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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As 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, including our financial statements and the accompanying notes, before you decide to invest in our Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.*

### OVERVIEW

We are principally engaged in the design, production and sales of sports shoes with the *Flyke* brand in China. We launched the *Flyke* brand in April 2004 and as of the Latest Practicable Date, the products with the *Flyke* brand were sold by 19 authorised distributors at 1,169 authorised retail stores in 208 cities in China. In addition to sports shoes, the *Flyke* brand also includes sportswear and sports accessories which are produced by our contract manufacturers. The *Flyke* brand targets the youth market ranging from 14 to 25 years old in second- and third-tier cities in China. The *Flyke* brand is focusing on fashionable and leisure sports shoes, sportswear and sports accessories.

We enjoy a rapid growth in the sales of sports shoes, sportswear and sports accessories with the *Flyke* brand during the three years ended 31 December 2008 which recorded a CAGR of approximately 656.7%.

In December 2005, Xinwei (China) was accredited as a “2005 China Sports Brand Top 100 Outstanding Enterprise” (2005年中國體育品牌風雲100榜優秀企業). In July 2006, Xinwei (China) was named as an “Advance Enterprise for Creation of Famous Brand for the Year 2003–2005” (2003–2005年度創名牌先進企業). In July 2007, the *Flyke* brand was awarded the “Top 10 Most Favourable Brands of sportswear as voted by consumers in China” (中國體育用品市場消費者(用戶)最喜愛十佳品牌) and the “A reputable brand in terms of protecting consumers’ interest” (全國保護消費者權益信譽品牌). In September 2008, Xinwei (China) was awarded “Fujian Famous International Brand” (福建國際知名品牌).

Prior to the launch of the *Flyke* products, Xinwei (China) had already started the design, production and sales of Soles and sport shoes for our Export ODM Business. These two business activities are part of our vertically integrated business models for the production and sales of sports shoes with the *Flyke* brand for our customers.

As part of our vertically integrated business models, we have strong product design and development capability dedicated for the sports shoes, sportswear and sports accessories with the *Flyke* brand and our Export ODM Business. During the year ended 31 December 2008, our product design and development teams designed and developed over 1,400 styles of sports shoes. We also design, develop and produce the Soles in our sports shoes and sell the Soles to other manufacturers according to their specifications.

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### **OUR COMPETITIVE ADVANTAGES**

Our Directors believe that our success is attributable to the following competitive advantages:—

#### **The *Flyke* brand targets a niche market**

The sports shoes, sportswear and sports accessories with the *Flyke* brand target the youth market segment ranging from 14 to 25 years old in second- and third-tier cities in China. We aim to provide fashionable and leisure footwear and sportswear to our customers. Our sports shoes are designed for the comfort of the wearer with emphasis on the fashionable designs and sports technologies. We have various categories of sports shoes and sportswear designed for different types of sports activities with appropriate Soles produced with different types of materials. Our Directors believe that our consumers choose their sports shoes, sportswear and sports accessories based on the brand recognition, the price level and the design and functionality. Hence, we take into consideration all these factors in our product design and production process and in our marketing and promotional activities.

#### **We have established vertically integrated business models**

Leveraging our experience in our Export ODM Business, we have established vertically integrated business models for the design, production and sales of sports shoes with the *Flyke* brand without relying on any contract manufacturers. Our Directors believe that these arrangements are important and enable us to respond to the changing market demand for the *Flyke* products with different styles using different production technologies. Our vertically integrated business models also enable us to continue to strengthen our sales under our Export ODM Business which represented a significant part of our turnover during the three years ended 31 December 2008 and the nine months ended 30 September 2009.

#### **We have an established Export ODM Business**

We have commenced our Export ODM Business since December 1998. Our Export ODM Business contributed, during each of the three years ended 31 December 2008 and the nine months ended 30 September 2009, approximately 83.7%, 70.6%, 42.4% and 36.4% of our turnover, respectively. Our Export ODM Business provides us with a stable source of income and allows us to access to the latest market information on the overseas markets. Such updated market information allows us to enhance the product designs of the *Flyke* products.

We have cultivated stable and long term business relationships with most of our overseas buyers for our Export ODM Business. As of 31 December 2008, a majority of our overseas buyers had purchased sports shoes from us for more than five years. As of 30 September 2009, we had 36 active overseas buyers with which we have been conducting business for more than five years. During the three years ended 31 December 2008 and the nine months ended 30 September 2009, the sales orders placed by these 36 active overseas buyers amounted to approximately RMB28.3 million, RMB59.7 million, RMB89.4 million and RMB114.3 million, respectively, representing approximately 27.9%, 50.4%, 51.1% and 56.1% of our sales under our Export ODM Business.

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### **We have strong product design and development capability**

We use computer-aided design software to design our sports shoes and Soles with different designs and functionality. We have dedicated design, research and development teams with a total of 142 designers and professional technicians as of 30 September 2009. Our design, research and development departments are dedicated for the *Flyke* products, the sports shoes under our Export ODM Business and the Soles. These departments are located at our production plant situated at Jinjiang City, Fujian Province, China. During the year ended 31 December 2008, our design teams designed and developed over 1,400 styles of sports shoes, over 500 styles of sportswear and sports accessories and over 500 styles of Soles for our customers. In addition, we attend trade fairs and technology-exchange seminars in order to enrich our knowledge and keep abreast of the latest market development.

We have submitted 19 patent applications in China. Further information on our patent applications is set forth in the section headed “Further Information About the Business of our Group — 2. Intellectual property” in Appendix VI to this prospectus.

### **We have an experienced management team**

Our executive Directors and senior management team have more than 10 years of experience and professional knowledge in the sports shoes and sportswear production industry in China. In particular, Mr. LIN, our Chairman and an executive Director, has more than 20 years of experience in the sports shoes and sportswear industry. In 2007, Mr. LIN was awarded the “*Outstanding Entrepreneurship in Brand-Building in China*” (中國品牌建設優秀企業家) by 中國國際名牌發展協會 (China International Nameplate Development Association\*). Our Directors believe that our executive Directors and our senior management team are instrumental to our success.

## **OUR GROWTH STRATEGIES**

We strive to grow our business substantially with the implementation of the following strategies:—

### **We will expand the distribution network for the *Flyke* products**

We plan to expand the distribution network for the products with the *Flyke* brand to cover regions in China where we currently do not have business presence. In this regard, we will increase the number of our authorised distributors and encourage them to expand the number of the authorised retail stores. We also plan to expand our distribution network of the sports shoes and sportswear to university campus in China by cooperating with selected business partners. In this connection, on 30 August 2009, we entered into a framework agreement with Saier for the sales and promotion of specific products with the *Flyke* brand at selected tertiary institutions in China. Pursuant to this framework agreement, Saier is responsible for the formulation and implementation of the promotional activities for the *Flyke* products at selected universities and tertiary institutions in China and purchases the *Flyke* products from us on a non-return basis. Saier also provides us with market information on the youth market and their preferences. We are responsible for the promotional expenses incurred by Saier on a reimbursement basis. We also plan to cooperate with Saier to launch the promotion on the

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Internet and to establish sales counters at the tertiary institutions. As of the Latest Practicable Date, Saier had arranged for 93 Campus Retail Stores at selected universities and tertiary institutions in China to sell the *Flyke* products.

### **We will continue to enhance our brand recognition**

Our Directors believe that our brand image and market positioning are important to our further business development in China. We plan to focus on the design, production and sales of fashionable, trendy and leisure sports shoes, sportswear and sports accessories. We will continue to implement marketing and promotional strategies by engaging well-known entertainment celebrities and professional sportsmen in China as our spokespersons, launching advertising campaigns on different media as well as sponsoring school activities and sports events to enhance the image and popularity of our brand.

We plan to establish seven flagship stores and 23 image stores in the PRC provinces of Fujian, Guangxi, Jiangsu, Zhejiang, Sichuan and Guangdong by the end of 2011. We will showcase our latest products at our flagship stores and image stores. Flagship stores will be open in the first-tier cities. Image stores will be open in the second- or third-tier cities. Our business development department will be responsible for the overall planning of this initiative. We will monitor the stores' inventory levels, design and implementation of the promotional activities and the preparation of the stores' monthly accounts. Our business management department will manage the stores on a daily basis including staff recruitment and training and analysis of the sales performance and the inventory levels of each store. The flagship stores and the image stores will focus on the promotion of our brand and the latest products.

Because of our previous experience in managing specialty stores, concession counters and distributors (before the implementation of our existing distribution arrangements and the management of our existing image store), our Directors believe that we have the capability and experience in managing the proposed flagship stores and image stores. Our existing image store in Shuitou, Fujian Province, China was established in April 2008 with a gross floor area of approximately 130 sq. m., and its sales during the year ended 31 December 2008 and the nine months ended 30 September 2009 were approximately RMB0.7 million and RMB3.2 million, respectively.

In addition, we plan to increase our sponsorship to sports events at universities in China and provide selected university students with discounts and other benefits for the purchase of our products. We also plan to enhance the image and popularity of the *Flyke* brand through the increase in advertising on print media, such as magazines, newspapers and posters, and broadcasting media. We will also participate in national exhibitions in China and international trade fairs. Our Directors believe that these marketing activities will enable us to capture the growing business opportunities in China.

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### We will strengthen our product design and development capability

Our Directors plan to expand our product design and development capability by recruiting experienced personnel with appropriate qualifications and establishing collaborative relationships with professional design institutions and research centres in China. We will continue to seek business cooperation opportunities with reputable designers and design institutions to enhance our product design capability.

### We will expand our production capacity

As of the Latest Practicable Date, we operated 10 sports shoes production lines with an aggregate annual production capacity of approximately 10.0 million pairs of sports shoes, with further information set forth in the section headed “Business — Our production facilities and process” in this prospectus. We also plan to increase three sports shoes production lines with the aggregate annual production capacity increased to 13.0 million pairs of sports shoes by the middle of 2010. The additional production capacity will be allocated for the production of the *Flyke* sports shoes and the sports shoes for our Export ODM Business. We also plan to start the establishment of own production facilities for sportswear towards the end of 2010 for the production of sportswear with the *Flyke* brand.

### OUR BUSINESS MODELS

Our business may be divided into three business segments, namely (a) sales of sports shoes, sportswear and sports accessories with the *Flyke* brand; (b) sales under our Export ODM Business; and (c) sales of Soles.

The following table sets forth a summary of our turnover by these three business segments during the three years ended 31 December 2008 and the nine months ended 30 September 2008 and 2009:—

	For the year ended 31 December						For the nine months ended 30 September			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of sports shoes, sportswear and sports accessories with the <i>Flyke</i> brand . . . . .	3,725	3.1	32,382	19.3	213,206	51.5	166,341	58.2	334,774	59.9
Sales under our Export ODM Business . . . . .	101,436	83.7	118,499	70.6	175,210	42.4	102,529	35.9	203,568	36.4
Sales of Soles . . . . .	16,029	13.2	16,994	10.1	25,178	6.1	16,961	5.9	20,502	3.7
<b>Total . . . . .</b>	<b>121,190</b>	<b>100.0</b>	<b>167,875</b>	<b>100.0</b>	<b>413,594</b>	<b>100.0</b>	<b>285,831</b>	<b>100.0</b>	<b>558,844</b>	<b>100.0</b>

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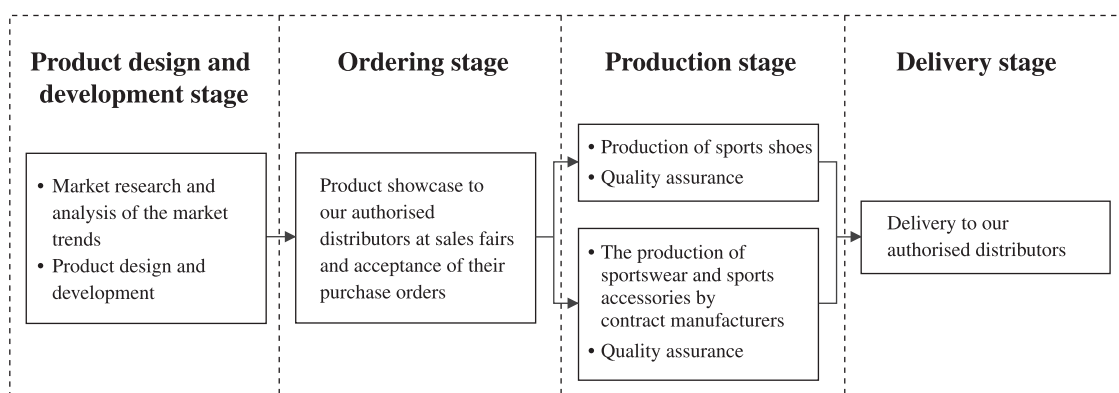
The following table sets forth an analysis of our sales contributed by our sports shoes, sportswear and sports accessories and Soles during the three years ended 31 December 2008 and the nine months ended 30 September 2008 and 2009:—

	For the year ended 31 December						For the nine months ended 30 September			
	2006		2007		2008		2008		2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sports shoes . . . . .	105,161	86.8	140,593	83.7	327,537	79.2	219,551	76.8	380,783	68.1
Sportswear and sports accessories . . . . .	—	—	10,288	6.1	60,879	14.7	49,319	17.3	157,559	28.2
Soles . . . . .	16,029	13.2	16,994	10.2	25,178	6.1	16,961	5.9	20,502	3.7
<b>Total . . . . .</b>	<b>121,190</b>	<b>100.0</b>	<b>167,875</b>	<b>100.0</b>	<b>413,594</b>	<b>100.0</b>	<b>285,831</b>	<b>100.0</b>	<b>558,844</b>	<b>100.0</b>

The business models for the design, production and sales of the *Flyke* sports shoes and the sports shoes for our Export ODM Business are similar, with the major differences in the product development stage and the design stage. Our focus is on the development of the *Flyke* brand and as such, we put priority on the production of the sports shoes with the *Flyke* brand in order to ensure that the sports shoes can be launched on time. As of the Latest Practicable Date, all of our sports shoes with the *Flyke* brand were produced by us without engaging any contract manufacturer, while we outsource the production of some of the sports shoes under our Export ODM Business to contract manufacturers. All the Soles used in our sports shoes are produced by us, and we also produce and sell Soles to other sports shoes manufacturers as semi-finished products. All the *Flyke* sportswear and sports accessories are produced by our contract manufacturers, which are Independent Third Parties.

### Business model for the *Flyke* products

The following diagram illustrates the business model for the design, production and sales of the sports shoes, sportswear and sports accessories with the *Flyke* brand:—





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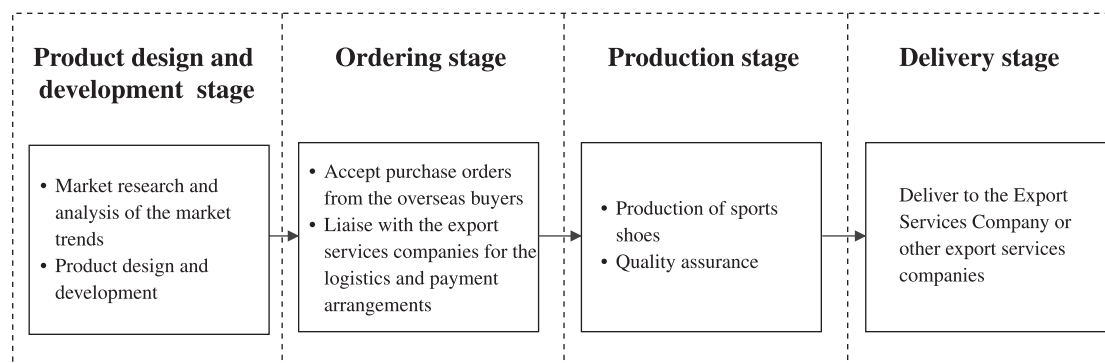
During the three years ended 31 December 2008, we sold our *Flyke* products to specialty stores, concession counters and distributors. Starting from the beginning of 2009, we sold our *Flyke* products exclusively to the authorised distributors. We also started operating an image store to sell our *Flyke* products in Shuitou, Fujian Province in 2008.

The following table sets forth an analysis of our sales to (i) authorised distributors, (ii) specialty stores and concession counters (which were our direct customers), (iii) distributors and (iv) our image store in Shuitou, Fujian Province during the three years ended 31 December 2008 and the nine months ended 30 September 2009:—

	<u>For the year ended 31 December</u>			<u>For the nine months ended 30 September</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Authorised distributors . . . . .	—	—	—	331,584
Specialty stores and concession counters . . . . .	3,689	26,398	126,811	—
Distributors . . . . .	36	5,984	85,707	—
Our image store . . . . .	—	—	688	3,190
<b>Total . . . . .</b>	<b><u>3,725</u></b>	<b><u>32,382</u></b>	<b><u>213,206</u></b>	<b><u>334,774</u></b>

### Business model for our Export ODM Business

The following diagram illustrates the business model for our Export ODM Business:—



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### SUMMARY OF OUR RESULTS DURING THE TRACK RECORD PERIOD

The tables below set forth the summary combined financial information of our Group. The following summary was extracted from, and should be read in conjunction with our combined financial statements, including the notes thereto, included in the accountants' report set forth in Appendix I to this prospectus.

#### Summary statement of comprehensive income

	For the year ended 31 December			For the nine months ended 30 September	
	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>	
Turnover . . . . .	121,190	167,875	413,594	285,831	558,844
Cost of sales . . . . .	(84,874)	(118,017)	(288,799)	(200,969)	(421,683)
Gross profit . . . . .	36,316	49,858	124,795	84,862	137,161
Other operating income . . . . .	549	1,082	1,406	957	770
Selling and distribution expenses . . . . .	(6,975)	(7,811)	(30,402)	(23,854)	(21,661)
Administrative expenses . . . . .	(2,395)	(4,603)	(8,654)	(5,940)	(9,926)
Other operating expenses . . . . .	(1,084)	(1,542)	(10,262)	(7,882)	(7,574)
Finance costs . . . . .	(1,015)	(2,396)	(4,994)	(4,068)	(3,212)
Profit before tax . . . . .	25,396	34,588	71,889	44,075	95,558
Income tax expense . . . . .	(2,243)	(5,183)	(5,431)	(2,117)	(6,557)
Profit for the year/period . . . . .	23,153	29,405	66,458	41,958	89,001
Exchange differences arising on translation of foreign operations . . . . .	—	—	—	—	17
Profit and total comprehensive income for the year/period . . .	<u>23,153</u>	<u>29,405</u>	<u>66,458</u>	<u>41,958</u>	<u>89,018</u>
Earnings per share (RMB)					
Basic . . . . .	<u>0.029</u>	<u>0.037</u>	<u>0.083</u>	<u>0.052</u>	<u>0.111</u>



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### Summary combined statements of financial position

	<u>As of 31 December</u>			<u>As of</u> <u>30 September</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets . . . . .	40,048	52,700	99,751	121,612
Current assets . . . . .	139,843	159,429	209,760	262,989
Current liabilities . . . . .	119,718	139,310	171,197	226,936
<b>Net current assets . . . . .</b>	<b><u>20,125</u></b>	<b><u>20,119</u></b>	<b><u>38,563</u></b>	<b><u>36,053</u></b>
<b>Net assets . . . . .</b>	<b><u>60,173</u></b>	<b><u>72,819</u></b>	<b><u>138,314</u></b>	<b><u>157,665</u></b>

### PROFIT ESTIMATE

Estimated combined profit attributable to equity holders of our Company <sup>1</sup> . . . . .	Not less than RMB134.7 million (equivalent to approximately HK\$153.1 million)
Estimated earnings per Share — weighted average basis <sup>2</sup> . . . . .	RMB0.17 (equivalent to approximately HK\$0.19)
— pro forma fully diluted basis <sup>3</sup> . . . . .	RMB0.17 (equivalent to approximately HK\$0.19)

Notes:—

- The bases on which the above profit estimate has been prepared are set forth in Appendix III to this prospectus.
- The calculation of the estimated earnings per Share on a weighted average basis is based on the estimated profit attributable to equity holders of our Company for the year ended 31 December 2009 and a weighted average number of 800,000,000 Shares issued and outstanding during the year. This calculation assumes that the Over-allotment Option is not exercised and our Shares issued pursuant to the Global Offering were issued on 1 January 2009.
- The calculation of the estimated earnings per Share on a pro forma fully diluted basis is based on the estimated profit attributable to equity holders of our Company for the year ended 31 December 2009 assuming that our Company had been listed since 1 January 2009 and a total of 800,000,000 Shares were in issue during the entire year. This calculation assumes that the Over-allotment Option is not exercised and our Shares issued pursuant to the Global Offering were issued on 1 January 2009.

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### STATISTICS OF THE GLOBAL OFFERING

	Based on an indicative Offer Price per Share of HK\$1.81	Based on an indicative Offer Price per Share of HK\$2.49
Market capitalisation of our Shares <sup>1</sup> . . . . .	HK\$1,454.1 million	HK\$1,989.9 million
Pro forma fully diluted prospective price/ earnings multiple <sup>2</sup> . . . . .	HK\$9.5 times	HK\$13.0 times
Pro forma net tangible assets per Share <sup>3</sup> . . . . .	HK\$0.658	HK\$0.820

*Notes:—*

1. The calculation of the market capitalisation is based on 800,000,000 Shares expected to be in issue following completion of the Capitalisation Issue and the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company.
2. The pro forma fully diluted prospective price/earnings multiple is calculated based on the estimated earnings per Share of approximately HK\$0.19 for the year ended 31 December 2009, the indicative Offer Price of HK\$1.81 per Share and HK\$2.49 per Share and on the basis of 800,000,000 Shares in issue as referred to in note 1 above.
3. The pro forma net tangible assets per Share is arrived at after the adjustments referred to in the paragraphs under “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 800,000,000 Shares in issue immediately upon completion of the Capitalisation Issue and the Global Offering but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company.

### DIVIDEND

Our subsidiaries, Xinwei (China) and Flyke (China), declared and paid in aggregate dividends amounting to RMB10.5 million, RMB16.8 million, RMB3.7 million and RMB69.7 million during the three years ended 31 December 2008 and the nine months ended 30 September 2009, respectively. On 11 March 2010, our Company declared a special dividend of RMB100.0 million. The amount of the special dividend will be paid from our internal financial resources on or before the Listing Date, and will not be available to our Shareholders after Listing.

Although our Company had no distributable reserve as of 30 September 2009, profits were available for distribution from our subsidiaries. Our Group’s unaudited retained earnings as of 31 January 2010 were approximately RMB167.8 million.

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Our previous dividend payment is not indicative of our future dividend policy. The amount of future dividends on our Shares will depend on our earnings and financial position, our results of operations, our capital needs, our plans for expansion, our distributable reserves and such other factors as our Directors may consider appropriate. Subject to the Companies Law, Shareholders in general meeting may from time to time declare a dividend or other distribution, but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to the Companies Law, our Directors may also from time to time declare such interim dividends as appear to our Directors to be justified by our profits. As of 30 September 2009, we did not have any distributable reserves available for distribution to our Shareholders.

### **PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING**

We estimate the net proceeds from the Global Offering (after deducting the underwriting fees and the estimated expenses payable by us in connection with the Global Offering) and assuming an Offer Price of HK\$2.15 per Share (being the mid-point of the indicate Offer Price range) will be approximately HK\$412.5 million, assuming that the Over-allotment Option is not exercised. We currently plan to apply such net proceeds in the following manner:—

- (1) approximately HK\$110.0 million, representing approximately 26.7% of the total amount of the net proceeds, will be used for the launch of new advertising and marketing campaigns and activities for the *Flyke* brand on different media in the following manner:—
  - approximately HK\$75.0 million will be used on television advertising;
  - approximately HK\$10.0 million will be used on advertising on other media, such as magazine, newspapers and the Internet;
  - approximately HK\$10.0 million will be used in other promotional activities including attending annual sales fairs, various shoes and sportswear exhibitions in China and regional promotional activities;
  - approximately HK\$10.0 million will be used on the sponsorship of regional sports and entertainment events; and
  - the remaining amount will be used on general advertisement designs and related supporting activities.
- (2) approximately HK\$80.0 million, representing approximately 19.3% of the total amount of the net proceeds, will be used for the establishment of our new production facilities for the sportswear with the *Flyke* brand. The new production facilities will include factory buildings, dormitory and the required machinery with an annual production capacity of approximately five million pieces of sportswear. As of the Latest Practicable Date, we did not enter into any binding agreement for any commitment on the construction of these facilities;

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- (3) approximately HK\$68.0 million, representing approximately 16.5% of the total amount of the net proceeds, will be used for the expansion of our product research and development teams with addition of product designers, computer-aided design equipment and new machines on shoe and sportswear design and prototyping;
- (4) approximately HK\$68.0 million, representing approximately 16.5% of the total amount of the net proceeds, will be used for the establishment of seven flagship stores and 23 image stores in the PRC provinces of Fujian, Guangxi, Jiangsu, Zhejiang, Sichuan and Guangdong, etc. by the end of December 2011. Further information on these flagship stores and image stores is set forth in the section headed “Business — Our growth strategies — We will continue to enhance our brand recognition” in this prospectus;
- (5) approximately HK\$23.0 million, representing approximately 5.6% of the total amount of the net proceeds, will be used for the expansion of our shoe production capacity by increasing three production lines for sports shoes with an aggregate annual production capacity of approximately three million pairs of sports shoes. The production lines will be allocated for the production of the *Flyke* sports shoes and the sports shoes for our Export ODM Business;
- (6) approximately HK\$22.5 million, representing approximately 5.5% of the total amount of the net proceeds, will be used for the improvement in our information technology systems connecting with the systems of our authorised distributors and our future flagship and image stores; and
- (7) approximately HK\$41.0 million, representing approximately 9.9% of the total amount of the net proceeds, will be used for our general working capital purposes.

If the Offer Price is set at the high end of the indicate Offer Price range, being HK\$2.49 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$65.0 million to HK\$477.5 million. We intend to apply the additional net proceeds to items (2), (3) and (4) above on a pro-rata basis.

If the Offer Price is set at the low end of the indicate Offer Price range, being HK\$1.81 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK\$65.0 million to HK\$347.5 million. The amount of the net proceeds proposed to be used for items (2) and (3) above will be reduced on a pro rata basis after the full utilisation of our general working capital for the above purposes.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$475.1 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end of the indicative Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Overallotment Option) will increase by approximately HK\$127.6 million. If the Offer Price is set at the low-end of the indicative offer price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will decrease by approximately HK\$2.4 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to items (2), (3) and (4) above on a pro-rata basis.

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To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorized financial institutions in Hong Kong for so long as it is in our best interests. We will also disclose the same in the relevant annual report.

### **RISK FACTORS**

#### **Risks relating to our Group**

- Failure to promote or maintain the *Flyke* brand could materially and adversely affect our profitability
- We operate in a highly competitive industry
- We will invest a significant portion of the net proceeds from the Global Offering in sportswear manufacturing in which we do not have prior experience
- We have a limited history in the branded sports shoes and sportswear industry in China
- Our sales are subject to seasonality
- We are dependent on our authorised distributors
- We are exposed to the credit risk of our authorised distributors
- We rely on our authorised distributors and the authorised retail stores over which we have limited control
- Any poor or inappropriate service provided by any of our authorised distributors or the authorised retail stores may affect our performance
- We may not be able to accurately track the sales and the inventory levels of our authorised distributors and the authorised retail stores, and we cannot determine the proportion of products sold to end consumers
- Our authorised distributors and the authorised retail stores may not be able to sell the *Flyke* products at the anticipated levels
- Our sales depend on our ability to anticipate and respond in a timely manner to changes in consumers' tastes in China
- We may fail to implement our growth strategies or maintain our growth rate
- We are dependent on contract manufacturers for the production of sportswear and sports accessories and some of our sports shoes under our Export ODM Business
- Unexpected disruption to our production facilities may have a material adverse impact

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## SUMMARY

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- Historical performance should not be used as an indicator for our future performance
- We rely on our suppliers for our principal raw materials
- We face possible infringement of our trademarks and counterfeiting of the *Flyke* brand sports shoes, sportswear and sports accessories
- We may inadvertently infringe third-party intellectual property rights
- Our patent applications in China are still pending and may not be approved
- We may be exposed to product liability, property damage or personal injury claims
- We rely on the Export Services Company
- The profit margin of our Export ODM Business is decreasing
- Non-compliant construction works and lack of title to certain parcels of land may expose us to different risks
- Any change in our tax treatment may have a material adverse impact on our financial condition and operating results
- We are a holding company relying on dividend payments from our subsidiaries for funding
- We cannot assure you that we will pay dividends in the future
- Labour disputes could significantly affect our business
- We are dependent on some of our key personnel
- Our ability to obtain additional funding may be limited which could delay or prevent completion of one or more of our growth strategies
- Our business may be materially and adversely impacted by recent financial difficulties and economic conditions in the United States, Europe and elsewhere
- There may be conflict of interests between our Controlling Shareholders and us or other Shareholders

### **Risks relating to conducting business in China**

- The political and economic situation in China may have an adverse impact on our business
- Changes in the PRC foreign exchange regulations may adversely affect our business operations
- Fluctuations in the value of RMB may materially and adversely affect our financial condition and operating results

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## SUMMARY

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- Fluctuations in consumer spending caused by changes in the economic condition in China may significantly affect our business, financial condition, operating results and prospects
- Interpretation of PRC laws and regulations involves uncertainty
- The implementation of the new employment contract law may increase our labour costs
- Natural disasters, acts of war, terrorist attacks, political unrest and other events may have negative impact on our business
- PRC regulations on loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the net proceeds from the Global Offering to make loans or additional capital contributions to members of our Group in China
- It may be difficult to effect service of process upon us or our Directors or senior officers who reside in China

### **Risks relating to the Global Offering**

- There has been no prior public market for our Shares and an active trading market for our Shares may not develop
- The trading price and the trading volume of our Shares may be volatile
- Investors will experience immediate dilution 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 could adversely affect our operating results and the exercise of the options granted may result in material dilution to our Shareholders
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

### **Risks relating to statements in this prospectus**

- Certain facts and statistics included in this prospectus may not be relied upon
- The current market condition may not be reflected in the statistical information included in this prospectus
- Forward looking statements may not be accurate