After 1 year but within 2 years	—	—	17,000	—
	64,000	90,000	101,000	50,000
Variable rate bank borrowings:				
Within 1 year	—	5,000	34,000	141,500
	64,000	95,000	135,000	191,500
Unsecured	—	—	24,000	—
Secured	—	—	54,000	128,500
Guaranteed	64,000	95,000	57,000	63,000
	64,000	95,000	135,000	191,500

All bank loans in the consolidated statements of financial position are denominated in RMB.

As at December 31, 2008 and September 30, 2009, secured bank loans with carrying value of RMB54,000,000 and RMB110,000,000 respectively were secured by prepaid land lease payments and buildings held for owned uses of the Group. As at September 30, 2009, a secured bank loan with carrying value of approximately RMB18,500,000 was secured by account receivables of Meike Quanzhou.

In addition, certain bank loans as at December 31, 2006, 2007 and 2008 and September 30, 2009 were jointly guaranteed by directors of the Company and/or a related company. Details of guarantee are disclosed in note 32.

The effective interest rate per annum at the end of each reporting period dates ranged from:

	December 31, 2006		December 31, 2007		December 31, 2008		September 30, 2009	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate borrowings								
Bank loans	5.58% - 6.12%	64,000	4.93% - 6.32%	90,000	6.80% - 7.47%	101,000	6.80% - 7.47%	50,000
Variable rate borrowings								
Bank loans	N/A	—	8.75%	5,000	7.33% - 8.96%	34,000	3.72% - 5.84%	141,500
		64,000		95,000		135,000		191,500

26. PAID IN CAPITAL/SHARE CAPITAL

The Company

Authorised and issued share capital:

	As at September 30, 2009	
	Number of	
	shares	'000
Authorised		
Ordinary shares of HK\$0.01 each	38,000,000	HK\$380
Equivalent to		RMB335
Ordinary shares, issued and fully paid		RMB'000
June 25, 2009	1	—
Share issue arising from corporate reorganization	<u>999,999</u>	<u>9</u>
As at September 30, 2009	<u>1,000,000</u>	<u>9</u>

The Company was incorporated on June 25, 2009 with an authorised share capital of HK\$380,000 at shares of HK\$0.01 each. Pursuant to the Corporate Reorganization, on September 10, 2009, the Company acquired the entire issued share capital of Amber Jungle from Glory Hill Enterprises Limited, and in consideration thereof, a total of 999,999 shares of the Company were issued and allotted to Glory Hill Enterprises Limited, which is wholly owned by Mr. Ding Siqiang.

Pursuant to a board resolution dated January 6, 2010, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional of 9,962,000,000 shares, which is described in Part D of this accountant's report.

The Group

- a) Paid in capital/share capital presented in the Financial Information represents consolidated aggregate of paid in capital/share capital of the companies now comprising the Group attributable to Mr. Ding Siqiang, common beneficial controlling owner of those companies now comprising the Group throughout the Track Record Periods, at respective reporting dates of the Track Record Periods and September 30, 2008.

The balances as at January 1, 2006 and December 31, 2006 represent the paid in capital of Meike Fujian, and the balances as at December 31, 2007 and 2008 represent the share capital of Meike Fujian attributable to Mr. Ding Siqiang. The Company was incorporated on June 25, 2009 and the Group Reorganization was completed on September 10, 2009. The balance as at September 30, 2009 represents the aggregate of share capital of the Company.

- b) On October 17, 2006, capital injection represents cash injection from non-controlling shareholders to increase in paid-in capital of Meike Fujian.
- c) On February 1, 2007, capital injection represents cash injection for a non-controlling shareholder to increase paid in capital of Fujian Meisike.
- d) On December 5, 2007, the retained earnings and the statutory reserves were transferred to paid in capital and share premium reserve of Meike Fujian pursuant to its corporate restructuring to a joint stock limited enterprise.
- e) On December 5, 2007, Meike HK acquired 25% equity interest of Fujian Meisike from non-controlling shareholder by cash.
- f) On June 23, 2009, the controlling shareholder acquired 13% equity interest of Fujian Meike from non-controlling shareholders by cash.
- g) The Company was incorporated on June 25, 2009. The capital injection represents cash injection from Glory Hill to increase the paid-in capital of the Company.
- h) On September 10, 2009, the Company acquired 100% equity interest of Amber Jungle and its subsidiaries. The issued shares represents the consideration to acquire the equity interest of Amber Jungle in the event of share swap.

27. RESERVES

The change in the Company's reserve comprises the accumulated loss from the date of incorporation to September 30, 2009.

Statutory reserve

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

Distributability of reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend by reference to the profits as reflected in their PRC statutory financial statements prepared in accordance with PRC GAAP. These profits differ from those reflected in this report, which are determined in accordance with HKFRSs.

The Company was incorporated on June 25, 2009 and did not have any distributable reserves up to the end of the Track Record Periods. On the basis set forth in Section A, the aggregate amounts of distributable reserves at December 31, 2006, 2007 and 2008 and September 30, 2009 of the companies comprising the Group representing retained earnings of PRC subsidiaries under PRC GAAP.

Since the formation of the Company, the Company had relied on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC companies to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

Other reserves

The other reserves comprises the cumulative net non-controlling interests upon the transfer of interests and the reserves arising from corporate reorganization.

28. OPERATING LEASES ARRANGEMENTS

At the respective reporting dates of the Track Record Periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Within one year	—	1,074	743	1,913
In the second to fifth years, inclusive	—	1,072	417	603
	—	2,146	1,160	2,516

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average of 2.75 years.

29. CAPITAL COMMITMENTS

Capital commitments in respect of construction in progress outstanding at the respective reporting dates of the Track Record Periods not provided for in the Financial Information were as follows:

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Contracted but not provided for	—	16,775	6,855	—

30. PLEDGED OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank loans of the Group (note 25):

	As at December 31,			As at
	2006	2007	2008	September 30,
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Prepaid lease payments	—	9,078	10,838	49,795
Buildings held for own use	—	24,535	30,548	43,400
Trade receivables	—	—	—	4,087
	<u>—</u>	<u>33,613</u>	<u>41,386</u>	<u>97,282</u>

31. RETIREMENT BENEFIT SCHEMES

As stipulated by the rules and regulations in the PRC, the Group contributes to the retirement funds scheme managed by local social security bureau in the PRC. The Group contributes a certain percentage of the basic salaries of its employees to the retirement plan to fund the benefits.

The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. During the Track Record Periods and the nine months ended September 30, 2008, the total retirement benefit scheme contributions charged to the consolidated statements of comprehensive income amounted to approximately RMB87,000, RMB1,213,000, RMB3,452,000, RMB2,878,000 and RMB2,741,000 respectively.

32. MATERIAL RELATED PARTY TRANSACTIONS

(i) In addition to the balances disclosed in note 24 to the Financial Information, the Group entered into the following related party transactions:

(a) During the years ended December 31, 2007, 2008 and nine months ended September 30, 2008 and 2009, the Group leased certain interest in leasehold land held for own use under operating leases and buildings from a related company, 恒強(中國)有限公司 at total rental expenses of RMB723,000, RMB753,000, RMB565,000 and RMB642,000 respectively. Mr. Ding Siqiang is holding 80% of 恒強(國際)有限公司, which is the ultimate holding company of 恒強(中國)有限公司. In addition, Ms. Ding Xueleng and Mr. Lin Yangshan were directors of 恒強(中國)有限公司, who resigned as directors on March 6, 2007 and August 25, 2008.

On December 23, 2006, the Group concluded a purchase agreement with 恒強(中國)有限公司. During the years ended December 31, 2007, 2008 and nine months ended September 30, 2008, the annual purchase from 恒強(中國)有限公司 amounted to approximately RMB1,855,000, RMB668,000 and RMB668,000 respectively.

- (b) As at December 31, 2006, 2007 and 2008, certain bank loans of the Group of RMB9,000,000, RMB31,000,000 and RMB15,000,000 were guaranteed by 福建省名樂體育用品有限公司, a company owned by Mr. Ding Siliang, who is the brother of Mr. Ding Siqiang. As at December 31, 2008, certain bank loans of the Group of RMB23,000,000 were jointly guaranteed by 福建省名樂體育用品有限公司 and Mr. Ding Siqiang and Ms. Ding Xueleng, directors of the Company. These guarantees were released on June 23, 2009.
- (c) As at December 31, 2007 and 2008, certain bank loans of the Group of RMB5,000,000 and RMB11,000,000 were guaranteed by the directors of the Company, Mr. Ding Siqiang and Ms. Ding Xueleng.

During the year ended December 31, 2008, certain bank loan of the Group of RMB18,000,000 was jointly guaranteed by a third party and the directors of the Company, Mr. Ding Siqiang and Ms. Ding Xueleng.

- (d) During the year ended December 31, 2007, the Group had concluded sale transactions of approximately RMB14,257,000 with 金海若(廈門)體育用品有限公司, a company owned by Mr. Lin Yangshan, a director of the Company.
- (e) During the year ended December 31, 2007, the Group had entered into an intangible asset transfer agreement with 福建美克恒強體育用品有限公司, a company owned by Mr. Ding Siqiang, a director of the Company. The Group acquired trademarks owned by 福建美克恒強體育用品有限公司 at zero consideration.
- (f) During the year ended December 31, 2007, Meike HK acquired additional 35% of the equity interests in Meike Quanzhou from a family member of the director, Mr. Ding Siqiang at nil consideration.

In the opinion of the directors of the Company, the transactions (a) and (d) between the Group and the abovementioned related parties were conducted in the ordinary and usual course of business and on normal commercial terms.

The directors of the Company confirmed the transactions (e) and (f) concluded under materially agreed terms.

In the opinion of directors of the Company, except for the transactions (a), the transactions (b) to (f) will not be continued upon the listings of the Company's shares on the Stock Exchange.

(ii) Key management compensation

The remunerations of directors and other members of key management were disclosed in Notes 13 and 14 respectively.

C. ULTIMATE HOLDING COMPANY

Prior to the completion of the Group Reorganization, the ultimate holding company of the companies comprising the Group was Meike Fujian. Glory Hill Enterprise Limited became the ultimate holding company of the Group on July 16, 2009. On September 10, 2009, the Group Reorganization was completed and since then, the Company has become the holding company of the Group.

D. SUBSEQUENT EVENTS

The following events took place subsequent to September 30, 2009:

Subsequent to September 30, 2009, a bank loan of approximately RMB18,500,000 has been borrowed on November 27, 2009. Certain trade receivables with a carrying amount of approximately RMB18,220,000 were pledged to banks on the same date to secure the short term loan of the Group.

Pursuant to board resolutions dated December 9, 2009, December 11, 2009 and January 4, 2010, the Company declared dividends of approximately RMB23,804,000, RMB8,448,000 and RMB 15,620,000 respectively. Such dividends were fully paid before listing.

Pursuant to a board resolution dated January 6, 2010, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional of 9,962,000,000 shares.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group in respect of any period subsequent to September 30, 2009.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lo Wa Kei

Practising Certificate Number: P03427

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by the reporting accountants of the Company, SHINEWING (HK) CPA LIMITED as set out in Appendix I to this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report as set out in Appendix I to this Prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets ("Unaudited Pro Forma NTA") of the Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Placing and Public Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as of September 30, 2009 as if the Placing and Public Offer had taken place on September 30, 2009.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at September 30, 2009 or at any future dates following the Placing and Public Offer. It is prepared based on the consolidated net tangible assets of the Group as at September 30, 2009 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to the owners of the Parent as at September 30, 2009	Estimated net proceeds from the Placing and Public Offer	Unaudited pro forma adjusted net tangible assets attributable to the owners of the Parent	Unaudited pro forma adjusted net tangible assets per Share	Unaudited pro forma adjusted net tangible assets per Share
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on the Offer Price of HK\$1.20 per Share	<u>291,420</u>	<u>245,823</u>	<u>537,243</u>	<u>0.54</u>	<u>0.61</u>
Based on the Offer Price of HK\$1.43 per Share	<u>291,420</u>	<u>294,804</u>	<u>586,224</u>	<u>0.59</u>	<u>0.67</u>

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Parent as at September 30, 2009 are arrived based on our audited consolidated net tangible assets of approximately RMB291,420,000 as at September 30, 2009 extracted from the Accountants' Report set out in Appendix I to this Prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Placing and Public Offer are based on the Offer Price of HK\$1.20 and HK\$1.43 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. The calculation of the estimated net proceeds adjusted from the Placing and Public Offer does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Placing and Public Offer payable to the Company as described in note (2) and on the basis that a total of 1,000,000,000 Shares were in issue as at September 30, 2009 (including Shares in issue as at the date of this Prospectus and those Shares to be issued pursuant to the Placing and Public Offer and the Capitalisation Issue).
- (4) The unaudited pro forma adjusted net tangible asset per Share is translated into HK\$ at exchange rate of RMB0.88 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (5) Details of valuation of the Group's properties interest as at October 31, 2009 are set out in Appendix IV to this Prospectus. The Group will not incorporate the revaluation surplus or deficit in its financial statements for the year ended December 31, 2009. It is the Group's accounting policy to state its land use rights and property, plant and equipment at cost less accumulated depreciation/amortisation and any impairment losses in accordance with the relevant HKASs, rather than at revalued amounts. With reference to the valuation of the Group's property interests as set out in Appendix IV to this Prospectus, there was a revaluation surplus of the Group's lands and properties of approximately RMB21,745,000. If the revaluation surplus was incorporated in the Group's financial statements for the year ended December 31, 2009, an additional depreciation charge of approximately RMB863,000 per annum would be incurred.

**(B) LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants of our Group, SHINEWING (HK) CPA Limited in respect of the unaudited pro forma financial information.



January 19, 2010

The Board of Directors
Meike International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Meike International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) (the “Unaudited Pro Forma Financial Information”), which has been prepared by the directors of the Company (the “Directors”) for illustrative purpose only, to provide information about how the placing and public offer might have affected the financial information presented, for inclusion in Appendix II to the prospectus dated January 19, 2010 of the Company (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Director. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at September 30, 2009 or any future date; and
- the results of the Group for the period ended September 30, 2009 or any future period.

We make no comments regarding the reasonableness of the amount of net proceeds from the issue of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future Plans and Use of Proceeds” as set out in the Prospectus.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lo Wa Kei

Practising Certificate Number: P03427

Hong Kong

The estimate of the consolidated net profit of our Group for the year ended December 31, 2009 is set out in the paragraph headed “Profit estimate” in the section headed “Financial Information” in this prospectus.

(1) BASIS

The estimate of the consolidated net profit of our Group for the financial year ended December 31, 2009 prepared by our Directors is based on the audited consolidated accounts of our Group for the nine months ended September 30, 2009, the unaudited consolidated management accounts of our Group for the two months ended November 30, 2009 and an estimate of the consolidated results of our Group for the one month ended December 31, 2009. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the accountants’ report, the text of which is set out in Appendix I to this prospectus.

(2) LETTERS

Set out below are texts of letters received by our Directors from (i) SHINEWING (HK) CPA Limited, the reporting accountants of the Company, and (ii) the Sponsor, prepared for inclusion in this prospectus in connection with the profit estimate of our Group for the year ended December 31, 2009.

(i) Letter from Shinewing (HK) CPA Limited

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

January 19, 2010

The Board of Directors
Meike International Holdings Limited
China Merchants Securities (HK) Co., Limited

Dear Sirs,

Meike International Holdings Limited (the “Company”) and its subsidiaries (the “Group”)

We have reviewed the accounting policies adopted and calculations made in arriving at the estimate of the consolidated profit of the Group for the year ended December 31, 2009 attributable to equity holders of the Company (the “Profit Estimate”), for which the directors of the Company (the “Directors”) are solely responsible, as set out in the prospectus dated January 19, 2010 issued by the Company (the “Prospectus”). The Profit Estimate is prepared based on (i) the audited consolidated results of the Group for the nine months ended September 30, 2009 and (ii) the unaudited consolidated results of the Group as shown in the unaudited management accounts of the Group prepared by the Directors for the two months ended November 30, 2009 and (iii) an estimate of the unaudited consolidated results of the Group for the remaining one month ended December 31, 2009.

In our opinion, the Profit Estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis adopted by the Directors as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report on the financial information of the Group for the three years ended December 31, 2008 and the nine months ended September 30, 2009 as set out in Appendix I to the Prospectus.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Lo Wa Kei

Practising Certificate Number: P03427

Hong Kong

(ii) Letter from the Sponsor



48/F, One Exchange Square
Central
Hong Kong

January 19, 2010

The Board of Directors
Meike International Holdings Limited
Meike Industrial Park
Xibian Village
Chendai Town
Jinjiang City
Fujian Province
the PRC

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to equity holders of Meike International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended December 31, 2009 (the “**Profit Estimate**”) as set out in the prospectus issued by the Company dated January 19, 2010 (the “**Prospectus**”).

We understand that the Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the nine months ended September 30, 2009, the unaudited consolidated results of the Group for the two month ended November 30, 2009 and a estimate of the consolidated results of the Group for the remaining one month ended December 31, 2009.

We have discussed with you the basis made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated January 19, 2010 addressed to yourselves and ourselves from SHINEWING (HK) CPA Limited regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by SHINEWING (HK) CPA Limited, we are of the opinion that the Profit Estimate, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
China Merchants Securities (HK) Co., Limited
Tony Wu
Managing Director and
Head of Investment Banking Department

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at October 31, 2009 of the properties held or leased by the Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

January 19, 2010

The Directors

Meike International Holdings Limited

Meike Industrial Park

Xibian Village

Chendai Town

Jinjiang City

Fujian Province

the PRC

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Meike International Holdings Limited (the “Company”) for us to value the properties held or leased by the Company and / or its subsidiaries (together referred to as the “Group”) located in the People’s Republic of China (the “PRC”) (the “properties”). We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such properties as at October 31, 2009 (the “date of valuation”).

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties of the Group is categorized into the following groups:

- Group I — Properties held by the Group for owner-occupation in the PRC
- Group II — Property held by the Group for future development in the PRC
- Group III — Properties leased by the Group in the PRC

VALUATION METHODOLOGIES**Group I**

For Property Nos. 1 and 2, the properties have been valued by the Depreciated Replacement Cost Approach due to the inherent nature of usage and lack of market sales comparables. Depreciated Replacement Cost is defined as “the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement.” This basis has been used due to the lack of an established market upon which to base comparable transactions. However, this approach generally furnishes the most reliable indication of value for assets without a known used market. This opinion of values does not necessarily represent the amount that might be realized from the dispositions of the subject assets in the open market and is subject to adequate potential profitability of the business.

Group II

In valuing Property No. 3, we have valued it on an open market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the property and the comparables in terms of time, location, size and other relevant factors.

Group III

In valuing the properties leased by the Group in the PRC, we are of the opinion that they have no commercial value either because of their non-assignability in the open market or there are prohibitions against assignment and / or subletting contained in the tenancy agreements or the lack of marketable and substantial profit rents.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may

not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group and Group's PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) regarding the titles of the properties. All documents have been used for reference only.

In valuing the interests in the properties leased by the Group, we have been provided with copies of the tenancy agreements relating to the properties located in the PRC. However, we have not searched the titles of the properties and have not scrutinized the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the open market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which might serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties, we have relied on the advice given by the Group and the legal opinion of the Group's PRC legal advisor that the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted rights to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site / floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site / floor areas in respect of the properties but have assumed that the site / floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on the Group's confirmation that no material facts have been omitted from the information so supplied.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfers.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
MHKIS, MCI Arb, AFA, SIFM, FCIM,
MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Notes:

Dr. Tony C. H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 17 years' experience in valuations of properties in the People's Republic of China.

Ms. Joannau W. F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 11 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No. Property	Market Value in existing state as at October 31, 2009 RMB
Group I — Properties held by the Group for owner-occupation in the PRC	
1. An industrial complex located at No. 108 Yanjiang Road, Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC	57,600,000
中國福建省晉江市陳埭鎮溪邊村沿江路108號之工業城	
2. An industrial complex located at No. 180 Shanxia Street, Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province, the PRC	44,100,000
中國福建省泉州市惠安縣山霞鎮山霞村山霞街180號之工業城	
Sub-total:	<u>101,700,000</u>
Group II — Property held by the Group for future development in the PRC	
3. Two land parcels located at No. 180 Shanxia Street, Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province, the PRC	37,400,000
中國福建省泉州市惠安縣山霞鎮山霞村山霞街180號之兩幅土地	
Sub-total:	<u>37,400,000</u>

No. Property	Market Value in existing state as at October 31, 2009 RMB
Group III — Properties leased by the Group in the PRC	
4. Two factory buildings located at No. 109 Yanjiang Road, Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC 中國福建省晉江市陳埭鎮溪邊村沿江路109號之兩棟廠房	No Commercial Value
5. A warehouse located at No. 107 of Yexia Area Zone 6, Cangshan Science and Technology Park, Cangshan District, Fuzhou City, Fujian Province, the PRC 中國福建省福州市倉山區倉山科技園葉廈片6區107號之倉庫	No Commercial Value
6. Shop Unit 01, Block 2, Zone A of Binhai Carnival, Shoushan Road, Cangshan District, Fuzhou City, Fujian Province, the PRC 中國福建省福州市倉山區首山路濱海嘉年華A區2號樓01店面	No Commercial Value
7. Shop Units 5 and 6, Building No. 4, Xiti City Plaza, No. 47 Junzhu Road, Mawei District, Fuzhou City, Fujian Province, the PRC 中國福建省福州市馬尾區君竹路47號西提城市廣場4號樓5及6號店面	No Commercial Value

No. Property	Market Value in existing state as at October 31, 2009 RMB
<p>8. A retail shop located at No. 86 Ganzhejiexin Road, Minhou County, Fuzhou City, Fujian Province, the PRC</p> <p>中國福建省福州市閩侯縣甘蔗街心路86號之商舖</p>	No Commercial Value
<p>9. A retail shop located at No. 235 Guer Village, Gushan Town, Jinan District, Fuzhou City, Fujian Province, the PRC</p> <p>中國福建省福州市晉安區鼓山鎮鼓二村235號之商舖</p>	No Commercial Value

Sub-total:	Nil

Grand-total:	139,100,000
	=====

VALUATION CERTIFICATE

Group I — Properties held by the Group for owner-occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB										
1.	An industrial complex located at No. 108 Yanjiang Road, Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC	The property comprises 3 contiguous leveled land parcels, namely Land Parcel I, Land Parcel II and Land Parcel III, with a total site area of approximately 35,993 sq.m. (or about 387,429 sq.ft.) and 15 single- to 7-storey buildings and various ancillary structures erected thereon completed in various stages between 2000 and 2003. The site areas of the land parcels are tabulated as below:	The property is occupied by the Group for industrial purpose.	57,600,000										
	中國福建省晉江市 陳埭鎮溪邊村沿江 路108號之工業城	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Land Parcel</th> <th style="text-align: right;">Site Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>I</td> <td style="text-align: right;">5,420</td> </tr> <tr> <td>II</td> <td style="text-align: right;">5,890</td> </tr> <tr> <td>III</td> <td style="text-align: right;"><u>24,683</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>35,993</u></td> </tr> </tbody> </table>	Land Parcel	Site Area (sq.m.)	I	5,420	II	5,890	III	<u>24,683</u>	Total:	<u>35,993</u>		
Land Parcel	Site Area (sq.m.)													
I	5,420													
II	5,890													
III	<u>24,683</u>													
Total:	<u>35,993</u>													
		<p>The total gross floor area (“GFA”) of the buildings is approximately 53,067.44 sq.m. (or about 571,218 sq.ft.).</p> <p>The buildings include an office & dormitory building, 5 industrial buildings, 4 dormitory buildings, 4 security rooms and a power distribution room.</p> <p>The major ancillary structures mainly include gates, roads, walls, etc.</p> <p>The land use rights of Land Parcel I and Land Parcel III have been granted for a common term expiring on June 25, 2055 for industrial use. The land use rights of Land Parcel II have been granted for a term expiring on March 25, 2057 for industrial use.</p>												

Notes:

1. Pursuant to 5 State-owned Land Use Rights Grant Contracts (國有土地使用權出讓合同) entered into between Jinjiang City State-owned Land Resources Bureau (晉江市國土資源局) and Hengqiang (Fujian) Footwear Plastic Development Co., Ltd. (恆強(福建)鞋塑發展有限公司) (referred to as “Hengqiang Fujian”), the former agreed to grant to the latter the land use rights of the property with a total site area of 35,993 sq.m. at a total land premium of RMB3,078,033 for terms of 50 years for industrial use. The salient details of the contracts are as follows:

Contract No.	Date of Issue	Commencement Date	Site Area (sq.m.)	Land Premium (RMB)
Jin Di He (2006) Ji Zi Di No. 28 (晉地合(2006)集字第28號)	June 15, 2006	June 25, 2005	1,800	86,400
Jin Di He (2006) Bu Zi Di No. 50 (晉地合(2006)補字第50號)	June 15, 2006	June 25, 2005	1,560	74,880
Jin Di He (2006) Bu Zi Di No. 51 (晉地合(2006)補字第51號)	June 15, 2006	June 25, 2005	5,000	127,500
Jin Di He Shen (2006) Bu Zi Di No. 046 (晉地合審(2006)補字第046號)	August 13, 2006	July 26, 2006	1,296	972,000
Jin Di He (2007) Qing Xie Zi Di No. 061 (晉地合(2007)清協字第061號)	April 27, 2007	March 25, 2007	26,337	1,817,253
		Total:	35,993	3,078,033

2. Pursuant to 3 State-owned Land Use Rights Certificates (國有土地使用證) issued by Jinjiang City State-owned Land Resources Bureau (晉江市國土資源局), the land use rights of the property with a total site area of 35,993 sq.m. have been granted to Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) (which was formerly known as Hengqiang Fujian) (referred to as “Fujian Meike”) for industrial use. The salient terms and conditions are summarized as follows:

Land Parcel	Certificate No.	Date of Issue	Land Use Rights Expiry Date	Site Area (sq.m.)
I	Jin Guo Yong (2009) Di No. 00891 (晉國用(2009)第00891號)	October 13, 2009	June 25, 2055	5,420
II	Jin Guo Yong (2009) Di No. 00728 (晉國用(2009)第00728號)	August 24, 2009	March 25, 2057	5,890
III	Jin Guo Yong (2009) Di No. 00892 (晉國用(2009)第00892號)	October 13, 2009	June 25, 2055	24,683
			Total:	35,993

APPENDIX IV

PROPERTY VALUATION

3. Pursuant to 2 Building Ownership Certificates (房屋所有權證) issued by Jinjiang City Planning, Development and Real Estate Management Bureau (晉江市規劃建設與房產管理局) both dated November 19, 2009, the building ownership rights of 10 buildings with a total GFA of approximately 52,744.1 sq.m. are legally owned by Fujian Meike for industrial use. The details of which are summarized in the table below:

No.	Certificate No.	Building	No. of Storeys	Year of Completion	GFA (sq.m.)
1.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000679 (晉房權證陳埭字第000679號)	F樓	3	2003	6,919.9
2.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000679 (晉房權證陳埭字第000679號)	6號宿舍	6	2001	4,251.2
3.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權證陳埭字第000680號)	化工樓 (A幢)	3	2002	981.6
4.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權證陳埭字第000680號)	鞋廠一 (C幢)	3	2001	13,662.7
5.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權證陳埭字第000680號)	高頻樓 (D幢)	5	2001	6,597.4
6.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權證陳埭字第000680號)	綜合樓	3	2002	3,333.8
7.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權證陳埭字第000680號)	辦公樓連宿舍	4	2000	5,305.8
8.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權證陳埭字第000680號)	3號宿舍	6	2001	2,453.0
9.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權證陳埭字第000680號)	2號宿舍	4	2000	3,659.7
10.	Jin Fang Quan Zheng Chen Dai Zi Di No. 000680 (晉房權陳埭字第000680號)	5號宿舍	7	2001	5,579.0
				Total:	<u>52,744.1</u>

4. For the remaining 5 buildings with a total GFA of approximately 323.34 sq.m., we have not been provided with any title certificates.

5. The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Grant Contracts	Yes
State-owned Land Use Rights Certificates	Yes
Building Ownership Certificates	Yes

6. As advised by the Group, there are 5 buildings with a total GFA of approximately 323.34 sq.m. without title certificates as stated in Note 4. Thus, we cannot attribute any commercial value to them. For your reference purposes, we are of the opinion that the depreciated replacement cost of such buildings would be in the sum of approximately RMB220,000 on the assumption that the aforesaid title documents have been obtained if the Group can strictly comply with the stipulated procedures and submit all the required application documents. The details of the 5 buildings are summarized in the table below:

No.	Building	No. of Storeys	Year of Completion	GFA (sq.m.)
1.	西保安室	1	2002	14.18
2.	南保安室	1	2002	22.90
3.	北保安室	1	2002	15.84
4.	新大門保安室	1	2002	40.47
5.	配電房	1	2002	229.95
Total:				<u>323.34</u>

7. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), 14080121-Year 2009 Jinjiang (Di) Zi No. 0275 (14080121-2009年晉江(抵)字0275號) and 3 Liquidity Loan Agreements (流動資金借款合同), entered into between Fujian Meike and Industrial and Commercial Bank of China Limited — Jinjiang Chendai Branch (中國工商銀行股份有限公司晉江陳埭支行) on various dates, the former has mortgaged the land use rights of Land Parcel III with a site area of 24,683 sq.m. and building ownership rights of 8 buildings with a total GFA of approximately 41,573 sq.m. of the property to the latter as security for 3 loans with a total loan amount of RMB43,000,000. The purpose of the bank loans is to provide additional working capital for the Group. The salient details of the 3 Liquidity Loan Agreements are as follows:

Agreement No.	Date of Issue	Loan Commencement Date	Loan Expiry Date	Loan Amount (RMB)
14080121-Year 2009 Jinjiang Zi Di No. 0926 (14080121-2009年晉江字第0926號)	December 29, 2009	December 29, 2009	December 21, 2011	17,000,000
14080121-Year 2008 Jinjiang Zi Di No. 0175 (14080121-2008年晉江字第0175號)	March 19, 2008	March 19, 2008	March 10, 2010	17,000,000
14080121-Year 2009 Jinjiang Zi No. 0526 (14080121-2009年晉江字0526號)	July 8, 2009	July 8, 2009	June 20, 2010	9,000,000
Total:				<u>43,000,000</u>

8. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), No. 35906200800002797 and a Loan Agreement (借款合同), No. 35101200900003190, entered into between the Group and Agricultural Bank of China — Jinjiang Branch (中國農業銀行晉江市支行) dated April 16, 2008 and April 23, 2009 respectively, the former has mortgaged the land use rights of Land Parcel I with a site area of 5,420 sq.m. and building ownership rights of 2 buildings with a total GFA of approximately 11,171.1 sq.m. of the property to the latter as security for a loan amount of RMB11,000,000 for a term of 1 year from April 23, 2009 to March 22, 2010. The purpose of the bank loan is to provide additional working capital for the Group.

9. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
 - a. The land use rights and the building ownership rights of the property except the buildings mentioned in Note 6 are legally vested in Fujian Meike;

 - b. All land premium has been settled in full;

 - c. The existing uses of the property are in compliance with its registered uses;

 - d. Fujian Meike has the rights to legally use and occupy the property; however, due to portions of the property are subject to mortgages, Fujian Meike cannot transfer, lease or otherwise dispose of the said portions of the property without consent from the mortgagees;

 - e. The property is not subject to other material encumbrances except the mortgages mentioned in Notes 7 and 8; and

 - f. Fujian Meike is subject to a risk of fine and those buildings without title certificates may be demolished from which all the losses and costs generated will be fully indemnified by Mr. Ding Siqiang, the Chairman and President of the Company. In addition, since the GFA of such buildings used as guard rooms or power distribution room is not significant, the financial condition and daily operation of Fujian Meike will not be seriously affected.

10. Fujian Meike is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
2.	An industrial complex located at No. 180 Shanxia Street, Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市惠安縣山霞鎮山霞村山霞街180號之工業城	<p>The property comprises a leveled land parcel with a site area of approximately 41,798 sq.m. (or about 449,914 sq.ft.) and 8 single- to 4-storey buildings and various structures erected thereon completed in between 2008 and 2009 (the “completed property”).</p> <p>The total gross floor area (“GFA”) of the buildings is approximately 14,737.6 sq.m. (or about 158,635 sq.ft.).</p> <p>The buildings include an office building, 3 industrial buildings, a dormitory building, a power distributing room and a gate chamber room.</p> <p>The major structures mainly include gates, roads, walls, sea walls, etc.</p> <p>In addition to the completed property, the property also comprises a building under development (the “CIP”).</p> <p>The CIP is proposed to be developed into a dormitory building with a planned GFA of approximately 7,168.5 sq.m. (or about 77,162 sq.ft.) upon completion. The estimated total construction cost is approximately RMB9,079,389, of which approximately RMB4,198,681 had been paid up to the date of valuation. The construction works of the CIP are scheduled to be completed in about June 2010.</p> <p>The land use rights of the property have been granted for a term expiring on June 30, 2057 for industrial use.</p>	The property is occupied by the Group for industrial purpose.	44,100,000

Notes:

- Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同) entered into between The People’s Republic of China Fujian Province Huian County State-owned Land Resources Bureau (中華人民共和國福建省惠安縣國土資源局) and Quanzhou Meike Sports Goods Co., Ltd. (泉州市美克體育用品有限公司) (referred to as “Quanzhou Meike”) dated June 5, 2007, the former agreed to grant to the latter the land use rights of the property with a site area of 41,798 sq.m. at a total land premium of RMB5,329,245 for a term of 50 years for industrial use.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Hui Guo Yong (2007) Chu Zi Di No. 090038 (惠國用(2007)出字第090038號), issued by Huian County Stated-owned Land Resources Bureau (惠安縣國土資源局) dated November 24, 2007, the land use rights of the property with a total site area of 41,798 sq.m. have been granted to Quanzhou Meike for a term expiring on June 30, 2057 for industrial use.
3. Pursuant to 2 Building Ownership Certificates (房屋所有權證) issued by Huian County Planning and Construction Bureau (惠安縣規劃建設局) both dated June 2, 2009, the building ownership rights of 7 buildings with a total GFA of approximately 14,722.44 sq.m. are legally owned by Quanzhou Meike. The details of which are summarized in the table below:

No.	Certificate No.	Use	No. of Storeys	Year of Completion	GFA (sq.m.)
1.	Fang Quan Zheng Hui Xia Zi Di No. 00410 (房權證慧霞字第00410號)	Office	3	2009	1,730.67
2.	Fang Quan Zheng Hui Xia Zi Di No. 00410 (房權證慧霞字第00410號)	Dormitory	4	2008	3,938.78
3.	Fang Quan Zheng Hui Xia Zi Di No. 00410 (房權證慧霞字第00410號)	Workshop	1	2008	2,437.75
4.	Fang Quan Zheng Hui Xia Zi Di No. 00410 (房權證慧霞字第00410號)	Workshop	1	2009	2,412.99
5.	Fang Quan Zheng Hui Xia Zi Di No. 00410 (房權證慧霞字第00410號)	Warehouse	1	2008	1,106.30
6.	Fang Quan Zheng Hui Xia Zi Di No. 00411 (房權證慧霞字第00411號)	Workshop	1	2008	2,946.23
7.	Fang Quan Zheng Hui Xia Zi Di No. 00411 (房權證慧霞字第00411號)	Power distribution room	1	2008	149.72
				Total:	<u>14,722.44</u>

4. For the remaining building with a GFA of approximately 15.12 sq.m., we have not been provided with any title certificates.
5. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Ji Gui Jian Cun Gui (2007) No. 103 (急規建村規(2007)103號), issued by Huian County Planning and Construction Bureau (惠安縣規劃建設局) dated May 23, 2007, Quanzhou Meike was permitted to develop the land parcel of the property with a total site area of 41,798 sq.m.
6. The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Building Ownership Certificates	Yes

7. As advised by the Group, there is a building without title certificates as stated in Note 4. Thus, we cannot attribute any commercial value to it. For your reference purposes, we are of the opinion that the depreciated replacement cost of such building would be in the sum of approximately RMB100,000 on the assumption that the aforesaid title documents have been obtained if the Group can strictly comply with the stipulated procedures and submit all the required application documents.
8. As advised by the Group, the relevant Construction Works Planning Permit (建設工程規劃區許可證) and Construction Works Commencement Permit (建築工程施工許可證) of the CIP have not been obtained. Thus, we cannot attribute any commercial value to it. For your reference purpose, the total cost spent on the CIP up to the date of valuation is approximately RMB4,198,681.
9. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), 14080121-Year 2009 Jinjiang (Di) Zi No. 0107 (14080121-2009年晉江(抵)字0107號) and a Liquidity Loan Agreement (流動資金借款合同), 14080121-Year 2009 Jinjiang Zi No. 0455 (14080121-2009年晉江(抵)字0455號), entered into between the Group and Industrial and Commercial Bank of China Limited — Jinjiang Chendai Branch (中國工商銀行股份有限公司晉江陳埭支行) dated May 26, 2009 and June 5, 2009 respectively, the former has mortgaged the land use rights of the property with a site area of approximately 41,798 sq.m. to the latter as security for a loan amount of RMB11,000,000 for a term from June 5, 2009 to May 20, 2010. The purpose of the bank loan is to provide additional working capital for the Group.
10. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
 - a. The land use rights and building ownership rights of the property except the building mentioned in Note 7 are legally vested in Quanzhou Meike;
 - b. All land premium has been settled in full;
 - c. The existing uses of the property are in compliance with its registered uses;
 - d. In mortgaging a piece of land, the buildings erected thereon should be regarded as being mortgaged together in accordance with the Real Right Law of the People's Republic of China;
 - e. Quanzhou Meike has the rights to legally use and occupy the property; however, due to the property is subject to mortgage, Quanzhou Meike cannot transfer, lease or otherwise dispose of the property without consent from the mortgagee;
 - f. The property is not subject to other material encumbrances except the mortgage as mentioned in Note 9;
 - g. Quanzhou Meike is subject to a risk of fine and suspension of the construction works of the CIP in the absence of relevant Construction Works Planning Permit and Construction Works Commencement Permit. However, since Mr. Ding Siqiang, the Chairman and President of the Company ("Mr. Ding"), has undertaken to fully indemnify the losses and costs generated, the financial condition and daily operation of Quanzhou Meike will not be seriously affected; and
 - h. Quanzhou Meike is subject to a risk of fine and the buildings without title certificates may be demolished from which all the losses and costs generated will be fully indemnified by Mr. Ding. In addition, since the GFA of such building used as guard room is not significant, the financial condition and daily operation of Quanzhou Meike will not be seriously affected.
11. Quanzhou Meike is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II — Property held by the Group for future development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
3.	Two land parcels located at No. 180 Shanxia Street, Shanxia Village, Shanxia Town, Huian County, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市惠安縣山霞鎮山霞村山霞街180號之兩幅土地	The property comprises 2 contiguous leveled land parcels with a total site area of approximately 153,396.4 sq.m. (or about 1,651,159 sq.ft.) reclaimed from the sea. The land use rights of the property have been granted for a common term expiring on May 23, 2058 for industrial use.	The property is currently vacant.	37,400,000

Notes:

- Pursuant to a Sea Area Use Rights Certificate (海域使用權證書), Guo Hai Zheng No. 083570015 (國海證083570015號) issued by Fujian Province Ocean and Fishery Bureau (福建省海洋與漁業局) dated April 30, 2008, the sea area use rights of the property with an area of approximately 178,901 sq.m. have been granted to Quanzhou Meike Sports Goods Co., Ltd. (泉州市美克體育用品有限公司) (referred to as “Quanzhou Meike”) for a term commencing on April 30, 2008 and expiring on April 29, 2058 for sea reclamation use at a consideration of RMB13,417,500.
- Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), No. 08-009, entered into between The People’s Republic of China Fujian Province Huian County State-owned Land Resources Bureau (中華人民共和國福建省惠安縣國土資源局) and Quanzhou Meike in May 2008, the former agreed to grant to the latter the land use rights of the property with a site area of 153,396 sq.m. for a term of 50 years for factory and ancillary uses.

3. Pursuant to 2 State-owned Land Use Rights Certificates (國有土地使用證) issued by Huian County State-owned Land Resources Bureau (惠安縣國土資源局) both in October 2009, the land use rights of the property with a total site area of 153,394.4 sq.m. have been granted to Quanzhou Meike for industrial use. The salient terms and conditions are summarized as follows:

Certificate No.	Land Use Rights		Site Area (sq.m.)
	Expiry Date	Permitted Use	
Hui Guo Yong (2009) Chu Zi Di No. 090014-1 (惠國用(2009)出字第090014-1號)	May 23, 2058	Industrial	36,545.8
Hui Guo Yong (2009) Chu Zi Di No. 090014-2 (惠國用(2009)出字第090014-2號)	May 23, 2058	Industrial	116,850.6
Total:			<u>153,394.4</u>

4. Pursuant to a Construction Land Planning Permit (建設用地規劃許可證), Di Zi Di No. 350521200800021 (地字第350521200800021號), issued by Huian County Planning and Construction Bureau (惠安縣規劃建設局) dated May 23, 2008, Quanzhou Meike was permitted to develop the property with a total site area of 153,396.4 sq.m.

5. The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificates	Yes
Construction Land Planning Permit	Yes

6. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), 14080121-Year 2009 Jinjiang (Di) Zi No. 0109 (14080121-2009年晉江(抵)字0109號) and a Liquidity Loan Agreement (流動資金借款合同), 14080121-Year 2009 Jinjiang Zi No. 0437 (14080121-2009年晉江(抵)字0437號), entered into between the Group and Industrial and Commercial Bank of China Limited — Jinjiang Chendai Branch (中國工商銀行股份有限公司晉江陳埭支行) dated May 26, 2009 and May 31, 2009 respectively, the former has mortgaged the land use rights of the property with a site area of approximately 153,396.4 sq.m. to the latter as security for a loan amount of RMB45,000,000 for a term from May 31, 2009 to May 25, 2010. The purpose of the bank loan is to provide additional working capital for the Group.

7. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:

- a. Quanzhou Meike has completed the reclamation work on the sea area mentioned in Note 1 and used the relevant Sea Area Use Rights Certificate to exchange the State-owned Land Use Rights Certificate, Hui Guo Yong (2008) Chu Zi Di No. 090011(惠國用(2008)出字第090011號), which was subsequently divided into the 2 State-owned Land Use Rights Certificates stated in Note 3;
- b. The land use rights of the property are legally vested in Quanzhou Meike;
- c. All land premium has been settled in full;
- d. The existing use of the property is in compliance with its registered use;

- e. Quanzhou Meike has the rights to legally use and occupy the property; however, due to the property is subject to mortgage, Quanzhou Meike cannot transfer, lease or otherwise dispose of the property without consent from the mortgagee; and
 - f. The property is not subject to other material encumbrances except the mortgage mentioned in Note 6.
8. Quanzhou Meike is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III — Properties leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
4.	Two factory buildings located at No. 109 Yanjiang Road, Xibian Village, Chendai Town, Jinjiang City, Fujian Province, the PRC 中國福建省晉江市陳埭鎮溪邊村沿江路109號之兩棟廠房	The property comprises various industrial units on levels 1 and 2 within two 3-storey factory buildings which were completed in 2005. The total gross floor area (“GFA”) of the property is approximately 13,173.75 sq.m. (or about 141,802 sq.ft.). Pursuant to 2 tenancy agreements entered into between Hengqiang (China) Co., Ltd. (恆強(中國)有限公司) (refer to as “Hengqiang China”) both dated January 6, 2010, a connected party of the Group, and the Group, the property is leased to the Group for workshop and warehouse uses at a total monthly rent of RMB65,868.75 for a common term commencing on January 6, 2010 and expiring on December 31, 2012.	The property is occupied by the Company for workshop and warehouse purposes.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreements, the tenants of the property are Fujian Meike Leisure Sports Goods Co., Ltd. (福建美克休閒體育用品有限公司) (referred to as “Fujian Meike”) and Fujian Meisike Sports Goods Co., Ltd. (福建省美斯克體育用品有限公司) (referred to as “Fujian Meisike”), which are the indirect wholly-owned subsidiaries of the Company. The details of the aforesaid tenancy agreements are summarized as follows:

No.	Property	Tenant	GFA (sq.m.)	Term	Monthly Rent (RMB)
1.	A幢廠房2、3、4、5、6、7、8區、B幢廠房	Fujian Meike	10,172.50	January 6, 2010 — December 31, 2012	50,862.5
2.	A幢廠房1區	Fujian Meisike	3,001.25	January 6, 2010 — December 31, 2012	15,006.25
Total:			<u>13,173.75</u>		<u>65,868.75</u>

2. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
- a. The land use rights and building ownership rights of the property are legally vested in Hengqiang China and Hengqiang China has the right to lease the property to the Group;

- b. The existing uses of the property are in compliance with its registered use;
- c. The tenancy agreements are legally valid and binding on the contracting parties;
- d. During the tenancy terms, the Group is entitled to legally use the property without obtaining any approval and permission; and
- e. The non-registration of the tenancy agreements will not affect their validity.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
5.	A warehouse located at No. 107 of Yexia Area Zone 6, Cangshan Science and Technology Park, Cangshan District, Fuzhou City, Fujian Province, the PRC 中國福建省福州市倉山區倉山科技園葉廈片6區107號之倉庫	The property comprises a warehouse on level 4 of a 5-storey industrial building which was completed in 2005. The gross floor area of the property is approximately 1,600 sq.m. (or about 17,222 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fuzhou Meikesen Sports Goods Co., Ltd (福州美克森體育用品有限公司) (referred to as "Fuzhou Meikesen"), the property is leased to Fuzhou Meikesen for warehouse use at a monthly rent of RMB14,600 for a term commencing on February 20, 2007 and expiring on February 19, 2010.	The property is occupied by the Group for warehouse purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fuzhou Meikesen, which is an indirect wholly-owned subsidiary of the Company.
2. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
 - a. Due to the absence of title certificates of the property and non-registration of the relevant tenancy agreement, it is unable to determine whether the landlord has the rights to lease the property to Fuzhou Meikesen and Fuzhou Meikesen may not be entitled to use the property;
 - b. As confirmed by Fuzhou Meikesen, neither declarations of ownership nor objections to the tenancy agreement have been received from any third parties since the commencement of tenancy; and
 - c. Since Mr. Ding Siqiang, the Chairman and President of the Company, has undertaken to fully indemnify the losses and costs generated from relocation of the property due to the defect of the tenancy agreement, the financial condition and daily operation of Fuzhou Meikesen will not be seriously affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
6.	Shop Unit 01, Block 2, Zone A of Binhai Carnival, Shoushan Road, Cangshan District, Fuzhou City, Fujian Province, the PRC 中國福建省福州市 倉山區首山路濱海 嘉年華A區2號樓01 店面	The property comprises a retail shop unit on the ground floor of a single-storey commercial building which was completed in 2006. The gross floor area of the property is approximately 47.97 sq.m. (or about 516 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fuzhou Meikesen Sports Goods Co., Ltd. (福州美克森體育用品有限公司) (referred to as "Fuzhou Meikesen"), the property is leased to Fuzhou Meikesen for commercial operating use for a term commencing on May 1, 2007 and expiring in the end of April 2010. The monthly rent of the property is RMB6,200 in the first 2 years and RMB7,000 in the remaining term.	The property is occupied by the Group for retail purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fuzhou Meikesen, which is an indirect wholly-owned subsidiary of the Company.
2. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
 - a. Due to the absence of title certificates of the property and non-registration of the relevant tenancy agreement, it is unable to determine whether the landlord has the rights to lease the property to Fuzhou Meikesen and Fuzhou Meikesen may not be entitled to use the property;
 - b. As confirmed by Fuzhou Meikesen, neither declarations of ownership nor objections to the tenancy agreement have been received from any third parties since the commencement of tenancy; and
 - c. Since Mr. Ding Siqiang, the Chairman and President of the Company, has undertaken to fully indemnify the losses and costs generated from relocation of the property due to the defect of the tenancy agreement, the financial condition and daily operation of Fuzhou Meikesen will not be seriously affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
7.	Shop Units 5 and 6, Building No. 4, Xiti City Plaza, No. 47 Junzhu Road, Mawei District, Fuzhou City, Fujian Province, the PRC 中國福建省福州市 馬尾區君竹路47號 西提城市廣場4號 樓5及6號店面	The property comprises a retail shop unit on the ground floor of a 7-storey composite building which was completed in 2007. The gross floor area of the property is approximately 90 sq.m. (or about 968.76 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fuzhou Meikesen Sports Goods Co., Ltd. (福州美克森體育用品有限公司) (referred to as "Fuzhou Meikesen"), the property is leased to Fuzhou Meikesen for commercial operating use at a monthly rent of RMB8,530 for a term commencing on April 28, 2008 and expiring on April 27, 2011.	The property is occupied by the Group for retail purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fuzhou Meikesen, which is an indirect wholly-owned subsidiary of the Company.
2. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
 - a. Due to the absence of title certificates of the property and non-registration of the relevant tenancy agreement, it is unable to determine whether the landlord has the rights to lease the property to Fuzhou Meikesen and Fuzhou Meikesen may not be entitled to use the property;
 - b. As confirmed by Fuzhou Meikesen, neither declarations of ownership nor objections to the tenancy agreement have been received from any third parties since the commencement of tenancy; and
 - c. Since Mr. Ding Siqiang, the Chairman and President of the Company, has undertaken to fully indemnify the losses and costs generated from relocation of the property due to the defect of the tenancy agreement, the financial condition and daily operation of Fuzhou Meikesen will not be seriously affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
8.	A retail shop located at No. 86 Ganzhejiexin Road, Minhou County, Fuzhou City, Fujian Province, the PRC 中國福建省福州市閩侯縣甘蔗街心路86號之商舖	The property comprises a retail shop unit on the ground floor of a single-storey commercial building which was completed in 2002. The gross floor area of the property is approximately 120 sq.m. (or about 1,291.68 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fuzhou Meikesen Sports Goods Co., Ltd. (福州美克森體育用品有限公司) (referred to as "Fuzhou Meikesen"), the property is leased to Fuzhou Meikesen for commercial operating use at a monthly rent of RMB12,000 for a term commencing on June 1, 2008 and expiring on May 31, 2011.	The property is occupied by the Group for retail purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fuzhou Meikesen, which is an indirect wholly-owned subsidiary of the Company.
2. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
 - a. Due to the absence of title certificates of the property and non-registration of the relevant tenancy agreement, it is unable to determine whether the landlord has the rights to lease the property to Fuzhou Meikesen and Fuzhou Meikesen may not be entitled to use the property;
 - b. As confirmed by Fuzhou Meikesen, neither declarations of ownership nor objections to the tenancy agreement have been received from any third parties since the commencement of tenancy; and
 - c. Since Mr. Ding Siqiang, the Chairman and President of the Company, has undertaken to fully indemnify the losses and costs generated from relocation of the property due to the defect of the tenancy agreement, the financial condition and daily operation of Fuzhou Meikesen will not be seriously affected.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at October 31, 2009 RMB
9.	A retail shop located at No. 235 Guer Village, Gushan Town, Jinan District, Fuzhou City, Fujian Province, the PRC 中國福建省福州市晉安區鼓山鎮鼓二村235號之商舖	The property comprises a retail shop unit on the ground floor of a single-storey commercial building which was completed in 2003. The gross floor area of the property is approximately 100 sq.m. (or about 1,076 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fuzhou Meikesen Sports Goods Co., Ltd. (福州美克森體育用品有限公司) (referred to as "Fuzhou Meikesen"), the property is leased to Fuzhou Meikesen for commercial operating use for a term commencing on April 20, 2007 and expiring on April 19, 2010. The monthly rent of the property is RMB16,000 for the first 2 years and RMB17,000 for the remaining term.	The property is occupied by the Group for retail purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fuzhou Meikesen, which is an indirect wholly-owned subsidiary of the Company.
2. The opinion given by the PRC legal advisor — Fujian Zenith Law Firm (福建至理律師事務所) dated January 19, 2010 to the Group is as follows:
 - a. Due to the absence of title certificates of the property and non-registration of the relevant tenancy agreement, it is unable to determine whether the landlord has the rights to lease the property to Fuzhou Meikesen and Fuzhou Meikesen may not be entitled to use the property;
 - b. As confirmed by Fuzhou Meikesen, neither declarations of ownership nor objections to the tenancy agreement have been received from any third parties since the commencement of tenancy; and
 - c. Since Mr. Ding Siqiang, the Chairman and President of the Company, has undertaken to fully indemnify the losses and costs generated from relocation of the property due to the defect of the tenancy agreement, the financial condition and daily operation of Fuzhou Meikesen will not be seriously affected.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 June 2009 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 6 January 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

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The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

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The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

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(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

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- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

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(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

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Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such

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shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

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If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

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(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

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(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

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Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

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(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

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

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 July 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

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Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

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4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on June 25, 2009. We have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on August 12, 2009 and our principal place of business in Hong Kong is at Suites 2201-2203, 22/F., Jardine House, 1 Connaught Place, Central, Hong Kong. Loong & Yeung of Suites 2201-2203, 22/F., Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil paid to Codan Trust Company (Cayman) Limited, which was subsequently transferred to Glory Hill on the same date.
- (b) As consideration for the acquisition by us of the entire issued share capital of Amber Jungle from Glory Hill, (i) 999,999 Shares were allotted and issued to Glory Hill, credited as fully paid and (ii) the one nil paid Share held by Glory Hill was credited as fully paid on September 10, 2009.
- (c) On January 4, 2010, Glory Hill transferred 10% of its equity interest in our Company, i.e. 100,000 Shares, to Deep Wealth Resources Limited, which is wholly-owned by Mr. Ding Jinbo (丁金波先生) for a nominal consideration of HK\$1.
- (d) On January 4, 2010, Glory Hill transferred 10% of its equity interest in our Company, i.e. 100,000 Shares, to Bromyard Investments Limited, which is wholly-owned by Mr. Ding Haibo (丁海波先生) for a nominal consideration of HK\$1.
- (e) On January 4, 2010, Glory Hill transferred 5% of its equity interest in our Company, i.e. 50,000 Shares, to Rainbow Star Worldwide Limited, which is wholly-owned by Ms. Ding Ruosen (丁若森女士) for a nominal consideration of HK\$1.
- (f) On January 6, 2010, our then Shareholders resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$100,000,000 by the creation of an additional of 9,962,000,000 Shares.

Immediately following completion of the Capitalization Issue and the Share Offer and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 9,000,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of all our Shareholders passed on January 6, 2010” in this Appendix, the Share Option Scheme and the Over-allotment Option, we do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of all our Shareholders passed on January 6, 2010

By written resolutions of our Shareholders passed on January 6, 2010:

- (a) our Company approved and adopted the Articles;
- (b) the authorized share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional of 9,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with the Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option, on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option, in each case to rank pari passu with the then existing Shares in all respects; and
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and

- (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorized to capitalize an amount of HK\$7,490,000 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 749,000,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on January 5, 2010 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such capitalization and distributions;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; and

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate reorganization

The companies comprising our Group underwent the Corporate Reorganization to rationalize our Group's structure in preparation for the listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group.

The Corporate Reorganization which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

- (a) on March 12, 2009, Amber Jungle was incorporated in the BVI;
- (b) on March 30, 2009, Mega Pacific was incorporated in Hong Kong with one share of HK\$1 each allotted and issued to Cartech Limited, the subscriber to the memorandum of association;
- (c) on May 15, 2009, one share of Amber Jungle was allotted and issued to Glory Hill at par;
- (d) on May 15, 2009, Cartech Limited transferred its one share in the share capital of Mega Pacific to Amber Jungle for a consideration of HK\$1;
- (e) on June 23, 2009, Mr. Ding acquired 8% equity interest in Fujian Meike from Jinhairuo for a consideration of RMB19,021,665.90;
- (f) on June 23, 2009, Mr. Ding acquired 5% equity interest in Fujian Meike from Ruixiang for a consideration of RMB11,888,541.19;
- (g) on June 25, 2009, our Company was incorporated under the laws of the Cayman Islands as an exempted company and one nil paid Share was allotted and issued to Codan Trust Company (Cayman) Limited. The one Share was then transferred to Glory Hill on the same date;

- (h) on July 20, 2009, Mr. Ding transferred his 100% equity interest in Fujian Meike to Mega Pacific for a consideration of RMB100,000,000, and as consideration for which one share of Amber Jungle was allotted and issued to Glory Hill;
- (i) on August 5, 2009, Meike Hong Kong transferred its 25% equity interest in Fujian Meisike to Mega Pacific for a consideration of HK\$5,000,000;
- (j) on August 12, 2009, Meike Hong Kong transferred its 35% equity interest in Quanzhou Meike to Mega Pacific for a consideration of RMB29,750,000; and
- (k) on September 10, 2009, our Company acquired 100% equity interest in Amber Jungle from Glory Hill, and as consideration for which: (i) 999,999 Shares, credited as fully paid, were allotted and issued to Glory Hill; and (ii) the one nil paid Share held by Glory Hill was credited as fully paid.

Immediately after completion of the share transfer referred to in item (k) above, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The following alterations in the share capital or registered capital of our subsidiaries took place within the two years immediately preceding the date of this prospectus:

Amber Jungle

On March 12, 2009, Amber Jungle was incorporated in the BVI and was authorized to issue a maximum of 50,000 shares.

On May 15, 2009, director's resolutions of Amber Jungle were passed to approve, among other things, (i) the authorized share capital shall be US\$50,000 divided into 50,000 shares of US\$1 each; and (ii) the allotment and issue of one share of Amber Jungle to Glory Hill at par.

On August 25, 2009, Amber Jungle issued one share to Glory Hill in satisfaction of the consideration payable under the share transfer agreement dated July 4, 2009 between Mr. Ding and Mega Pacific in respect of the acquisition of the entire equity interest in Fujian Meike by Mega Pacific from Mr. Ding.

On September 10, 2009, Glory Hill transferred two shares of Amber Jungle (being the entire issued share capital of Amber Jungle) to our Company, and as consideration for which: (i) 999,999 Shares, credited as fully paid, were allotted and issued to Glory Hill; and (ii) the one nil paid Share held by Glory Hill was credited as fully paid.

Fujian Meike

On June 23, 2009, Mr. Ding acquired 8% equity interest in Fujian Meike from Jinhairuo for a consideration of RMB19,021,665.90.

On June 23, 2009, Mr. Ding acquired 5% equity interest in Fujian Meike from Ruixiang for a consideration of RMB11,888,541.19.

After the above transfers of equity interests, Fujian Meike became a wholly foreign-owned enterprise, the entire registered capital of which was owned by Mr. Ding.

On July 20, 2009, Mr. Ding transferred his 100% equity interest in Fujian Meike to Mega Pacific for a consideration of RMB100,000,000, to be satisfied by the allotment and issue of one share in Amber Jungle to Glory Hill (at the direction of Mr. Ding).

Fujian Meisike

On August 5, 2009, Meike Hong Kong transferred its 25% equity interest in Fujian Meisike to Mega Pacific for a consideration of HK\$5,000,000.

Mega Pacific

On March 30, 2009, Mega Pacific was incorporated in Hong Kong with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One share in the share capital of Mega Pacific was allotted and issued to Cartech Limited upon incorporation.

On May 15, 2009, Cartech Limited transferred its one share in the share capital of Mega Pacific to Amber Jungle for a consideration of HK\$1.

Meike Hong Kong

On June 12, 2008, by a special resolution of Fujian Meike, the sole shareholder of Meike Hong Kong, the share capital of Meike Hong Kong was increased from HK\$14,520,000 divided into 14,520,000 shares of HK\$1 each to HK\$21,520,000 divided into 21,520,000 shares of HK\$1 each. 7,000,000 shares of HK\$1 each of Meike Hong Kong were subsequently allotted and issued to Fujian Meike for a consideration of HK\$7,000,000 on the same date.

On July 24, 2008, by a special resolution of Fujian Meike, the sole shareholder of Meike Hong Kong, the share capital of Meike Hong Kong was increased from HK\$21,520,000 divided into 21,520,000 shares of HK\$1 each to HK\$28,490,000 divided into 28,490,000 shares of HK\$1 each. 6,970,000 shares of HK\$1 each of Meike Hong Kong were subsequently allotted and issued to Fujian Meike for a consideration of HK\$6,970,000 on the same date.

On January 6, 2009, by a special resolution of Fujian Meike, the sole shareholder of Meike Hong Kong, the share capital of Meike Hong Kong was increased from HK\$28,490,000 divided into 28,490,000 shares of HK\$1 each to HK\$41,860,000 divided into 41,860,000 shares of HK\$1 each. 13,370,000 shares of HK\$1 each of Meike Hong Kong were subsequently allotted and issued to Fujian Meike for a consideration of HK\$13,370,000 on the same date.

On May 8, 2009, by a special resolution of Fujian Meike, the sole shareholder of Meike Hong Kong, the share capital of Meike Hong Kong was increased from HK\$41,860,000 divided into 41,860,000 shares of HK\$1 each to HK\$42,488,800 divided into 42,488,800 shares of HK\$1 each. 628,800 shares of HK\$1 each of Meike Hong Kong were subsequently allotted and issued to Fujian Meike for a consideration of HK\$628,800 on the same date.

Quanzhou Meike

On August 12, 2009, Meike Hong Kong transferred its 35% equity interest in Quanzhou Meike to Mega Pacific for a consideration of RMB29,750,000.

Save as disclosed above and as mentioned in the paragraph headed “Corporate reorganization” in this Appendix, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of all our Shareholders passed on January 6, 2010, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorizing our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognized by the SFC in Hong Kong and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Capitalization Issue and the Share Offer but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue after completion of the Capitalization Issue and Share Offer, could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:










- (a) an instrument of transfer dated May 15, 2009 entered into between Cartech Limited and Amber Jungle, according to which Amber Jungle acquired one share representing 100% equity interest in Mega Pacific for a consideration of HK\$1;
- (b) bought note and sold note dated May 15, 2009 executed by Cartech Limited and Amber Jungle, according to which Amber Jungle acquired one share representing 100% equity interest in Mega Pacific for a consideration of HK\$1;

- (c) a share transfer agreement dated July 4, 2009 in Chinese entered into between Mr. Ding and Mega Pacific, pursuant to which Mr. Ding transferred his 100% equity interest in Fujian Meike to Mega Pacific for a consideration of RMB100,000,000, to be satisfied by way of issuance of share(s);
- (d) a share transfer agreement dated July 21, 2009 in Chinese entered into between Meike Hong Kong and Mega Pacific, pursuant to which Mega Pacific acquired 35% equity interest in Quanzhou Meike from Meike Hong Kong for a consideration of RMB29,750,000;
- (e) a share transfer agreement dated July 21, 2009 in Chinese entered into between Meike Hong Kong and Mega Pacific, pursuant to which Mega Pacific acquired 25% equity interest in Fujian Meisike for a consideration of HK\$5,000,000;
- (f) a sale and purchase agreement dated September 10, 2009 entered into between Glory Hill, our Company and Mr. Ding (as warrantor), pursuant to which our Company acquired the two shares in Amber Jungle from Glory Hill, and as consideration for which (i) 999,999 Shares were allotted and issued to Glory Hill, credited as fully paid and (ii) the one nil paid Share held by Glory Hill was credited as fully paid;
- (g) an instrument of transfer dated September 10, 2009 entered into between Glory Hill and our Company, pursuant to which our Company acquired the two shares in Amber Jungle from Glory Hill, and as consideration for which (i) 999,999 Shares were allotted and issued to Glory Hill, credited as fully paid and (ii) the one nil paid Share held by Glory Hill was credited as fully paid;
- (h) a deed of non-competition dated January 6, 2010 in Chinese executed by Mr. Ding in favor of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Our Controlling Shareholders” in this prospectus;
- (i) a deed of non-competition dated January 6, 2010 in Chinese executed by Glory Hill in favor of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Our Controlling Shareholders” in this prospectus;
- (j) a deed of indemnity dated January 18, 2010 executed by Mr. Ding, Glory Hill, Deep Wealth Resources Limited, Bromyard Investments Limited and Rainbow Star Worldwide Limited in favor of our Group containing the indemnities referred to in the paragraph headed “Tax and other indemnities” in this Appendix; and
- (k) the underwriting agreement relating to the Public Offer dated January 18, 2010 entered into by, amongst others, our Company and the Public Offer Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus.

2. Intellectual property rights

Trademark

As at the Latest Practicable Date, our Group had the following registered trademarks:

Trademark	Registration Number	Class	Registration Date	Expiry Date	Place of registration	Registrant
	1070511	25 (Note 1)	07/08/2007	06/08/2017	PRC	Fujian Meike
	1729293	25 (Note 2)	14/03/2002	13/03/2012	PRC	Fujian Meike
	1751256	25 (Note 3)	21/04/2002	20/04/2012	PRC	Fujian Meike
	3317326	25 (Note 4)	21/07/2004	20/07/2014	PRC	Fujian Meike
	3317327	25 (Note 5)	21/07/2004	20/07/2014	PRC	Fujian Meike
	3862606	25 (Note 6)	07/04/2007	06/04/2017	PRC	Fujian Meike
	3003260	21 (Note 7)	07/02/2003	06/02/2013	PRC	Fujian Meike
	3003261	20 (Note 8)	07/02/2003	06/02/2013	PRC	Fujian Meike
	3003262	19 (Note 9)	21/03/2003	20/03/2013	PRC	Fujian Meike
	3003264	17 (Note 10)	21/12/2002	20/12/2012	PRC	Fujian Meike

Trademark	Registration Number	Class	Registration Date	Expiry Date	Place of registration	Registrant
	3003265	16 (Note 11)	28/02/2003	27/02/2013	PRC	Fujian Meike
	3003266	15 (Note 12)	21/08/2003	20/08/2013	PRC	Fujian Meike
	3003268	12 (Note 13)	21/01/2003	20/01/2013	PRC	Fujian Meike
	3003269	11 (Note 14)	21/03/2003	20/03/2013	PRC	Fujian Meike
	3003290	10 (Note 15)	14/12/2002	13/12/2012	PRC	Fujian Meike
	3003291	9 (Note 16)	14/02/2003	13/02/2013	PRC	Fujian Meike
	3003292	8 (Note 17)	21/01/2003	20/01/2013	PRC	Fujian Meike
	3003293	7 (Note 18)	07/05/2003	06/05/2013	PRC	Fujian Meike
	3003294	6 (Note 19)	28/02/2003	27/02/2013	PRC	Fujian Meike
	3003295	5 (Note 20)	14/12/2002	13/12/2012	PRC	Fujian Meike
	3003296	4 (Note 21)	07/08/2003	06/08/2013	PRC	Fujian Meike
	3003298	2 (Note 22)	28/03/2003	27/03/2013	PRC	Fujian Meike

Trademark	Registration Number	Class	Registration Date	Expiry Date	Place of registration	Registrant
	3003299	1 <i>(Note 23)</i>	21/02/2003	20/02/2013	PRC	Fujian Meike
	3003300	31 <i>(Note 24)</i>	28/12/2002	27/12/2012	PRC	Fujian Meike
	3003301	30 <i>(Note 25)</i>	21/01/2003	20/01/2013	PRC	Fujian Meike
	3003302	29 <i>(Note 26)</i>	28/11/2002	27/11/2012	PRC	Fujian Meike
	3003303	28 <i>(Note 27)</i>	21/03/2003	20/03/2013	PRC	Fujian Meike
	3003304	27 <i>(Note 28)</i>	28/09/2003	27/09/2013	PRC	Fujian Meike
	3003306	25 <i>(Note 29)</i>	14/04/2003	13/04/2013	PRC	Fujian Meike
	3003307	24 <i>(Note 30)</i>	07/02/2003	06/02/2013	PRC	Fujian Meike
	3003308	23 <i>(Note 31)</i>	21/01/2003	20/01/2013	PRC	Fujian Meike
	3003319	25 <i>(Note 32)</i>	14/02/2003	13/02/2013	PRC	Fujian Meike
	3003330	42 <i>(Note 33)</i>	21/01/2003	20/01/2013	PRC	Fujian Meike
	3003331	41 <i>(Note 34)</i>	07/04/2003	06/04/2013	PRC	Fujian Meike

Trademark	Registration Number	Class	Registration Date	Expiry Date	Place of registration	Registrant
	3003332	40 (Note 35)	07/04/2003	06/04/2013	PRC	Fujian Meike
	3003333	39 (Note 36)	07/03/2003	06/03/2013	PRC	Fujian Meike
	3003334	38 (Note 37)	07/03/2003	06/03/2013	PRC	Fujian Meike
	3003335	37 (Note 38)	07/04/2003	06/04/2013	PRC	Fujian Meike
	3003336	36 (Note 39)	07/04/2003	06/04/2013	PRC	Fujian Meike
	3003337	35 (Note 40)	07/04/2003	06/04/2013	PRC	Fujian Meike
	3003338	33 (Note 41)	28/11/2002	27/11/2012	PRC	Fujian Meike
	3003339	32 (Note 42)	07/01/2003	06/01/2013	PRC	Fujian Meike
	3065363	34 (Note 43)	07/03/2003	06/03/2013	PRC	Fujian Meike
	965088	25 (Note 44)	21/03/2007	20/03/2017	PRC	Fujian Meike
	3334451	25 (Note 45)	14/12/2004	13/12/2014	PRC	Fujian Meike
	4159675	25 (Note 46)	07/02/2008	06/02/2018	PRC	Fujian Meike

Trademark	Registration Number	Class	Registration Date	Expiry Date	Place of registration	Registrant
MEIKE	4159676	25 (Note 47)	07/02/2008	06/02/2018	PRC	Fujian Meike
美克 MEIKE	4159977	25 (Note 48)	07/02/2008	06/02/2018	PRC	Fujian Meike
韦德美克	5574196	25 (Note 49)	14/10/2009	13/10/2019	PRC	Fujian Meike
	842821	25 (Note 50)	10/11/2004	10/11/2014	Madrid	Fujian Meike
	301382751	18, 25, 28 (Note 51)	13/07/2009	12/07/2019	Hong Kong	Fujian Meike

Notes:


- 1 Shoes
- 2 Shoes; sports shoes; soles for footwear
- 3 Shoes; sports shoes; soles for footwear
- 4 Clothing for gymnastics; socks; belts (clothing)
- 5 Clothing for gymnastics; socks; belts (clothing)
- 6 Layette; swimsuits
- 7 Bread baskets (furniture); pots; glass flasks (containers); carboys; china ornaments; beer mugs; washing boards; brushes; toothbrushes; cosmetics
- 8 Wood ribbon; non-metal floating containers; corks for bottles; plastic cable clips; lacquer crafts; display boards; pillows; bolsters; non-metal window fittings; curtain rings
- 9 Fiberboard; slate powder; silver sand; limestone; gypsum; cement; cement board; ceramic tile; ointment; balustrade
- 10 Paper for electrical capacitors; canvas hose; waterproof packaging; waterproof heat insulation powder; gluesheath; insulating materials; insulating electricity porcelain; watering hose; expansion joint fillers; rubber or plastic padding materials
- 11 Paper; tracing paper; carbon paper; waxed paper; mats for beer glasses; cardboard; staplers; clips for offices; ink; pens








- 12 Accordions; pianos; electronic keyboard; cases for musical instruments; musical boxes; drumheads; keys for musical instruments; strings for musical instruments; pipa; flutes
- 13 Luggage cars; motor buses; motorcycles; bicycles; safety seats for children (for vehicles); baby carriages; inner tubes for automobile tyres; child car cover; boats; bicycles; inner tubes for bicycles
- 14 Electric light bulbs; freezers; hair dryers; heat accumulators; taps; sanitary apparatus and devices; sterilizers; water dispenser; non-medical electric blankets; vehicle lights
- 15 Bandages (elastic); electric dental apparatus; galvanic therapeutic appliances; suture materials; abdominal belts; mask; catgut; needles for medical purposes; feeding bottles; ear trumpets
- 16 Adding machines; slide-rules; calculators; punched card machines for office use; weighing apparatus and instruments; measuring tools; extinguishers; telephone apparatus; sound recording discs; air meter
- 17 Abrading instruments (hand tools); insecticide atomizers (hand tools); harpoons; shaving razors; awls; needle-threads; spatulas (hand tools); scissors
- 18 Agricultural machines; net hauling machines (fishing); papermaking machines; type-setting machines (printing); dyeing machines; dryers; tobacco processing machines; sewing machines; sheaf-binding machines
- 19 Anti-friction metal; steel strip; steel pipes; metal letter boxes; steel wire; metal non-electric metal cable joints; metal rings; metal latch bars; doorbells (non-electronic); keys
- 20 Herbicides; air freshening preparers; cattle washes; sanitary napkins; belts for sanitary napkins (towels); mosquito repellent coils; disinfection napkins; dental abrasives; milk powder for babies; food for babies
- 21 Industrial grease; fuel; firelighters; beeswax; candles; dust-sweeping adhesives; gas fuel for lighting; anthracite; paraffin; wood oil
- 22 Dyes; sandarac; pigments; colorant; colorants for beverages; ink for leather; paints; mineral spirit; preservatives; colophony
- 23 Plasticizer; unprocessed plastics; unprocessed synthetic resins; nitrogenous fertilisers; fire-extinguishing powder; synthetic saccharin; saccharin; tannic acid; leather adhesives; paper pulp
- 24 Silkworm chrysalis (alive); pet food; legumes (unprocessed); cola nuts; malt for brewing; beet; unprocessed timber; fresh mushrooms; fresh potatoes; natural flowers
- 25 Ice-cream; substitutes for tea; vinegar; cakes; soya flour; coffee flavourings (flavourings); cornflakes; sugar; shrimp tasted fries; pies
- 26 Albumen; tofu products; wind intestines; fruit jellies; milk beverages (milk predominating); raisins; edible fats; canned fruits; soups; fish stomach
- 27 Swings; caps for pistols (toys); toy vehicles; chess; balls for game use; body-building apparatus; appliances for gymnastics; golf gloves; roller skates; sweatband for racket
- 28 Carpets; mats; pillow mat; bath mats; floor mat; wall paper; non-textile wall hangings; non-textile wall hangings; mats for stadium; plastics; rubber flooring; tile; leather

- 29 Layettes clothing; waterproof clothing; scarf
- 30 Textile; fabric; cord fabric; textile wall-hangings; felt; towel coverlet; blankets; tablecloths (non-paper); sanitary glove; cotton blanket
- 31 Yarn; artificial thread and yarn; artificial silk; stretch yarn (for textile); thread; cotton thread and yarn; hemp thread; cone of thread; waxed thread; artificial wool thread
- 32 Layettes clothing; ties; waterproof clothing
- 33 Hotels; retirement homes; baths for public hygiene purposes; boarding for animals; copyright management; urban planning; translation; escort; dress design; photography
- 34 Educational services; kindergarten; organization of competitions (education or entertainment); organization of sports competitions; organization of balls; organization of beauty contests; organization of shows (shows); charge libraries; mobile libraries; nursing schools
- 35 Smoothing; soldering; fine processing of textiles; paper processing; firing pottery; fruit squeezing; tea processing; dressmaking; air freshening; water purification
- 36 Delivery of goods; freighting; car transport; bus transport; car rental; gas station; message delivery; arrangement of tours; transport by pipeline; travel reservation
- 37 Cable television broadcasting; television broadcasting; news agencies; sending message; sending telegrams; telegraph services; telex services; information about telecommunication; electronic mail; telephone service
- 38 Building construction supervision; rental of bulldozers; mining extraction; window cleaning; elimination of interference from electrical apparatus; vehicles service stations; photographic apparatus repair; clock and watch repair; renovation of tyres; furniture maintenance
- 39 Accident insurance underwriting; insurance underwriting; art appraisal; leasing of real estate; leasing of farms; brokerage; surety services; escrow; fiduciary; pawn agents
- 40 Advertising planning; advertising design; business inquiries; business appraisals; employment agencies; personnel recruitment; import-export agencies; auctioneering; typing; computer entry services
- 41 Brandy; peppermint liqueurs; fruit wine; rice wine; spirits (beverages); cider; light sparkling wine; highland barley wine; Japanese sake; drinkable alcohol
- 42 Tea beverages (water); fruit crystal; ginger beer; mineral water; powders for effervescing beverages; beer; water (beverages); non-alcoholic fruits extracts; preparation constituents for beverages; syrups for beverages
- 43 Snuff; firestones; matches; lighters for cigarettes; cigarette filters; tobacco; tobacco pouches; tobacco pipes; tobacco powder; cigarette filter tow
- 44 Shoes
- 45 Football shoes; sports shoes; socks; hats; wedding gown
- 46 Clothing; shoes; singlets; sports shoes; suits; underwear; leather shoes; canvas shoes; magnetic clothing; leather clothing

- 47 Clothing; shoes; sportswear; sports shoes; suit; underwear; leather shoes; canvas shoes; magnetic clothing; leather clothing
- 48 Clothing; shoes; sportswear; sports shoes; suits; underwear; leather shoes; canvas shoes; magnetic clothing; leather clothing
- 49 Shoes (footwear); football shoes; clothing; hat (for head); swimming suits; clothing for gymnastics; socks; gloves (clothing); ties; wedding gown
- 50 Shoes
- 51 Class 18 includes leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery; class 25 includes clothing, footwear, headgear; and class 28 includes games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees

As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

Trademark	Application Number	Application Date	Class	Place of registration	Applicant
	3766039	27/07/2006	25	PRC	Fujian Meike
	3914372	17/02/2004	25	PRC	Fujian Meike
	4979439	03/11/2005	25	PRC	Fujian Meike
	4979440	03/11/2005	25	PRC	Fujian Meike
	4998316	14/11/2005	24	PRC	Fujian Meike
	4998317	14/11/2005	18	PRC	Fujian Meike
运动美时美克	7002530	16/10/2008	35	PRC	Fujian Meike

Trademark	Application Number	Application Date	Class	Place of registration	Applicant
运动美时美克	7002531	16/10/2008	25	PRC	Fujian Meike
	7002532	16/10/2008	28	PRC	Fujian Meike
	7002533	16/10/2008	28	PRC	Fujian Meike
	7002534	16/10/2008	25	PRC	Fujian Meike
	7002535	16/10/2008	25	PRC	Fujian Meike
	7135996	29/12/2008	35	PRC	Fujian Meike
	7135997	29/12/2008	28	PRC	Fujian Meike
	7135998	29/12/2008	25	PRC	Fujian Meike






Note: There are altogether 6 trademark applications in the PRC which have been outstanding for more than three years. According to our legal advisors as to PRC laws, Fujian Zenith Law Firm, there is no statutory limit for approving trademark application by the Trademark Office of State Administration for Industry & Commerce of the PRC; and it is not unusual for trademark application process in the PRC to take years to complete. As confirmed by our Directors, there is no unusual feature about the pending trademark applications. There is no expected schedule for completion of the registration process.

Patents

As at the Latest Practicable Date, our Group had the following registered appearance design patents (外觀專利設計) in the PRC:





Type	Patent Number	Registrant	Effective Period
	ZL 2007 3 0320371.9	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320370.4	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320369.1	Fujian Meike	22/10/2007-21/10/2017
			

Type	Patent Number	Registrant	Effective Period
	ZL 2007 3 0320368.7	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320367.2	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320366.8	Fujian Meike	22/10/2007-21/10/2017
			

Type	Patent Number	Registrant	Effective Period
	ZL 2007 3 0320365.3	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320364.9	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320055.1	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320054.7	Fujian Meike	22/10/2007-21/10/2017
			

Type	Patent Number	Registrant	Effective Period
	ZL 2007 3 0320052.8	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320051.3	Fujian Meike	22/10/2007-21/10/2017
	ZL 2007 3 0320050.9	Fujian Meike	22/10/2007-21/10/2017
			
	ZL 2007 3 0320049.6	Fujian Meike	22/10/2007-21/10/2017

As at the Latest Practicable Date, our Group had applied for registration of the following appearance design patents (外觀專利設計) in the PRC, the registration of which has not yet been granted:

Type	Application Number	Applicant	Application Date
	200730320056.6	Fujian Meike	22/10/2007
			
	200730320053.2	Fujian Meike	22/10/2007
			

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registration Date	Expiry Date
<i>www.meike.cn</i>	April 2, 2007	March 30, 2017

3. Information about the PRC Subsidiaries of our Group

Name:	Fujian Meike
Date of establishment:	February 12, 1999
Corporate nature:	Wholly foreign-owned enterprise
Total investment:	RMB100,000,000
Total registered capital:	RMB100,000,000 (fully paid up)
Attributable interest of our Company:	100%
Term:	50 years commencing on February 12, 1999
Scope of business:	Manufacture of sports footwear, plastic footwear, shoe soles, leisure sports clothing, hats, socks, bags, sports instruments; research and development and design of sports footwear, plastic footwear, shoe soles, leisure sports clothing, hats, socks and packaging materials; and export and import of goods and technologies (not including distribution)
Legal representative:	Mr. Ding
Name:	Fujian Meisike
Date of establishment:	March 15, 2007
Corporate nature:	Sino-foreign equity joint venture enterprise
Total investment:	HK\$40,000,000
Total registered capital:	HK\$20,000,000 (fully paid up)
Attributable interest of our Company:	100%
Term:	15 years commencing on March 15, 2007
Scope of business:	Manufacture of sports footwear, plastic footwear, shoe soles, leisure sports clothing, hats, socks, bags, sports instruments and sale of self-manufactured products
Legal representative:	Mr. Ding

Name: Fuzhou Meikesen

Date of establishment: May 23, 2007

Corporate nature: Limited liability company (solely owned by legal person)

Total registered capital: RMB500,000 (fully paid up)

Attributable interest of our Company: 100%

Term: 20 years commencing on May 23, 2007

Scope of business: Wholesale and acting as agent for the sale and purchase of clothing, shoes, hats, bags and sports products

Legal representative: Ding Huijie (丁輝杰)

Name: Quanzhou Meike

Date of establishment: January 30, 2007

Corporate nature: Sino-foreign equity joint venture enterprise

Total investment: RMB 85,000,000

Total registered capital: RMB 85,000,000 (fully paid up)

Attributable interest of our Company: 100%

Term: 50 years commencing on January 30, 2007

Scope of business: Manufacture of clothing, shoes, shoe materials, precision moulds, plastic products, high-class metal hardware products (not including plating), sports products and, research and development of the aforesaid related products; wholesale of clothing, shoes, shoe materials (not including natural rubber), precision moulds, plastic products, high-class metal hardware products (not including plating) and sports products

Legal representative: Mr. Ding

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Capitalization Issue and the Share Offer but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage of shareholding
Mr. Ding	Interest in controlled corporation (<i>Note 1</i>)	562,500,000	56.25%
Ms. Ding	Interest of spouse (<i>Note 2</i>)	562,500,000	56.25%

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature	No. of Shares held	Approximate percentage of shareholding
Mr. Ding	Glory Hill	Beneficial owner (<i>Note 1</i>)	1	100%
Ms. Ding	Glory Hill	Interest of spouse (<i>Note 2</i>)	1	100%

Note 1: Mr. Ding owns the entire issued share capital of Glory Hill, which owns 56.25% equity interest in our Company. Therefore, Mr. Ding is deemed or taken to be interested in all the Shares which are beneficially owned by Glory Hill for the purpose of the SFO. Mr. Ding is the sole director of Glory Hill.

Note 2: Ms. Ding is the spouse of Mr. Ding, and therefore, she is deemed or taken to be interested in all the Shares and the share of Glory Hill which are deemed or taken to be interested by Mr. Ding.

- (b) So far as is known to our Directors and taking no account of any Shares which may be taken up under the Share Offer and Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will, immediately following the completion of the Capitalization Issue and the Share Offer have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Glory Hill	Beneficial owner (<i>Note 1</i>)	562,500,000	56.25%
Mr. Ding Jinbo (丁金波先生) (<i>Note 2 & 3</i>)	Interest in controlled corporation	75,000,000	7.5%
Deep Wealth Resources Limited	Beneficial owner	75,000,000	7.5%
Mr. Ding Haibo (丁海波先生) (<i>Note 2 & 4</i>)	Interest in controlled corporation	75,000,000	7.5%
Bromyard Investments Limited	Beneficial owner	75,000,000	7.5%

Note 1: Mr. Ding owns the entire issued share capital of Glory Hill, which owns 56.25% equity interest in our Company. Therefore, Mr. Ding is deemed or taken to be interested in all the Shares which are beneficially owned by Glory Hill for the purpose of the SFO. Mr. Ding is the sole director of Glory Hill.

Note 2: Mr. Ding Jinbo (丁金波先生) and Mr. Ding Haibo (丁海波先生) are the sons of Mr. Ding and Ms. Ding.

Note 3: Mr. Ding Jinbo (丁金波先生) owns the entire issued share capital of Deep Wealth Resources Limited, which owns 7.5% equity interest in our Company. Therefore, Mr. Ding Jinbo (丁金波先生) is deemed or taken to be interested in all the Shares which are beneficially owned by Deep Wealth Resources Limited for the purpose of the SFO. Mr. Ding Jinbo (丁金波先生) is the sole director of Deep Wealth Resources Limited.

Note 4: Mr. Ding Haibo (丁海波先生) owns the entire issued share capital of Bromyard Investments Limited, which owns 7.5% equity interest in our Company. Therefore, Mr. Ding Haibo (丁海波先生) is deemed or taken to be interested in all the Shares which are beneficially owned by Bromyard Investments Limited for the purpose of the SFO. Mr. Ding Haibo (丁海波先生) is the sole director of Bromyard Investments Limited.

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended December 31, 2006, 2007 and 2008 and the nine months ended September 30, 2009 were approximately RMB434,000, RMB712,000, RMB924,000 and RMB853,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending December 31, 2010 will be approximately RMB1.5 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

<i>Executive Directors</i>	<i>RMB</i>
Mr. Ding Siqiang (丁思強)	500,000
Ms. Ding Xueleng (丁雪冷)	300,000
Mr. Sun Keqian (孫可謙)	200,000
Ms. Ding Jinzhu (丁錦珠)	120,000
Mr. Lin Yangshan (林陽山)	120,000
Mr. Li Dongxing (李東星)	200,000
 <i>Independent non-executive Directors</i>	 <i>RMB</i>
Mr. Yang Chengjie (楊承傑)	35,000
Ms. Xiang Shimin (項士敏)	35,000
Mr. Xie Weichun (謝焯春)	35,000

4. Fees or commission received

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 32 to the accountants' report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	January 6, 2010, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorized committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of all our Shareholders passed on January 6, 2010:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 business days, the new issue price shall be used as the closing price for any business day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) Maximum number of Shares

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 100,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 100,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.

(dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

(aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

- (aa) An offer for the grant of options may not be made after a price sensitive event of our Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalization issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for

the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than 2 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;

- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) *Alteration to the Share Option Scheme*

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) **Present status of the Share Option Scheme**

Application has been made to the Listing Committee for listing of and permission to deal in 100,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Ding, Glory Hill, Deep Wealth Resources Limited, Bromyard Investments Limited and Rainbow Star Worldwide Limited (the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (j) of the sub-section headed “Summary of material contracts” in this Appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar laws and regulations of any relevant jurisdiction arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Share Offer becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued, or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Share Offer becomes unconditional; and (c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- specific provision or reserve has been made for such taxation liability in the audited accounts of our Company as at September 30, 2009; or
- the taxation liability arises or is increased as a result only of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Share Offer becomes unconditional; or
- the taxation liability arises in the ordinary course of business of our Group after September 30, 2009 up to and including the date on which the Public Offer becomes unconditional.

The Indemnifiers will also indemnify our Company and each member of our Group against any potential costs and expenses of our Company and other members of our Group in respect of the properties of our Group which had title defects as disclosed in the valuation report set out in Appendix IV to this prospectus.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme and the exercise of the Over-allotment Option.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$42,000 and are payable by our Company.

5. Promoter

There is no promoter of our Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
China Merchants Securities (HK) Co., Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined under the SFO)
SHINEWING (HK) CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Property valuer
Fujian Zenith Law Firm	Registered law firm in the PRC
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

7. Consents of experts

Each of China Merchants Securities (HK) Co., Limited, SHINEWING (HK) CPA Limited, BMI Appraisals Limited, Fujian Zenith Law Firm and Conyers Dill & Pearman has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

Under the present Cayman Islands law, transfers of our Shares are exempt from the Cayman Islands stamp duty.

(c) *Consultation with professional advisors*

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since September 30, 2009 (being the date to which the latest audited consolidated financial statements of our Group were made up).

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash; and
 - (ii) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in this Appendix:
- (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

- (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.

- (d) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.

- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

- (g) We have no outstanding convertible debt securities.

- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands law.

- (i) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Forms; (b) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this prospectus; and (c) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Loong & Yeung at Suites 2201 to 2203, 22nd Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum of Association and Articles of Association;
- (b) the accountants’ report prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of Fujian Meike for each of the three financial years ended December 31, 2008 and the audited financial statements of Fujian Meisike, Fuzhou Meikesen, Quanzhou Meike and Meike Hong Kong for each of the two financial years ended December 31, 2008;
- (d) the letter from SHINEWING (HK) CPA Limited relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to profit estimate of our Company from SHINEWING (HK) CPA Limited and the Sponsor, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of values and valuation certificate relating to our property interest prepared by BMI Appraisals Limited, the text of which are set out in Appendix IV to this prospectus;
- (g) the letter of advice prepared by Conyers Dill & Pearman, summarizing certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;
- (h) the Companies Law;
- (i) the PRC legal opinion issued by Fujian Zenith Law Firm;
- (j) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus;
- (k) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this prospectus; and
- (l) the rules of the Share Option Scheme.

MEIKE

The logo features the word "MEIKE" in a bold, italicized, sans-serif font. Below the text is a stylized arrow pointing to the left, with a white outline and a dark orange fill. The entire logo is centered on a background that transitions from white at the top to a solid orange at the bottom.