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OUR BUSINESS DEVELOPMENT

Introduction

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 enjoyed 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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Business milestones

The following table sets forth our business development milestones during the last decade:—

Years	Business achievements
December 1998	Xinwei (China) was established to carry on our Export ODM Business and the design, production and sales of Soles. Upon the establishment of Xinwei (China), Mr. LIN, Mr. LIN Mingxu and Mr. LIN Wenzu were involved in the management of Xinwei (China).
October 2000	All equity interest in Xinwei (China) was acquired by Mr. LIN. Xinwei (China) obtained the ISO9001:2000 certification for its quality management systems. The accreditation has been renewed in September 2007.
November 2000	Xinwei (China) obtained the award of “ <i>Reliable Quality Products</i> ” (質量信得過產品).
April 2002	Flyke (China) started the feasibility study on the branded sports shoes market in China.
April 2004	We launched the <i>Flyke</i> brand at the Sixth International Footwear Exhibition in Beijing and engaged Mr. Leon LAI (黎明), a pop artiste in Hong Kong, to be the brand spokesperson.
December 2004	Xinwei (China) first obtained the ISO14001:1996 certification for its environmental management systems.
December 2004	The <i>Flyke</i> brand was accredited the “ <i>Famous Trademark in Quanzhou</i> ” (泉州市知名商標).
2005	Xinwei (China) was accredited as “ <i>2005 China Sports Brand Top 100 Outstanding Enterprise</i> ” (2005年中國體育品牌風雲100榜優秀企業) and the <i>Flyke</i> brand was accredited the “ <i>Products Exempted from Quality Surveillance Inspection</i> ” (產品質量國家免檢) for a period of three years, the “ <i>Famous Brand Products in Fujian Province</i> ” (福建名牌產品), the “ <i>Famous Trademark in Fujian Province</i> ” (福建省著名商標) and the “ <i>Member of Fujian Province Quality Association</i> ” (福建省質量協會團體會員).
April 2005	Flyke (China) launched the “ <i>Car Racing</i> ” sports shoes series.

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Years	Business achievements
2006	Xinwei (China) was named as a “ <i>100 Strongest Enterprises in the Footwear Manufacturing Industry in China</i> ” (中國製鞋工業百強企業) and a “ <i>Member of the China Quality Certification Association</i> ” (中國質量檢驗協會團體會員單位).
July 2006	Xinwei (China) was named as an “ <i>Advance Enterprise for Creation of Famous Brand for the Year 2003–2005</i> ” (2003–2005年度創名牌先進企業).
December 2006	The number of the specialty stores and concession counters for the <i>Flyke</i> brand increased to 85 in eight cities in China.
July 2007	The <i>Flyke</i> brand was awarded the “ <i>Top 10 Most Favourable Brands of sportswear as voted by consumers in China</i> ” (中國體育用品市場消費者(用戶)最喜愛十佳品牌) and the “ <i>A reputable brand in terms of protecting consumers’ interest</i> ” (全國保護消費者權益信譽品牌).
September 2007	Xinwei (China) renewed the ISO9001:2000 and the ISO14001:2004 certifications.
December 2007	Flyke (China) commenced its operation by taking up the role as our entity for the design, production and sales of <i>Flyke</i> products.
December 2007	The <i>Flyke</i> brand was awarded the “ <i>Famous Brand Products in Fujian Province</i> ” (福建名牌產品).
December 2007	The number of the specialty stores and concession counters for the <i>Flyke</i> brand increased to 188 in 15 cities in China.
January 2008	Flyke (China) launched the “ <i>Totem</i> ” sports shoes and sportswear series in celebration of the <i>2008 Beijing Olympic Games</i> .
September 2008	Xinwei (China) was awarded “ <i>Fujian Famous International Brand</i> ” (福建國際知名品牌) for the years of 2008 to 2009 based on its export business volume and “ <i>Famous Trademark in Fujian Province</i> ” (福建省著名商標).
December 2008	The number of the specialty stores and concession counters for the <i>Flyke</i> brand increased to 826 in 198 cities in China.
January 2009	Flyke (China) launched the “ <i>Jet Fighter</i> ” footwear series.

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Years	Business achievements
September 2009	As of 30 September 2009, we had 18 authorised distributors with 1,125 authorised retail stores for the <i>Flyke</i> brand.

After years of business development, we have become an integrated business focusing on the design, production and sales of a wide range of sports shoes, sportswear and sports accessories. Our headquarters are situated at Jinjiang City, Fujian Province, China which is known as a production base for sports shoes, sportswear and sports accessories. Our sales activities may be divided into three business segments, namely (a) sales of sports shoes, sportswear and sports accessories with the *Flyke* brand; (b) sales under the Export ODM Business and (c) sales of Soles.

As of 30 September 2009, our production facilities are situated at Yangdai Yongpu Industrial Zone, Chendai Town, Jinjiang City, Fujian Province, China with 10 footwear production lines and an aggregate annual production capacity of approximately 10.0 million pairs of footwear. Our annual production capacity of Soles was approximately 13.0 million pairs. As of the Latest Practicable Date, we appointed 19 authorised distributors for the sales of the *Flyke* products which operated, managed or distributed to a total of 1,169 authorised retail stores in 208 cities in China.

OUR CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of establishment/incorporation. Our principal operating entities are Xinwei (China) and Flyke (China) which are our wholly-owned subsidiaries under Xinwei (Hong Kong) and Flyke (Hong Kong), respectively. Xinwei (China) is our principal entity for the design, production and sales of sports shoes for our Export ODM Business. The design, production and sales of the *Flyke* products were undertaken by Xinwei (China) up to December 2007 and by Flyke (China) from December 2007, the time when Flyke (China) commenced its operation. The design, production and sales of Soles were undertaken by Xinwei (China) up to the year ended 31 December 2007 and by Flyke (China) from the beginning of 2008. We also underwent certain reorganisation steps for the purpose of the Global Offering, particulars of which are set forth in the section headed “Reorganisation” in this prospectus.

Xinwei (China)

Xinwei (China) was established on 17 December 1998 in China as a wholly-foreign owned enterprise with a registered capital of HK\$9.88 million and the total investment amount of HK\$12.0 million for the business of the manufacture of apparel items and soles. Upon its establishment, Xinwei (China) was wholly-owned by an Independent Third Party (the “**Initial Owner**”). The Initial Owner was acquainted to Mr. LIN when they both lived in the same village in Yangdai, Chendai Town, Jinjiang City. Upon the establishment of Xinwei (China), the Initial Owner invited Mr. LIN, Mr. LIN Mingxu and Mr. LIN Wenzu to join the management team of Xinwei (China) due to their industry experience in the shoes trading industry.

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On 6 October 2000, the Initial Owner and Mr. LIN entered into an equity transfer agreement for the transfer of the entire equity interest in Xinwei (China) to Mr. LIN at cash consideration of HK\$9.88 million. Before completion of the transfer, there was no arrangement or understanding between the Initial Owner and Mr. LIN in relation to the equity interest in Xinwei (China). The amount of consideration was settled by Mr. LIN from his own savings and a personal loan from a business associate of Mr. LIN. The amount of the consideration was based on the amount of capital contribution made by the Initial Owner. On 24 November 2000, 晉江市對外經濟貿易委員會 (Foreign Trading Economic Cooperation Bureau of Jinjiang City*) issued the 《關於同意鑫威(福建)輕工有限公司股權轉讓補充章程的批複》 (Approval relating to the transfer of equity interest of Xinwei (Fujian) Light Industry Co., Ltd.*) approving the equity transfer to Mr. LIN. From November 2000, Mr. LIN has been leading the business development of our Group.

On 20 May 2002, upon obtaining an approval from 晉江市對外經濟貿易委員會 (Foreign Trading Economic Cooperation Bureau of Jinjiang City*), the registered capital of Xinwei (China) was increased to HK\$12.88 million with the approved scope of business to be expanded to the manufacturing of apparel items, Soles, sports shoes and TPR compound (not including products which are subject to quota permit). The amount of additional capital contribution was made by Mr. LIN.

On 20 July 2007, upon obtaining an approval from 晉江市商務局 (Municipal Bureau of Commerce of Jinjiang City*), the business scope of Xinwei (China) was further expanded by removing the restriction on the percentages of export and import sales.

Pursuant to the Xinwei Acquisition Agreement, Xinwei (China) became a wholly-owned subsidiary of Xinwei (Hong Kong).

Flyke (China)

Flyke (China) was established on 6 July 2004 in China as a wholly-foreign owned enterprise with a registered capital of HK\$10.80 million and the total investment of HK\$15.0 million. At the time of establishment, Mr. LIN was the sole investor. The business scope of Flyke (China) upon its establishment was manufacturing of sports shoes, soles and sports apparel items (not including the products which are subject to quota permit). The amount of registered capital was settled by Mr. LIN by way of cash from his personal savings.

On 30 January 2008, 福建省對外貿易經濟合作廳 (Fujian Provincial Bureau of Foreign Trade and Economic Co-operation*) issued the 《福建省對外貿易經濟合作廳關於同意福建省飛克體育用品有限公司增資等事項的批複》 (Approval relating to the increase of registered capital of *Flyke Sports Products Co. Ltd. Fujian**) approving the increase of the registered capital of Flyke (China) to HK\$13.80 million and the inclusion of “wholesale and retail (not by way of establishing shops), export and import and related business of sports footwear and sports apparel (special commodities shall be subject to the laws on quota licence and other special regulations)” into the scope of business of Flyke (China).

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On 20 August 2008, upon obtaining the approval from 福建省對外貿易經濟合作廳 (Fujian Provincial Bureau of Foreign Trade and Economic Co-operation*), the scope of business of Flyke (China) was amended to remove the restriction on establishment of its own stores.

Pursuant to the Flyke Acquisition Agreement, Flyke (China) became a wholly-owned subsidiary of Flyke (Hong Kong).

Flyke (Guangxi) Branch Company

Flyke (Guangxi) Branch Company was established on 6 May 2008 in China by Flyke (China) as its branch company and it is currently dormant pending our future business expansion in Guangxi Province, China.

Flyke (Shuitou) Branch Company

Flyke (Shuitou) Branch Company was established on 25 April 2008 in China by Flyke (China) as its branch company for the operation of our image store.

De-registration of the branch companies of Flyke (China)

In December 2007, the directors of Flyke (China) decided to establish branch companies to manage our regional operations. Accordingly, 福建省飛克體育用品有限公司北京分公司 (Feike Sports Products Co., Ltd. Fujian Beijing Branch Company*) (“**Flyke (China) Beijing Branch Company**”) was established on 17 June 2008 and 福建省飛克體育用品有限公司杭州分公司 (Feike Sports Products Co., Ltd. Fujian Hangzhou Branch Company*) (“**Flyke (China) Hangzhou Branch Company**”) was established on 29 April 2008.

In June 2008, in response to the market changes and the forthcoming *Beijing Olympics*, we considered that we should rapidly expand our market share. Hence, we decided to focus our resources on the development of our network of authorised distributors and to cease the business operations of our own retail network except for the image store in Shuitou, Fujian Province. Accordingly we proceeded to de-register Flyke (China) Beijing Branch Company and Flyke (China) Hangzhou Branch Company whilst keeping Flyke (China) Shuitou Branch Company for the operation of our image store and Flyke (China) Guangxi Branch Company for future business operation.

Flyke (China) Beijing Branch Company was de-registered on 3 July 2008 while Flyke (China) Hangzhou Branch Company was de-registered on 16 October 2009. The two branch companies did not commence any business prior to the de-registration.

Xinwei (Hong Kong)

Xinwei (Hong Kong) was incorporated on 16 April 2008 in Hong Kong as an investment holding company. Upon its incorporation, Xinwei (Hong Kong) had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Win Eagle is the sole shareholder of one issued share of Xinwei (Hong Kong).

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Pursuant to the Xinwei Acquisition Agreement, Xinwei (Hong Kong) issued and allotted 9,999 new shares to Mr. LIN, who held such shares on trust for Win Eagle.

On 22 December 2009, Mr. LIN transferred 9,999 shares in Xinwei (Hong Kong) to Win Eagle at nil consideration.

Flyke (Hong Kong)

Flyke (Hong Kong) was incorporated on 16 April 2008 in Hong Kong as an investment holding company. Upon its incorporation, Flyke (Hong Kong) had an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. Win Eagle is the sole shareholder of one issued share of Flyke (Hong Kong).

Pursuant to the Flyke Acquisition Agreement, Flyke (Hong Kong) issued and allotted 9,999 new shares to Mr. LIN, who held such shares on trust for Win Eagle.

On 22 December 2009, Mr. LIN transferred 9,999 shares in Flyke (Hong Kong) to Win Eagle at nil consideration.

Win Eagle

Win Eagle was incorporated on 14 March 2008 in the BVI as an investment holding company. Upon its incorporation, Win Eagle had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each and one share was issued and allotted to Mr. LIN. On 21 April 2008, Mr. LIN transferred this one share to our Company at a consideration of US\$1.0.

Our Company

Our Company was incorporated on 21 April 2008 in the Cayman Islands as an exempted company with limited liability. At the time of incorporation, our Company had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.0 each.

Our Company became our ultimate holding company following completion of the Xinwei Acquisition Agreement and the Flyke Acquisition Agreement.

On 24 February 2010, pursuant to a written resolution of our sole Shareholder, our Company repurchased the one existing issued share of US\$1.0 each and cancelled the share, and our authorised share capital was increased by HK\$200,000,000 divided into 2,000,000,000 Shares, and 1,000,000 Shares were issued and allotted to Super Creation.

On 5 March 2010, Super Creation transferred 200,000 Shares to the Trustee to hold on trust for the benefit of Messrs. LIN Mingxu and LIN Wenzu in equal shares.