You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as at and for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 and accompanying notes set forth in "Appendix I – Accountants' Report" to this prospectus and other financial information appearing in this prospectus. Our consolidated financial statements as at and for the six months ended 30 June 2009 have not been audited. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties and accordingly, you should not place undue reliance on any such statements. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Our future results of operations and financial condition could differ materially from those discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section titled "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are one of the leading menswear enterprises and brands operators in the PRC owning and managing two brands, ***V.E. DELURE*** and ***TESTANTIN***, covering the middle-upper to high-end segments of the menswear market. According to the Frost & Sullivan Report, our ***V.E. DELURE*** brand was among the top three brands in terms of retail revenue for each of the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010 within the high-end business formal and casual menswear market in the PRC with a corresponding market share of 3.8% in 2008 and 2009 and 4.2% for the six months ended 30 June 2010, respectively. We launched our ***V.E. DELURE*** brand in 2000, targeting the high-end business formal and casual menswear market. We launched our ***TESTANTIN*** brand in 2005, targeting the middle-upper fashion casual menswear market. Our ***V.E. DELURE*** brand, inspired by French craftsmanship and elegance, offers business formal and casual menswear and accessories targeting affluent and successful men between the ages of 35 to 50 and has a brand theme of "Love." Our ***TESTANTIN*** brand offers contemporary and chic casual menswear and accessories targeting younger and more fashion conscious men between the ages of 25 to 40 and has a brand theme of "artistic expression and simplicity." According to the Frost & Sullivan Report, the middle-upper fashion casual and high-end business formal and casual menswear market in the aggregate constituted around 7.3% of the entire menswear market in China in the year ended 31 December 2009.

We have established a nationwide retail network in the PRC. According to the Frost & Sullivan Report, our ***V.E. DELURE*** brand ranked second in terms of the number of retail stores among the top ten high-end business formal and casual menswear brands ranked by retail revenue in the PRC as at each of 31 December 2008 and 2009 and 30 June 2010. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had 167, 242, 259 and 268 Retail Stores, respectively, of which 120 sold products under the ***V.E. DELURE*** brand and 47 sold products under the ***TESTANTIN*** brand in 2007, 184 sold products under the ***V.E. DELURE*** brand and 58 sold products under the ***TESTANTIN*** brand in 2008, 197 sold products under the ***V.E. DELURE*** brand and 62 sold products under the ***TESTANTIN*** brand in 2009 and 202 sold products under the ***V.E. DELURE*** brand and 66 sold products under the ***TESTANTIN*** brand as at 30 June 2010. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had 60, 101, 90 and 88 distributors, respectively (out of which 3, 11, 9 and 9 operated both ***V.E. DELURE*** and ***TESTANTIN*** Stores respectively), and 6, 6, 7 and 7 sub-distributors, respectively. The growth in the number of our Retail Stores slowed down in 2009 primarily due to our decision to consolidate our position in 2009 rather than pursuing a more active expansion path in light of the global economic crisis. In particular, for our ***V.E. DELURE*** brand, we focused on increasing self-operated Retail Stores in 2009 as opposed to distributor-operated Stores.

During the Track Record Period, we primarily utilized two distribution channels to manage our self-owned brands: (i) our self-operated Retail Stores; and (ii) Retail Stores operated by distributors and sub-distributors. For self-operated Retail Stores, we source products and sell to end customers. For Retail Stores operated by distributors, we enter into distributorship agreements with distributors, pursuant to which they purchase products from us and then sell to end customers in general. In addition, commencing in 2009, we started to make sales to corporate purchasers that purchased large volumes of made-to-order products from us. Sales made through this channel continued in the six months ended 30 June 2010. For further information on our distribution channels, please refer to the section headed "Business – Sales and Distribution" in this prospectus.

Regardless of the distribution channel, it is our strategy to locate our Retail Stores in prestigious shopping areas, which are usually located in close proximity to competing menswear brands. Currently, a significant portion of our Retail Stores are located in established department stores and shopping malls. Generally speaking, we believe these department stores and shopping malls act as a vetting mechanism and only allow brands that they consider to be well-regarded. Therefore, we believe the fact that a significant portion of our Retail Stores are located in these shopping areas is a positive reflection of the reputation of our brands and the quality of our products. We strive to have our Retail Stores for each brand designed and decorated to present a consistent and distinctive brand image from the design and color of the Stores to the merchandise display.

As at 30 June 2010, out of our 202 ***V.E. DELURE*** Stores, 71 were operated by us and 131 were operated by our distributors. Out of our 66 ***TESTANTIN*** Stores, 13 were operated by us, 53 were operated by distributors (eight of which were operated by one distributor through its sub-distributors). As at 30 June 2010, over 80% of the Retail Stores directly operated by us are located in tier one and tier two cities in the PRC, such as Beijing, Shanghai, Tianjin, Changchun, Xi'an, Nanjing, Shenzhen and Guangzhou, and in Hong Kong. In 2008 and 2009 and the six months ended 30 June 2010, sales generated by our self-operated Stores for our ***V.E. DELURE*** and ***TESTANTIN*** products accounted for approximately 34.8%, 38.8% and 41.0% of our total sales, respectively. Most of our self-operated Stores are operated under the following type of arrangement. We enter into cooperation agreements or lease agreements with department stores and shopping malls, which govern the operation of our self-operated Stores, in particular, the collection of sales proceeds. Generally, the department stores and shopping malls charge a fixed fee or a percentage of the sales turnover of our Stores as commission subject to an agreed monthly or annual minimum commission amount determined based on an agreed minimum sales target of the relevant Store. For further details on the major terms of these cooperation agreements or lease agreements, please refer to the section headed "Business – Sales and Distribution – I. Self-operated Stores" in this prospectus. On the other hand, our distributorship agreements set out terms with respect to geographic exclusivity, duration, product exclusivity, pricing and discount, use of the our brand names and store design, among other terms. For further details on the major terms of our distributorship agreements, please refer to the section headed "Business – Sales and Distribution – II. Distribution by distributors/sub-distributors – Major terms of the distributorship agreements" in this prospectus.

To enhance our distribution management ability, as at the Latest Practicable Date, at our request, our relevant distributor has terminated all of its sub-distributorship agreements for our products with its sub-distributors. Instead, those sub-distributors have entered into direct distributorship agreements with us. The Directors have confirmed that we will no longer allow our distributors to appoint sub-distributors going forward.

We have grown rapidly during the Track Record Period. Our revenue grew from RMB193.9 million for the year ended 31 December 2007 to RMB340.4 million for the year ended 31 December 2008 and RMB409.0 million for the year ended 31 December 2009. Our revenue grew from RMB136.7 million for the six months ended 30 June 2009 to RMB249.2 million for the six months ended 30 June 2010. Our profit attributable to equity holders increased from RMB49.2 million for the year ended 31 December 2007 to RMB60.5 million for the year ended 31 December 2008 and RMB104.9 million for the year ended 31 December 2009. Our profit attributable to equity holders increased from RMB16.7 million for the six months ended 30 June 2009 to RMB70.3 million for the six months ended 30 June 2010.

BASIS OF PRESENTATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 26 June 2008. The initial authorized share capital of the Company was US$50,000.00 divided into 50,000 shares of US$1 each. It became our holding company as a result of the Reorganization as described in the section headed "Further information about the Company – Corporate reorganization" in Appendix VI to this prospectus. Prior to the incorporation of the Company, our menswear businesses were carried out by the subsidiaries, of which we are now comprised and which were and are controlled by Mr. Chan. Accordingly, our financial information prior to the completion of the Reorganization as set out in Appendix I "Accountants' Report" to this prospectus has been prepared on a combined basis by applying the principles of the pooling-of-interests method. Please refer to note 2 "Basis of Presentation and Preparation" to the Accountants' Report set out in Appendix I to this prospectus for further description of such basis. The financial information of subsidiaries acquired or disposed of by us during the Track Record Period is accounted for from or to their effective dates of acquisition or disposal.

The pooling-of-interests method of accounting involves incorporating the financial statement items of the combined entities or businesses in which the common control combination occurs as if they had been combined from the date when the combined entities or businesses first came under the control of the controlling party. In our consolidated statements of financial position for the Track Record Period, the net assets of our subsidiaries are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or any excess of acquirer's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination, to the extent of the continuation of the controlling party's interest. Our consolidated income statements for the Track Record Period include the results of each of our subsidiaries from the earliest date presented or since the date when the combined entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination. All of our significant intra-group balances and transactions are eliminated in full on consolidation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set out below.

Economic growth in the PRC

We conduct most of our operations in the PRC. The growth in per capita annual disposal income of households in the PRC helps to drive consumer spending, which, in turn, affects the level of demand of our products. Due to economic reforms, China's nominal GDP has experienced growth at a CAGR of 17.1% from 2006 to 2009. China's nominal GDP grew from RMB21,192.4 billion in 2006 to RMB34,050.7 billion in 2009 according to Frost & Sullivan. The global financial crisis which commenced in 2008 has impacted China's export and foreign investment. To relieve the impact of the slowdown in economic growth, the Chinese government released a series of economic stimulus packages, including the Four-Trillion-Yuan Economic Stimulus Package, the Revitalization Plans of Ten Key Industries, and implemented loose monetary policy in 2008 and 2009. Temporarily affected by the global financial crisis, the Chinese economy has shown signs of revival. According to Frost & Sullivan, although the growth rate dropped in 2008 and 2009 due to the effect of the global financial crisis, China's per capita nominal GDP is expected to sustain moderate growth and reach RMB38,975 by 2013, fueled by increasing domestic investment and consumption. The Directors expect that our results of operations will continue to be significantly affected by economic growth in the PRC. Any future slowdowns or declines in the PRC economy or consumer spending may adversely affect our business and results of operations.

Urbanization in the PRC

In the 1980s, China developed a blueprint to build a moderately-prosperous nation by the beginning of the 21st century, which depicted a moderately developed modern society with overall improvement in the economy and people's living standards.

Accelerating urbanization is one of the important features of China's modernization. Three decades have passed since China carried out its economic and social reform, which have brought an increasing number of cities and an urban population. The urbanization rate in China has gradually increased during the past years. China's urban population has risen since the 1990s. From 2006 to 2009, the level of urbanization in China increased from 43.9% to 46.6% according to Frost & Sullivan. Urbanization trends changed the mindset of urban residents considerably. As cities have grown, urban residents' income has steadily increased, offering a better living, working and investment environment. Urban cities have been at the center of the convergence of high-caliber talent and have become destinations for new ventures and investment. The inflow of talent and investments has boosted the development of China's cities, which in turn has increased the personal income of urban households. Our Directors believe that the increased purchasing power of the urban population has contributed to the growth of our business because our ***V.E. DELURE*** brand targets affluent and successful men between the ages of 35 to 50 and our ***TESTANTIN*** brand targets younger and more fashion conscious men between the ages of 25 to 40. Both of these population groups tend to have a concentration in urban cities where our Retail Stores are located. In 2009, the per capita annual disposable income of urban households was RMB17,175.0, up by 46.1% from 2006, with a CAGR of 13.5% according to Frost & Sullivan. Our Directors expect that our results of operations will continue to be significantly affected by the urbanization of the PRC. Any future slowdowns or declines in the PRC's urbanization may adversely affect our business and results of operations.

Pricing of our products and cost control measures

The Directors believe that successful brand management of our brands over the years has enabled us to enjoy premium pricing in the PRC middle-upper to high-end menswear market. To maintain success in our operations, we must preserve our ability to price products at a premium.

Our pricing policy is based primarily on costs, market demand, competition from comparable brands and other factors including the product type and category, anticipated market reaction towards the product, whether the product's fabric materials and craftsmanship are unique and whether the product has its own characteristics and theme.

The Directors also recognize the importance of effective cost control on our ability to maintain our gross profit. We compare the quotes from raw material suppliers and outsource manufactures of comparable qualities and select the more competitive bid, place volume orders or orders of bulk purchase to gain leverage in price negotiations, and purchase products with steady and long lasting sales performance during the low season to take advantage of favorable pricing.

Our pricing strategy and cost control measures contributed to our attractive profit margins over the Track Record Period. Our gross profit margin amounted to about 54.5%, 59.7%, 60.6% and 67.0%, while our operating profit margin amounted to about 26.0%, 25.5%, 34.2% and 36.5% for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Our ability to maintain such pricing strategy and cost control measures may significantly affect our business, results of operations and prospects of revenue and gross profit.

Retail network

As part of our expansion strategy, we plan to continue increasing our number of Retail Stores in the PRC. We expect that our revenue will increase with an increase in the number of our Retail Stores. In order to preserve the middle-upper to high-end brand image of our products, we are selective in our choice of location for new Retail Stores, as we believe strategic positioning of retail outlets will lead to increased sales volumes. There is no assurance that the intended expansion of our retail network can be achieved or will be profitable. Our operating costs may be adversely affected by any such expansion.

Our ability to differentiate us from our competitors

The demand for middle-upper to high-end menswear in the PRC has grown rapidly in recent years, in line with the general economic growth of the PRC. The Directors believe that middle-upper to high-end menswear is highly competitive in the PRC market including international and domestic brands, which compete in, among other things, brand loyalty, product variety, product design, product quality, marketing and promotion, and distribution network coverage. The Directors believe that we must continue to meet these competitive challenges by implementing brand differentiation strategies, such as unique, exclusive and effective marketing campaigns, introduce design elements to our products consistent with our brand image, and innovative customer service strategies.

Our ability to continuously maintain and enhance brand recognition & awareness

Our financial condition and results of operations will also be affected by our ability to continuously maintain and enhance brand recognition and awareness. In regards to brand recognition, the Directors believe that our success will depend on (i) our extensive and fast-growing retail network, (ii) the image and services of our Retail Stores, and (iii) unique, exclusive and effective marketing campaigns.

Business performance of shopping malls, department stores and distributors and our working relationship with them

We, along with our distributors, sell our products to end consumers primarily through shopping malls and department stores in the PRC. Our ability to increase sales is directly affected by (i) the performance of such shopping malls and department stores and (ii) the number of retail outlets in PRC shopping malls and department stores.

We plan to increase the number of our Retail Stores in the future. If we and our distributors cannot or do not continue to add Retail Stores in shopping malls and department stores, our results of operations may be materially and adversely affected.

Cost of raw materials

One of the major components of our cost of sales is the cost of raw materials. The amount of cost of sales related to the purchase of raw materials was approximately RMB18.8 million, RMB33.5 million, RMB39.4 million and RMB17.0 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

The cost of some key raw materials is affected by several factors, such as fluctuations in commodity prices, purchase volume and the availability of substitute materials. We do not enter into long-term agreements with our raw material suppliers. Fluctuations in the cost of raw materials and our ability to pass on any increase in costs to our customers will affect our cost of sales and gross profit margins.

Seasonality and weather

Our business is affected by seasonal trends, with significantly higher levels of sales for our winter and autumn collections, and lower levels of sales for our spring and summer collections. Changes in the weather patterns may also affect consumer purchase behavior. As a result, comparisons of our sales and operating results between different periods within a single year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance. Our revenue and inventory levels are therefore affected by any corresponding changes in consumer behavior due to seasonality effects.

Purchase costs of outsourced products and external production arrangements

We outsource the production of most of our apparel and accessory products to Independent Third Party outsourced manufacturers. During the Track Record Period, we also purchased products under licensed brands, namely, Harmont & Blaine and CARTIER, the costs of which were included in the purchase costs of outsourced products. The amount of cost of sales related to the purchase of outsourced products was approximately RMB68.8 million, RMB98.3 million, RMB119.4 million and RMB64.2 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively, constituting the largest component of our cost of sales. We believe that our outsourcing arrangements allow us to leverage the expertise and resources of outsourced manufacturers, enhance flexibility for future business expansion and development and allow us to conduct an independent quality inspection of our products. We rely on our outsourced manufacturers for the production of a significant portion of our products and any disruption of outsourced products would materially and adversely affect our business and results of operations. Also, since we do not enter into long-term agreements with our outsourced manufacturers, our cost of sales and our results of operations will be subject to fluctuations in the cost of outsourced products and our ability to pass on any increased cost to our customers.

Taxation

Our future profits will be affected by changes in tax rates, particularly the applicable tax rates in the PRC as we carry out the majority of our business and derive most of our revenue and profits from the PRC.

Pursuant to the approval from the tax bureau, Evergreen Guangdong was exempted from the corporate income tax for its first two profit-making years and is entitled to a 50% tax reduction in the succeeding three years. The first profitable year of Evergreen Guangdong was 2006. Therefore, Evergreen Guangdong was exempted from corporate income tax in 2006 and 2007 and subject to the reduced rate of 12.5% for each of the two years ended 31 December 2008 and 2009 and also the year ending 31 December 2010. Beginning on 1 January 2011 and every year thereafter, Evergreen Guangdong will be subject to a corporate income tax rate of 25%.

There can be no assurance that the current favorable tax policies available to us will not be withdrawn or revoked by the PRC government or become less favorable.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The methods, estimates and judgments the Directors use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to make estimates and judgments about matters that are inherently uncertain. The following sections discuss the accounting policies applied in preparing our financial information that the Directors believe are most dependent on the application of these estimates and judgments, and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to the income statement in the period in which they are incurred. In situations where it can be clearly demonstrated that an expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	18.00% – 19.00%
Leasehold improvement	33.33% – 57.14%
Office and other equipment	18.00% – 33.00%
Motor vehicles	9.70% – 19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Income tax

Determining our income tax provision involves judgments about the future tax treatment of certain transactions and interpretation of tax rules. The Directors have carefully evaluated the tax implications of transactions in which we engage and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate portion of overhead. Net realizable value is based on estimated selling prices less any estimated costs to be incurred upon completion and disposal.

We carry out physical stock counts from time to time to identify obsolete or damaged goods. Our senior management performs reviews of the carrying amounts of inventories with reference to their categories, year of design, historical discount rates and the saleability assessment and management experience and judgment. Based on this review, a write-down of inventories is made when the carrying amounts of inventories decline below their estimated net realizable value and we have consistently applied this policy throughout the Track Record Period. Due to changes in market conditions, actual net realizable value of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Revenue recognition

Provided it is probable that the economic benefits will flow to us and the revenue can be measured reliably, revenue is recognized in the income statement as follows:

(a) from the sale of goods, net of value added tax, allowances for returns and trade discounts/rebates, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and, further, no recognition of revenue is made if there are significant uncertainties regarding recovery of the invoiced amount due, associated costs or the possible return of goods. The (i) adjustments on actual sales return made by customers and (ii) estimation of the sales return on goods sold by the management at the end of each reporting period based on past experience and other relevant factors (including but not limited to the length of time of the period for which the customers are entitled for returns), are recognized against the sales revenue. The relevant cost of goods sold and closing inventory are also adjusted accordingly. For our Retail Stores operated under concessionaire sales arrangement with shopping malls and department stores and other self-operated Retail Stores, revenue is recognized when the products are paid by and passed to the consumers. We usually receive sales proceeds, after deducting the relevant concessionaire commissions, from the shopping mall and department stores within one to three months after the month when sales occur. For sales to distributors and multi-brand or other distributors, revenue is recognized when we deliver their orders to them. We usually require the distributors to pay certain percentages of the sales proceeds before we deliver their orders, and receive the remaining sales proceeds in one to three months after delivery. Details of settlement of payments of our goods sold are more particularly set forth in the section headed "Business – Cash and Credit Control" in this prospectus; and

(b) interest income, on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less impairment losses for bad and doubtful debts.

Trade and other receivables are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that we will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of our receivables is reduced through the use of an allowance account. Impaired debts are when they are assessed as uncollectible.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

During the Track Record Period, we generated revenue mainly from the sales of our products under the brands of ***V.E. DELURE*** and ***TESTANTIN*** in the PRC and Hong Kong, primarily through self-operated Stores or Stores operated by distributors and sub-distributors. We also generated revenue from operating Stores in the PRC for the licensed brands, CARTIER and Harmont & Blaine.

The following table sets out a breakdown of our revenue in terms of brands and sales channels (for self-owned brands) for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

Revenue	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB million)	*% of total revenue*	*(RMB million)*	*% of total revenue*	*(RMB million)*	*% of total revenue*	*(RMB million)* (unaudited)	*% of total revenue*	*(RMB million)*	*% of total revenue*
I. By brand										
1. Self-owned brands										
V.E. DELURE										
Self-operated Stores	39.2	20.2	84.5	24.9	137.4	33.6	48.1	35.2	90.8	36.4
Distributors	108.1	55.8	154.9	45.5	157.6	38.5	52.9	38.7	113.3	45.5
Corporate sales	–	–	–	–	6.0	1.5	1.4	1.0	2.1	0.8
Sub-total	147.3	76.0	239.4	70.4	301.0	73.6	102.4	74.9	206.2	82.7
TESTANTIN *(Note 1)*										
Self-operated Stores	20.6	10.6	33.8	9.9	21.1	5.2	7.6	5.6	11.4	4.6
Distributors	21.6	11.2	41.2	12.1	64.5	15.7	14.0	10.2	19.2	7.7
Sub-total	42.2	21.8	75.0	22.0	85.6	20.9	21.6	15.8	30.6	12.3
Self-owned brands total	189.5	97.8	314.4	92.4	386.6	94.5	124.0	90.7	236.8	95.0
2. Licensed brands *(Note 2)*										
CARTIER	–	–	8.8	2.6	15.5	3.8	7.1	5.2	10.1	4.1
Harmont & Blaine	4.4	2.2	17.2	5.0	6.9	1.7	5.6	4.1	2.3	0.9
Licensed brands total	4.4	2.2	26.0	7.6	22.4	5.5	12.7	9.3	12.4	5.0
Total	193.9	100.0	340.4	100.0	409.0	100.0	136.7	100.0	249.2	100.0
II. By sales channel (for self-owned brands) *(Note 3)*										
Self-operated Stores	59.8	30.8	118.3	34.8	158.5	38.8	55.7	40.8	102.2	41.0
Distributors	129.7	67.0	196.1	57.6	222.1	54.2	66.9	48.9	132.5	53.2
Corporate sales	–	–	–	–	6.0	1.5	1.4	1.0	2.1	0.8
Sub-total	189.5	97.8	314.4	92.4	386.6	94.5	124.0	90.7	236.8	95.0

Notes:

1. The sales of ***TESTANTIN*** products through ***TESTANTIN*** self-operated Stores decreased in the year ended 31 December 2009 primarily because we launched a series of promotional events at our ***TESTANTIN*** self-operated Stores in Hong Kong offering 10% to 60% discounts to customers in 2009 in response to the highly competitive retail market in Hong Kong and the generally difficult economic environment in Hong Kong as a result of the global economic crisis and the closing of two ***TESTANTIN*** stores in Hong Kong in late 2008. Our sales to ***TESTANTIN*** distributors increased in the year ended 31 December 2009 mainly because (i) the full year effect of our sales to certain distributors in 2009 appointed in 2008 that did not operate through Retail Stores; (ii) the full-year effect in 2009 arising from the 15 newly-opened ***TESTANTIN*** Stores operated by the distributors located in the PRC in 2008; and (iii) the number of ***TESTANTIN*** Stores operated by the distributors located in the PRC increased from 47 as at 31 December 2008 to 51 as at 31 December 2009. The four newly-opened Stores in 2009 were opened in the second half of 2009 when the economic conditions after the financial crisis began to improve.

2. From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. The distributorship agreement for the Harmont & Blaine brand expired in August 2009. According to the distributorship agreement, we had nine months to sell the remaining stocks after the agreement was terminated. Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories which are sold in two CARTIER Stores, one in Fuzhou and the other in Nanning, both of which are operated by us. In September 2010, we opened our third CARTIER Store in Xiamen.

3. Our customers consisted of end customers and distributor customers. Our end customers include retail customers that purchased products directly from us through our self-operated Stores and corporate customers that purchased large volume made-to-order products directly from us through our corporate sales. Our distributor customers purchased products from us and then sell to the end customers.

The following table sets out a breakdown of our revenue by product segments, namely apparels and accessories, for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

Revenue	**Year ended 31 December**						**Six months ended 30 June**			
	2007		**2008**		**2009**		**2009**		**2010**	
	Apparel	**Accessories**	**Apparel**	**Accessories**	**Apparel**	**Accessories**	**Apparel**	**Accessories**	**Apparel**	**Accessories**
	(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)* (unaudited)		*(RMB'000)*	
V.E. DELURE	141,218	6,059	228,837	10,499	288,167	12,848	97,975	4,405	192,517	13,674
TESTANTIN	39,126	3,046	70,426	4,646	81,728	3,894	19,715	1,906	26,452	4,169
CARTIER	–	–	–	8,791	–	15,488	—	7,092	—	10,076
Harmont & Blaine	4,265	165	15,955	1,254	6,352	536	5,209	415	2,208	139
Sub-total	184,609	9,270	315,218	25,190	376,247	32,766	122,899	13,818	221,177	28,058
Total		193,879		340,408		409,013		136,717		249,235

The revenue from our ***V.E. DELURE*** brand apparel increased from RMB141.2 million in 2007 to RMB228.8 million in 2008 and to RMB288.2 million in 2009, and the revenue from our ***TESTANTIN*** brand apparel increased from RMB39.1 million in 2007 to RMB70.4 million in 2008 and to RMB81.7 million in 2009. The revenue from our ***V.E. DELURE*** brand apparel increased from RMB98.0 million for the six months ended 30 June 2009 to RMB192.5 million for the six months ended 30 June 2010, and the revenue from our ***TESTANTIN*** brand apparel increased from RMB19.7 million for the six months ended 30 June 2009 to RMB26.5 million for the six months ended 30 June 2010. Such significant increases in revenue were in line with increase in demand and average selling price for our apparel products and the corresponding increase in the number of our Retail Stores under these brands during the Track Record Period as a result of our Store expansion strategy. The revenue attributable to our ***V.E. DELURE*** brand and ***TESTANTIN*** brand accessories represented about 4.8%, 4.8% and 4.3% of our revenue from self-owned brands for each of the years ended 31 December 2007, 2008 and 2009, respectively. For the six months ended 30 June 2010, the revenue attributable to our ***V.E. DELURE*** brand and ***TESTANTIN*** brand accessories increased to about 7.5% of our revenue for self-owned brands due to an increase in the consumer demand for our accessories. These accessories mainly included wallets, cuff-links and pens, which allow us to increase our revenue by expanding our product offerings. The revenue from the Harmont & Blaine brand apparels and accessories decreased significantly from the year ended 31 December 2008 to the year ended 31 December 2009 because our distributorship agreement for this brand expired in August 2009. We were allowed to sell the remaining Harmont & Blaine inventory for nine months after the expiration of the distributorship agreement. We started to act as an authorized dealer of CARTIER accessories in 2008 and operated two CARTIER Stores, one in Fuzhou from March 2008 and the other in Nanning from December 2008 resulting in the increased revenue from CARTIER Stores for the full year in 2009. Our third CARTIER Stores was opened in Xiamen in September 2010.

We offered menswear products covering the middle-upper to high-end segments, in particular, suits with the average selling price of about RMB5,800 at our self-operated Stores, during the six months ended 30 June 2010. The following table sets out a breakdown of our revenue, units sold and the average selling price of our ***V.E. DELURE*** and ***TESTANTIN*** self-operated Stores by product segment, namely apparel and accessories, during the Track Record Period:

		Year ended 31 December									Six months ended 30 June		
		2007			2008			2009			2010		
Brand		**Revenue**	**Units sold**	**Average selling price**	**Revenue**	**Units sold**	**Average selling price**	**Revenue**	**Units sold**	**Average selling price**	**Revenue**	**Units sold**	**Average selling price**
		RMB million		*RMB*	*RMB million*		*RMB*	*RMB million*		*RMB*	*RMB million*		*RMB*
V.E.DELURE	Apparel(1)	37.0	25,930	1,429	79.1	48,492	1,631	131.0	77,985	1,680	88.5	45,189	1,958
	Accessories(2)	2.2	2,573	838	5.4	7,178	753	6.4	11,910	541	2.3	11,409	204
TESTANTIN	Apparel(1)	18.1	21,680	834	30.3	28,350	1,069	19.1	20,286	944	10.2	8,042	1,268
	Accessories(2)	2.5	2,923	855	3.5	5,624	628	2.0	6,520	304	1.2	4,503	268

Note:

(1) Apparel products include, among others, suits, jackets, pants, coats, shirts and polo-shirts.

(2) Accessory products include, among others, ties, cuff-links and pens.

The average selling price of the apparel products of our ***V.E. DELURE*** self-operated Stores increased throughout the Track Record Period primarily because we enjoyed a pricing advantage due to the increase in the demand of our products in the PRC and the enhanced recognition of our brand in the market.

The average selling price of the apparel products of our ***TESTANTIN*** self-operated Stores also generally followed an increasing trend throughout the Track Record Period, except that in 2009, the average selling price decreased to RMB944 from RMB1,069 in 2008. The decrease was primarily due to the discounts offered to the customers ranging from 10% to 60% in Hong Kong in response to the highly competitive retail market in Hong Kong arising from the global economic crisis.

The average selling price of the accessory products of our ***V.E. DELURE*** and ***TESTANTIN*** self-operated Stores decreased during the Track Record Period. This occurred because we continued to launch new types of accessory products, such as umbrellas and necklaces, during the Track Record Period. The average selling prices of such products were generally lower than those of existing accessories, such as leather shoes and belts, and as the sales of these new products increased, the percentage of sales comprised of those existing accessories with higher average selling prices decreased during the Track Record Period.

The following tables set out our revenue breakdown by geographic region for our ***V.E. DELURE*** and ***TESTANTIN*** brands for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

V.E. DELURE	**Year ended 31 December**						**Six months ended 30 June**			
	2007		**2008**		**2009**		**2009**		**2010**	
	(RMB million)	*%*	*(RMB million)*	*%*	*(RMB million)*	*%*	*(RMB million)*	*%*	*(RMB million)*	*%*
Region *(Note)*										
Central PRC	8.2	5.6	20.8	8.7	22.9	7.6	7.8	7.6	26.0	12.6
Eastern PRC	31.3	21.2	47.7	19.9	59.6	19.8	22.1	21.6	33.5	16.2
North Eastern PRC	9.9	6.7	17.2	7.2	28.0	9.3	9.1	8.9	15.8	7.7
North Western PRC	9.0	6.1	17.3	7.2	20.5	6.8	6.8	6.6	15.6	7.6
Northern PRC	30.9	21.0	65.4	27.3	69.9	23.2	27.2	26.6	48.9	23.7
South Western PRC	8.1	5.5	9.4	3.9	17.2	5.7	5.4	5.3	14.5	7.0
Southern PRC	43.5	29.6	53.8	22.5	77.3	25.7	20.9	20.4	50.1	24.3
PRC sub-total	140.9	95.7	231.6	96.7	295.4	98.1	99.3	97.0	204.4	99.1
Hong Kong	6.4	4.3	7.8	3.3	5.6	1.9	3.1	3.0	1.8	0.9
Total	147.3	100.0	239.4	100.0	301.0	100.0	102.4	100.0	206.2	100.0

TESTANTIN	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB million)	*%*	*(RMB million)*	*%*	*(RMB million)*	*%*	*(RMB million)*	*%*	*(RMB million)*	*%*
Region *(Note)*										
Central PRC	0.9	2.1	2.3	3.1	4.0	4.7	1.8	8.3	0.1	0.3
Eastern PRC	7.2	17.1	11.8	15.7	16.5	19.3	3.2	14.8	5.1	16.7
North Eastern PRC	1.1	2.6	5.6	7.5	8.9	10.4	1.7	7.9	1.5	4.9
North Western PRC	1.3	3.1	2.4	3.2	6.4	7.5	0.8	3.7	0.8	2.6
Northern PRC	2.8	6.6	7.0	9.3	6.6	7.7	2.4	11.1	3.5	11.4
South Western PRC	1.7	4.0	4.4	5.8	8.0	9.3	2.8	13.0	6.3	20.6
Southern PRC	9.7	23.0	22.1	29.5	24.9	29.1	5.0	23.1	6.5	21.3
PRC sub-total	24.7	58.5	55.6	74.1	75.3	88.0	17.7	81.9	23.8	77.8
Hong Kong	17.5	41.5	19.4	25.9	10.3	12.0	3.9	18.1	6.8	22.2
Total	42.2	100.0	75.0	100.0	85.6	100.0	21.6	100.0	30.6	100.0

Note:

For purposes of this prospectus:

Central PRC represents Henan, Hubei, Hunan, Jiangxi
Eastern PRC represents Anhui, Jiangsu, Shanghai and Zhejiang
North Eastern PRC represents Heilongjiang, Jilin and Liaoning
North Western PRC represents Inner Mongolia, Ningxia, Qinghai, Shaanxi and Xinjiang
Northern PRC represents Beijing, Hebei, Shandong, Shanxi and Tianjin
Southern PRC represents Fujian, Guangdong and Guangxi
South Western PRC represents Guizhou, Sichuan, Yunnan and Chongqing

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the revenue generated from the sale of ***V.E. DELURE*** brand products in the Eastern, Northern and Southern PRC, in the aggregate, amounted to 75.0%, 72.1%, 70.0% and 64.8%, respectively, of the total revenue attributable to the ***V.E. DELURE*** brand in the PRC, primarily because the majority of our ***V.E. DELURE*** Retail Stores were located in these geographic regions. These regions include major cities and provinces, such as Shanghai, Beijing and Guangdong where our target ***V.E. DELURE*** customers, who are relatively more affluent and possess strong purchasing power, are located. As at the end of each period during the Track Record Period, the aggregate number of our ***V.E. DELURE*** Stores, whether self-operated or operated by our distributors, in the Eastern, Northern and Southern PRC was 78, 107, 115 and 116, respectively, and the total number of our ***V.E. DELURE*** Stores in the PRC and Hong Kong was 120, 184, 197 and 202, respectively.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the revenue generated from the sale of ***TESTANTIN*** brand products in the Eastern, North Eastern and Southern PRC, in the aggregate, amounted to 72.9%, 71.0%, 66.8% and 55.0%, respectively, of the total revenue attributable to the ***TESTANTIN*** brand in the PRC mainly because the majority of our ***TESTANTIN*** Retail Stores were located in these geographical regions. These regions include tier two and tier three cities which is consistent with our strategy for the ***TESTANTIN*** Stores to be located mainly in tier two and tier three cities. During the Track Record Period, the aggregate number of our ***TESTANTIN*** Stores, whether self-operated or operated by our distributors, in the Eastern, North Eastern and Southern PRC was 26, 34, 35 and 38, respectively, and the total number of our ***TESTANTIN*** Stores in the PRC and Hong Kong was 47, 58, 62 and 66, respectively. During the Track Record Period, the revenue generated from the sale of ***TESTANTIN*** brand products in Hong Kong amounted to 41.5%, 25.9%, 12.0% and 22.2%, respectively, of the total revenue attributable to the ***TESTANTIN*** brand. The decrease in revenue generated from the sale of ***TESTANTIN*** brand products in Hong Kong was mainly because the number of our ***TESTANTIN*** Stores in Hong Kong decreased from four as at 31 December 2007 to two as at 31 December 2008 and we launched a series of promotional activities at our ***TESTANTIN*** Stores in Hong Kong offering 10% to 60% discounts to customers in response to the intensive competition in the retail market in Hong Kong as a result of the global financial crisis.

The combined same store sales growth of the self-operated Stores under our two proprietary brands, namely ***V.E. DELURE*** and ***TESTANTIN***, were approximately 13.3% (for PRC and Hong Kong comparable self-operated Stores) and 27.4% (for PRC (excluding Hong Kong) comparable self-operated Stores only) for the year ended 31 December 2009 as compared to the year ended 31 December 2008 and approximately 47.1% (for PRC and Hong Kong comparable self-operated Stores) and 46.8% (for PRC (excluding Hong Kong) comparable self-operated Stores only) for the six months ended 30 June 2010 as compared to the six months ended 30 June 2009.

The table below sets out the same store sales growth for the self-operated Stores of each of our proprietary brands:

	2009*	**30 June 2010****
V.E. DELURE		
– PRC (excluding Hong Kong)	30.4%	47.4%
– PRC and Hong Kong	23.7%	47.4%
TESTANTIN		
– PRC (excluding Hong Kong)	9.6%	39.2%
– PRC and Hong Kong	-17.3%	44.3%

Note: Same store sales growth of the self-operated Stores for the year ended 31 December 2009 and the six months ended 30 June 2010 was derived by comparing the sales from comparable Retail Stores which excludes short-term sales and promotional outlets with a complete operating history for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively.

* *as compared to 2008*

** *as compared to the six months ended 30 June 2009*

The increase in the same store sales for our ***V.E. DELURE*** brand from 2008 to 2009 and from the six months ended 30 June 2009 to the six months ended 30 June 2010 was mainly due to the increasing recognition of our brand and the increase in our overall selling price of our products for our self-operated Stores. Our combined same store sales for our ***TESTANTIN*** brand decreased in 2009 mainly as a result of our promotional sales activities in our Hong Kong comparable self-operated Stores which constituted around 40.7% of the total same store sales of all of our ***TESTANTIN*** comparable self-operated Stores. The same store sales growth for our ***TESTANTIN*** brand in the PRC from 2008 to 2009 was much lower than that of our ***V.E. DELURE*** brand because the overall difficult economic conditions in the first half of 2009 in the PRC resulting from the global financial crisis had a bigger impact on our junior brand, ***TESTANTIN***, which was still at an early stage of development with less customer loyalty. In addition, as a junior brand, we only had a total of nine comparable stores (two of which were in Hong Kong) for the years ended 31 December 2008 and 2009. Given the relatively small number of comparable Stores, any changes in performance of any comparable Store are likely to cause fluctuations to the overall same store sales growth. The same store sales growth of our ***TESTANTIN*** brand rebounded for the six months ended 30 June 2010 as a result of better economic conditions and higher average selling prices compared to the same period in 2009.

The following table sets out the per store-average monthly revenue by brand and sales channel for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010:

			Year ended 31 December		Six months ended 30 June
		2007	**2008**	**2009**	**2010**
		(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
I.	**By Brand** *(Note 1)*				
1.	**Self-owned brands**				
	V.E. DELURE				
	– Self-operated Stores *(Note 2)*	136.6	190.4	203.0	231.2
	– Distributors *(Note 3)*	104.3	107.4	91.7	137.6
	V.E. DELURE total	111.2	125.5	120.3	168.1
	TESTANTIN				
	– Self-operated Stores *(Note 2)*	153.1	190.1	125.9	143.3
	– Distributors *(Note 3)*	56.3	69.8	90.5	57.3
	TESTANTIN total	80.5	96.2	97.0	73.4
2.	**Licensed brands** *(Note 1 and 4)*				
	CARTIER	–	732.6	645.3	839.6
	Harmont & Blaine *(Note 5)*	82.0	286.8	191.3	–
	Licensed brands total	82.0	361.1	372.9	839.6
II.	**By sales channel (for self-owned brands)** *(Note 1)*				
	Self-operated Stores *(Note 2)*	141.7	190.4	188.9	217.5
	Distributors *(Note 3)*	91.4	97.8	91.4	115.2
	Self-owned brands total	102.7	118.0	114.7	145.1

Notes:

1 The per store-average monthly revenue by brand and sales channel for each of the three years ended 31 December 2007, 2008 and 2009 was one-twelfth of the fraction calculated using the revenue by brand and sales channel for each of the three years ended 31 December 2007, 2008 and 2009, as the numerator, and the average number of Stores which equals to the average of the sum of the number of Stores at the beginning of the year and the number of Stores at the end of the year for each of the years indicated above, as the denominator. The per store-average monthly revenue by brand and sales channel for the six months ended 30 June 2010 was one-sixth of the fraction calculated using the revenue by brand and sales channel for the six months ended 30 June 2010, as the numerator, and the average number of Stores which equals to the average of the sum of the number of Stores at the beginning of 2010 and the number of Stores as at 30 June 2010, as the denominator. Please refer to the "Business" section in this prospectus for further information of our revenue for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 and the number of Stores as at 31 December 2007, 2008 and 2009 and 30 June 2010.

2 The per store-average monthly revenue in relation to Stores operated by us is based on the revenue generated from the self-operated Stores excluding the short-term sales and promotional outlets. For each of the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, the revenue from sales derived from short term sales and promotional outlets for our ***V.E. DELURE*** products and ***TESTANTIN*** products amounted to RMB0.7 million, RMB9.1 million, RMB18.1 million and RMB0.7million, and RMB1.3 million, RMB7.6 million, RMB4.5 million and RMB1.1 million, respectively.

3 The per store-average monthly revenue in relation to Stores operated by our distributors is based on revenue we received from our distributors (excluding multi-brand and other distributors) rather than retail revenue of our distributors. For each of the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, the revenue from sales derived from multi-brand and other distributors for our ***V.E. DELURE*** products and ***TESTANTIN*** products amounted to RMB0.5 million, RMB1.4 million, RMB1.9 million and RMB2.3 million, and RMB0.3 million, RMB6.9 million, RMB11.2 million and RMB1.3 million, respectively.

4 From August 2004 to August 2009, we acted as the sole distributor for an Italian menswear brand, Harmont & Blaine, in the PRC. The distributorship agreement for the Harmont & Blaine brand expired in August 2009. Beginning in early 2008, we started to act as an authorized dealer of CARTIER accessories sold in two CARTIER Stores, one in Fuzhou and the other in Nanning, both of which are operated by us. In September 2010, we opened our third CARTIER Store in Xiamen.

5 We did not have any Harmont & Blaine Store in 2010 since our distributorship agreement expired in August 2009 and was not renewed. According to the distributorship agreement, we had nine months to sell the remaining stocks after the agreement was terminated which accounted for some revenue in the six months ended 30 June 2010. Because we did not have any Harmont & Blaine Store at 30 June 2010, the formula set forth in note 1 above is not applicable.

The per store-monthly average revenue of our self-operated Stores under our own brands increased from RMB141.7 thousand in the year ended 31 December 2007 to RMB190.4 thousand in the year ended 31 December 2008 primarily due to (i) the increase in the per store-monthly average revenue of our ***TESTANTIN*** self-operated Stores, which in turn was as a result of a 36.0% increase in the revenue from our ***TESTANTIN*** self-operated Stores (excluding short-term sales and promotional outlets) of about RMB6.9 million in the year ended 31 December 2008 as compared to the increase in average number of these Stores from 10.5 in the year ended 31 December 2007 to 11.5 in the year ended 31 December 2008; and (ii) the increase in the per store-monthly average revenue of our ***V.E. DELURE*** self-operated Stores, which in turn was as a result of 95.8% increase in the revenue generated from these Stores (excluding short-term sales and promotional outlets) of about RMB36.9 million in the year ended 31 December 2008 as compared to a 40.4% increase in the average number of such Stores from 23.5 in the year ended 31 December 2007 to 33 in the year ended 31 December 2008. We believe the revenue increase of our existing self-operated Stores was largely due to increased recognition of our self-owned brands which allowed us to increase the average selling price of our self-owned brand products and overall increase in our sales volume, resulting in the increased per store-monthly average revenue in 2008.

The per store-monthly average revenue of our self-operated Stores under our own brands decreased slightly from RMB190.4 thousand in the year ended 31 December 2008 to RMB188.9 thousand in the year ended 31 December 2009. This was primarily due to a decrease in the sales of ***TESTANTIN*** products through ***TESTANTIN*** self-operated Stores in the year ended 31 December 2009 because we launched a series of promotional events at our ***TESTANTIN*** self-operated Stores in Hong Kong in 2009 in response to the highly competitive retail market in Hong Kong offering 10% to 60% discounts to customers and the generally difficult economic environment in Hong Kong as a result of the global economic crisis and the closing of two ***TESTANTIN*** Stores in Hong Kong in late 2008.

The per store-monthly average revenue of our self-operated Stores under our own brands increased from RMB188.9 thousand in the year ended 31 December 2009 to RMB217.5 thousand for the six months ended 30 June 2010 primarily because of economic conditions improved in the second half of 2009 and increased recognition of our brand image.

Cost of sales

During the Track Record Period, we outsourced the production process of most of the apparel and accessories to be sold under our own brands to Independent Third Party manufacturers. We also purchased products under licensed brands, namely, Harmont & Blaine and CARTIER, the costs of which were included in the purchase costs of outsourced products. As a result, the purchase costs of such outsourced products contributed to a significant majority of our cost of sales. We performed sampling, packaging and post-finish processing of the apparel produced by outsourced manufacturers, and manufactured a small portion of the apparel in our production plant in Guangzhou. We also provided raw materials to some of our outsourced manufacturers. Therefore, our cost of sales also comprised the purchase costs of raw materials and direct overhead including staff costs, depreciation, utilities and others.

The following table sets forth the breakdown of our cost of sales for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*	*RMB million*	*%*
Purchase cost of outsourced products	68.8	78.0	98.3	71.7	119.4	74.1	47.6	76.3	64.2	78.0
Raw materials	18.8	21.3	33.5	24.5	39.4	24.5	12.8	20.5	17.0	20.7
Labor costs	0.4	0.5	4.3	3.1	1.0	0.6	1.5	2.4	0.5	0.6
Manufacturing overhead	0.2	0.2	1.0	0.7	1.3	0.8	0.5	0.8	0.6	0.7
Total	88.2	100.0	137.1	100.0	161.1	100.0	62.4	100.0	82.3	100.0

Gross profit and gross profit margin

The following table sets out the gross profit and gross profit margin for our self-owned brands and licensed brands for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	*GP%*	*RMB million*	*GP%*	*RMB million*	*GP%*	*RMB million* (unaudited)	*GP%*	*RMB million*	*GP%*
V.E. DELURE										
– self-operated Stores	28.3	72.2	62.1	73.5	101.8	74.1	34.9	72.6	72.7	80.1
– distributors	51.6	47.7	81.6	52.7	85.3	54.1	23.0	43.5	68.8	60.8
Corporate sales	–	–	–	–	3.8	63.5	0.8	55.7	1.7	82.3
Subtotal	79.9	54.3	143.7	60.1	190.9	63.4	58.7	57.3	143.2	69.5
TESTANTIN										
– self-operated Stores	14.6	70.9	24.4	72.2	13.8	65.0	4.8	63.3	8.8	76.6
– distributors/ sub-distributors	9.8	45.0	22.5	54.6	34.4	53.3	6.6	47.2	10.7	55.6
Subtotal	24.4	57.7	46.9	62.5	48.2	56.2	11.4	52.8	19.5	63.5
CARTIER	–	–	3.4	38.9	5.8	37.4	2.3	32.0	3.2	32.1
Harmont & Blaine	1.4	32.5	9.3	54.1	3.0	44.1	2.0	35.4	1.0	44.5
Total	105.7	54.5	203.3	59.7	247.9	60.6	74.4	54.4	166.9	67.0

The following table sets out the gross profit and gross profit margin by product segment, namely apparel and accessories, for our self-owned brands and licensed brands for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	Year ended 31 December						Six months ended 30 June			
	2007 (RMB million)		2008 (RMB million)		2009 (RMB million)		2009 (RMB million)		2010 (RMB million)	
	GP	*GP%*	*GP*	*GP%*	*GP*	*GP%*	*GP* (unaudited)	*GP%*	*GP*	*GP%*
V.E. DELURE										
– Apparel	76.9	54.5	137.0	59.9	184.3	63.9	56.6	57.7	136.4	70.8
– Accessories	3.0	49.3	6.7	64.1	6.6	51.4	2.1	48.2	6.8	50.0
TESTANTIN										
– Apparel	22.3	56.9	43.8	62.2	45.9	56.1	10.4	52.7	16.8	63.3
– Accessories	2.0	67.3	3.1	66.2	2.3	58.5	1.0	53.8	2.7	64.2
CARTIER										
– Apparel	–	–	–	–	–	–	–	–	–	–
– Accessories	–	–	3.4	38.9	5.8	37.5	2.3	32.0	3.2	32.1
Harmont & Blaine										
– Apparel	1.4	32.5	8.6	53.7	2.9	45.4	1.8	35.3	1.0	44.9
– Accessories	0.1	33.2	0.7	59.5	0.1	29.3	0.2	37.3	0.1	38.0
Total	105.7	54.5	203.3	59.7	247.9	60.6	74.4	54.4	167.0	67.0

The following tables set out our gross profit and gross profit margin breakdown by geographic region for our ***V.E. DELURE*** and ***TESTANTIN*** brands for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

V.E. DELURE	Year ended 31 December						Six months ended 30 June			
	2007 (RMB million)		2008 (RMB million)		2009 (RMB million)		2009 (RMB million)		2010 (RMB million)	
	GP	*GP%*	*GP*	*GP%*	*GP*	*GP%*	*GP* (unaudited)	*GP%*	*GP*	*GP%*
Region *(Note)*										
Central PRC	3.9	48.2	11.7	55.7	13.8	60.2	4.0	51.7	16.7	63.9
Eastern PRC	16.5	52.9	27.6	57.8	36.4	61.0	11.8	53.2	22.4	66.9
North Eastern PRC	5.2	51.7	10.2	59.6	17.9	64.0	5.0	54.8	10.7	67.6
North Western PRC	4.3	47.9	9.2	53.1	12.9	63.2	3.0	44.1	11.0	70.7
Northern PRC	18.7	60.5	42.1	64.4	43.4	62.1	16.7	61.3	33.4	68.3
South Western PRC	4.1	51.1	5.0	53.5	10.7	62.2	2.5	47.3	11.5	79.3
Southern PRC	22.4	51.4	32.0	59.5	52.8	68.3	14.1	67.6	36.1	72.1
Sub-total	75.1	53.3	137.8	59.5	187.9	63.6	57.1	57.5	141.8	69.4
Hong Kong	4.8	75.2	5.9	77.0	3	52.2	1.5	50.4	1.4	78.2
Total	79.9	54.3	143.7	60.1	190.9	63.4	58.7	57.3	143.2	69.5

TESTANTIN	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	(RMB million)		*(RMB million)*		*(RMB million)*		*(RMB million)*		*(RMB million)*	
	GP	*GP%*	*GP*	*GP%*	*GP*	*GP%*	*GP*	*GP%*	*GP*	*GP%*
							(unaudited)			
Region *(Note)*										
Central PRC	0.5	47.9	1.1	49.7	2.0	48.5	0.8	48.4	0.1	32.9
Eastern PRC	2.7	37.3	7.0	58.7	9.1	55.1	1.6	50.8	3.1	61.3
North Eastern PRC	0.4	40.3	3.4	61.3	4.6	50.8	0.8	48.5	0.8	51.1
North Western PRC	0.6	48.0	1.3	53.5	3.5	55.7	0.4	48.4	0.4	54.5
Northern PRC	1.5	55.2	4.1	58.8	4.5	67.9	1.6	64.4	2.4	69.2
South Western PRC	1.4	78.7	2.0	46.1	4.0	50.2	1.4	48.4	3.6	57.4
Southern PRC	4.5	46.4	13.2	59.8	15.1	60.7	2.9	58.0	4.0	60.9
PRC sub-total	11.6	46.9	32.1	57.8	42.8	56.8	9.5	53.7	14.4	60.3
Hong Kong	12.8	72.9	14.8	75.7	5.4	52.4	1.9	48.7	5.1	74.5
Total	24.4	57.7	46.9	62.5	48.2	56.2	11.4	52.8	19.5	63.5

Note:

For purposes of this prospectus:

Central PRC represents Henan, Hubei, Hunan, Jiangxi
Eastern PRC represents Anhui, Jiangsu, Shanghai and Zhejiang
North Eastern PRC represents Heilongjiang, Jilin and Liaoning
North Western PRC represents Inner Mongolia, Ningxia, Qinghai, Shaanxi and Xinjiang
Northern PRC represents Beijing, Hebei, Shandong, Shanxi and Tianjin
Southern PRC represents Fujian, Guangdong and Guangxi
South Western PRC represents Guizhou, Sichuan, Yunnan and Chongqing

In general, the fluctuations in gross profit and gross profit margin of our products during the Track Record Period resulted from the changes in the overall selling prices of our products as a result of the increasing recognition of these two brands, especially the enhanced brand image of our ***V.E. DELURE*** brand in the PRC high-end menswear market which gave us a pricing advantage and the fluctuations in our cost of sales. Gross profit and gross profit margin of our products sold in different regions are also influenced by the proportion of revenues generated from different sales channels as our gross profit and gross profit margin of sales generated through our self-operated Stores are generally higher than sales made to distributors. The increase in gross profit margin of our ***V.E. DELURE*** brand apparel products from 54.5% in 2007 to 70.8% in the six months ended 30 June 2010 was primarily due to the increase in the overall selling prices as a result of the increased recognition of our ***V.E. DELURE*** brand in the PRC high-end menswear market and the increased proportion of our sales generated through our self-operated Stores which accounted for 26.6%, 35.3%, 45.6% and 44.0% of our total revenue from sales of ***V.E. DELURE*** brand products in the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively. The gross profit margin of our ***TESTANTIN*** brand apparel products increased from 56.9% in 2007 to 63.3% in the six months ended 30 June 2010 but experienced a decrease from 62.2% in 2008 to 56.1% in 2009 mainly because we launched a series of promotional events at our ***TESTANTIN*** Stores in Hong Kong offering 10% to 60% discounts to customers to deal with the intensive competition in the retail market in Hong Kong and the difficult economic environment in Hong Kong as a result of the global financial crisis. The decrease in the gross profit margin of our ***TESTANTIN*** brand products in Central PRC from 48.4% in the six months ended 30 June 2009 to 32.9% in the six months ended 30 June 2010 was mainly due to the small revenue contribution of the region and a sales rebate deducted from a purchase order in 2010. The increase in the gross profit margin of our ***V.E. DELURE*** brand products in the Southern PRC from 51.4% in 2007 to 72.1% in the six months ended 30 June 2010 was mainly due to (i) the increase in the overall selling price as a result of increased recognition and enhanced brand image of our ***V.E. DELURE*** brand, (ii) the increased proportion of our sales generated through our self-operated Stores which accounted for 21.1%, 57.7%, 72.5% and 55.5% of our total revenue from sales of ***V.E. DELURE*** brand products in the Southern PRC in the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, respectively, in line with our increased number of self-operated Stores in the region during the same period and (iii) the relatively strong sales performance of our Retail Stores in Southern PRC, especially our Retail Stores in Nanning, Guangxi Province. The increase in the gross profit margin of our ***V.E. DELURE*** brand products in the South Western PRC and North Western PRC from 51.1% in 2007 to 79.3% in the six months ended 30 June 2010 and from 47.9% in 2007 to 70.7% in the six months ended 30 June 2010, respectively, was mainly due to the increased proportion of our sales generated through self-operated Stores.

The Directors are of the view that we achieved our high revenue growth and profit margin during the Track Record Period primarily due to the following reasons. First, our ***V.E. DELURE*** brand and ***TESTANTIN*** brand, established in 2000 and 2005, respectively, are in the relatively early growth stage (especially for ***TESTANTIN***) and are undergoing rapid expansion. Second, we strategically combine a self-operated Retail Stores business model and a distributor network business model. Self-operated Stores normally record a higher gross profit and gross profit margin as compared to selling through distributorships. As the percentage of our revenue contributed from self-operated Stores for the ***V.E. DELURE*** brand increased during the Track Record Period, we also recorded a corresponding increase in our gross profit margin. Third, our ***V.E. DELURE*** and ***TESTANTIN*** brands are within the high-end menswear market and middle-upper menswear market, respectively. Such market positioning and our brand equity has enabled us to better price our products, which results in a relatively high gross profit and gross profit margin. Fourth, we enjoy the benefits of an asset-light business model, as we outsource the production of almost all of our apparel and accessory products to Independent Third Party outsourced manufacturers. Through our outsourcing arrangements, we manage to focus our resources on product design and brand management, to leverage the expertise and resources of outsourced manufacturers and to optimize our production schedule, which further decreases our cost of production.

Other income

During the Track Record Period, other income primarily consisted of bank interest income, compensation income from suppliers and outsourced manufacturers and excess over the cost of a business combination. For the year ended 31 December 2007, we acquired a 100% shareholding interest in Guangzhou Changyue and recorded an excess over the cost of a business combination of RMB801,000, which represented the excess of the fair value of the net assets of Guangzhou Changyue (RMB2,181,000) at the date of acquisition over the consideration (RMB1,380,000).

Selling and distribution costs

During the Track Record Period, selling and distribution costs primarily consisted of rental fees for the Retail Stores which comprised of fixed rental expenses and concessionaire commissions, advertising and promotional expenses, staff costs for our sales and marketing staff, and other costs related to sales and distribution.

The following table sets out the breakdown of our selling and distribution costs for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental fees for Retail Stores *(Note)*	26,342	43,113	49,875	20,479	34,440
Advertising and promotional expenses	8,039	30,504	9,673	5,555	6,431
Staff costs	3,094	11,490	16,540	8,277	11,782
Traveling and transportation expenses	1,532	1,771	1,194	541	761
Packaging expenses	1,040	1,501	639	7	387
Depreciation	2,557	1,289	3,085	1,665	2,133
Entertainment expenses	124	135	176	90	292
Motor vehicle expenses	761	1,272	968	593	649
Management fees	434	1,435	2,702	1,556	1,658
Office expenses	193	582	1,162	807	1,127
Others	2,415	5,581	3,065	1,901	3,399
Total	46,531	98,673	89,079	41,471	63,059

Note:

The breakdown of the rental fees for Retail Stores for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fixed rental expenses	15,474	14,716	10,752	5,183	5,980
Concessionaire commissions	10,868	28,397	39,123	15,296	28,460
Total	26,342	43,113	49,875	20,479	34,440

During the Track Record Period, concessionaire commissions paid to shopping malls and department stores amounted to 41.3%, 65.9%, 78.4% and 82.6% respectively, of the rental fees for Retail Stores for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The increase was mainly due to our increasing utilization of the self-operating model pursuant to which we entered into sales concessionaire arrangements with department stores or shopping malls to obtain retail space for our self-operated Retail Stores. The decrease in fixed rental expenses from RMB15.5 million in 2007 to RMB10.8 million in 2009 was mainly due to the closing of two ***TESTANTIN*** Stores in Hong Kong in 2008, partly offset by the increase in the overall fixed rental expenses of other properties rented under the fixed rental arrangement in Hong Kong and the PRC. Please refer to the section headed "Business – Sales and Distribution – I. Self-operated Stores" in this prospectus for more details. Advertising and promotion expenses was approximately RMB8.0 million, RMB30.5 million, RMB9.7 million and RMB6.4 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. These expenses include television (in 2008) and other media advertising expenses, promotional event expenses, sale fair and fashion show expenses and renovation subsidies to distributors.

Administrative expenses

During the Track Record Period, administrative expenses primarily consisted of salaries of non-sales management and administrative staff, legal and professional fees and rental fees for offices and entertainment expenses and other administrative expenses.

The following table sets out the breakdown of our administrative expenses for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs	3,065	8,099	6,217	3,290	3,963
Rental fees for offices	589	2,320	2,846	1,473	1,360
Legal and professional fees	4,038	2,282	5,500	632	4,734
Entertainment expenses	363	1,156	407	520	368
Office expenses	646	945	342	236	513
Traveling and transportation expenses	222	902	593	268	368
Depreciation	296	615	874	539	463
Tax surcharge	157	388	360	204	627
Utilities	264	287	664	270	267
Samples expenses	133	235	–	–	–
Others	1,619	2,696	3,039	1,110	1,255
Total	11,392	19,925	20,842	8,542	13,918

Other expenses

During the Track Record Period, other expenses mainly represented a provision for slow-moving and obsolete inventories, loss on disposal of items of property, plant and equipment and donations.

Finance costs

During the Track Record Period, finance costs consisted primarily of interest expenses on interest-bearing bank and other borrowings and interest expenses related to the Redeemable Convertible Bond.

Income tax expense

During the Track Record Period, we were subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which we were domiciled and operated.

The Cayman Islands and the BVI

The Company and the subsidiaries were not subject to any income tax in the Cayman Islands or the BVI during the Track Record Period.

Hong Kong

The Company's subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax at a rate of 17.5%, 16.5%, 16.5% and 16.5% for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively, on the assessable profits arising in Hong Kong.

The PRC

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduced a wide range of changes which included, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%. Therefore, Evergreen Guangdong, Guangzhou Changyue and Guangzhou Changzhuxing were subject to the corporate income tax rate of 25% since 2008.

Evergreen Guangdong was registered as a foreign-invested enterprise on 12 May 2005. Pursuant to approval from the tax bureau, Evergreen Guangdong was exempted from the corporate income tax for its first two profit-making years and was entitled to a 50% tax reduction in the succeeding three years. The first profitable year of Evergreen Guangdong was 2006. Therefore, Evergreen Guangdong was exempted from corporate income tax in 2007 and subject to the reduced rate of 12.5% for each of the two years ended 31 December 2008 and 2009 and also the year ending 31 December 2010.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign-invested enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable to withholding taxes on dividends distributed by any subsidiary established in the PRC in respect of earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Company's subsidiaries established in China are, directly and indirectly, wholly owned by Evergreen International established in Hong Kong which has favourable tax treaty with the PRC and thus the applicable rate of the such withholding tax is 5%.

The following table sets forth the applicable corporate income or profits tax rates during the Track Record Period for our operating subsidiaries:

	Year ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
Evergreen Asia	17.5%	16.5%	16.5%	16.5%
Master (HK)	17.5%	16.5%	16.5%	16.5%
Evergreen Guangdong	Fully exempted	12.5%	12.5%	12.5%
Guangzhou Changyue	33%	25%	25%	25%
Guangzhou Changzhuxing	33%	25%	25%	25%

Our Directors confirmed that the Group has made all the required tax filings under the relevant tax laws and regulations in the respective jurisdictions and paid or made provision for all tax liabilities and as at the Latest Practicable Date, the Group is not subject to any dispute and the Directors are not aware of any potential dispute with any competent tax authority.

RESULTS OF OPERATIONS

The following table sets forth our summary consolidated income statement data and our summary consolidated income statement data as a percentage of consolidated revenue for the Track Record Period. Our summary consolidated income statement data has been derived from the consolidated financial statements which have been prepared in accordance with IFRS, set forth in "Appendix I – Accountants' Report" to this prospectus.

	Years ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*(% of revenue)*	*RMB'000*	*(% of revenue)*	*RMB'000*	*(% of revenue)*	*RMB'000* (unaudited)	*(% of revenue)*	*RMB'000*	*(% of revenue)*
REVENUE	193,879	100%	340,408	100%	409,013	100%	136,716	100%	249,235	100%
Cost of sales	(88,190)	(45.5%)	(137,053)	(40.3%)	(161,141)	(39.4%)	(62,358)	(45.6%)	(82,311)	(33.0%)
Gross profit	105,689	54.5%	203,355	59.7%	247,872	60.6%	74,358	54.4%	166,924	67.0%
Other income	2,686	1.4%	2,161	0.6%	2,067	0.5%	788	0.6%	966	0.4%
Selling and distribution costs	(46,531)	(24.0%)	(98,673)	(29.0%)	(89,079)	(21.8%)	(41,471)	(30.3%)	(63,059)	(25.3%)
Administrative expenses	(11,392)	(5.9%)	(19,925)	(5.9%)	(20,842)	(5.1%)	(8,542)	(6.2%)	(13,918)	(5.6%)
Other expenses	(304)	(0.2%)	(6,767)	(2.0%)	(3,000)	(0.7%)	(493)	(0.4%)	(8,643)	(3.4%)
Finance costs	(1,496)	(0.8%)	(5,217)	(1.5%)	(6,065)	(1.5%)	(3,392)	(2.5%)	(3,828)	(1.5%)
PROFIT BEFORE TAX	48,652	25.1%	74,934	22.0%	130,953	32.0%	21,248	15.5%	78,442	31.5%
Income tax credit/(expense)	510	0.3%	(14,456)	(4.1%)	(26,035)	(6.4%)	(4,547)	(3.3%)	(8,099)	(3.2%)
PROFIT FOR THE YEAR/PERIOD	49,162	25.4%	60,478	17.8%	104,918	25.7%	16,701	12.2%	70,343	28.2%
Attributable to:										
Owners of the Company	49,162	25.4%	60,478	17.8%	104,918	25.7%	16,701	12.2%	70,343	28.2%

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2010 compared to six months ended 30 June 2009 (unaudited)

Revenue

Our revenue increased by approximately 82.3% from approximately RMB136.7 million for the six months ended 30 June 2009 to approximately RMB249.2 million for the six months ended 30 June 2010. The significant increase was mainly due to the following: (i) an increase in revenue from sales of ***V.E. DELURE*** products of about RMB103.8 million, because the number of ***V.E. DELURE*** brand Stores increased from 188 as at 30 June 2009 to 202 as at 30 June 2010 due to our Stores expansion strategy which resulted in a corresponding increase in the overall sales of ***V.E. DELURE*** products; (ii) an increase in revenue from the sales of ***TESTANTIN*** products of about RMB9.0 million, because, as a result of our Stores expansion strategy, the number of Stores of the ***TESTANTIN*** brand increased from 57 as as at 30 June 2009 to 66 as at 30 June 2010 which resulted in a corresponding increase in the overall sales of ***TESTANTIN*** products; and (iii) an increase in the revenue from the sales of CARTIER products of about RMB3.0 million, because we opened a new CARTIER Store in Nanning in December 2008 which was in a ramp up period during the first six months of 2009. The increase in revenue was partially offset by a decrease in revenue from the sales of Harmont & Blaine products by about RMB3.2 million as our licensing business of the Harmont & Blaine brand was terminated in August 2009, after which we had nine months to sell our remaining inventory.

Cost of Sales

Cost of sales increased by approximately 32.0% from about RMB62.4 million for the six months ended 30 June 2009 to about RMB82.3 million for the six months ended 30 June 2010, which was in line with the overall increase in sales amount of our ***V.E. DELURE*** and ***TESTANTIN*** products. Purchase costs of outsourced products and raw materials, in the aggregate, constituted 96.8% and 98.7% of the total cost of sales for the six months ended 30 June 2009 and 2010, respectively.

Gross profit

Gross profit increased by approximately 124.3% from about RMB74.4 million for the six months ended 30 June 2009 to approximately RMB166.9 million for the six months ended 30 June 2010. Gross profit margin increased from 54.4% for the six months ended 30 June 2009 to 67.0% for the six months ended 30 June 2010. This was mainly due to the following: (i) an increase in the gross profit margin of ***V.E. DELURE*** products from 57.3% for the six months ended 30 June 2009 to 69.5% for the six months ended 30 June 2010 due to the increase in the overall selling price of our ***V.E. DELURE*** products as a result of the increasing recognition of our ***V.E. DELURE*** brand in the PRC high-end menswear market; and (ii) an increase in gross profit margin of ***TESTANTIN*** products from 52.8% in the six months ended 30 June 2009 to 63.5% in the six months ended 30 June 2010 due to the increase in the overall selling prices of our ***TESTANTIN*** products in 2010 and as a result of reducing sales promotional events offering substantial discounts as compared to the same period in 2009.

Other income

Other income increased by 22.6% from about RMB0.8 million in the six months ended 30 June 2009 to about RMB1.0 million for the six months ended 30 June 2010, mainly due to the increase in the sale of packaging materials in 2010.

Selling and distribution costs

Selling and distribution costs increased by about 52.1% from RMB41.5 million for the six months ended 30 June 2009 to RMB63.1 million for the six months ended 30 June 2010. The increase for the six months ended 30 June 2010 was mainly attributable to the following: (i) an increase of about RMB14.0 million in rental fees for Retail Stores mainly due to the increase in the number of self-operated Stores of our self-owned brands in department stores and shopping malls in the six months ended 30 June 2010; (ii) an increase in staff costs by about RMB3.5 million due to the increase in the number of sales and marketing staff in line with the increase in the number of new self-operated Stores in the six months ended 30 June 2010; and (iii) an increase in others by about RMB1.5 million due to the increase in utilities, samples expenses, communication costs and mailing costs in line with the increase in the number of new self-operated Stores in the six months ended 30 June 2010. Although selling and distribution costs increased in the six months ended 30 June 2010 as compared to the six months ended 30 June 2009, selling and distribution costs as a percentage of revenue decreased from 30.3% for the six months ended 30 June 2009 to 25.3% for the six months ended 30 June 2010 as a result of a 52.1% increase in selling and distribution costs compared to an 82.3% increase in revenue between these periods.

Administrative expenses

Administrative expenses increased by 63.5% from RMB8.5 million for the six months ended 30 June 2009 to RMB13.9 million for the six months ended 30 June 2010. The increase in administrative expenses for the six months ended 30 June 2010 was primarily attributable to an increase in staff costs of about RMB0.7 million driven by the increase in the number of management and administrative staff and an increase in legal and professional fees in connection with the Listing.

Other expenses

Other expenses increased from about RMB0.5 million for the six months ended 30 June 2009 to RMB8.6 million for the six months ended 30 June 2010, consisting primarily of donations of RMB1.8 million, net foreign exchange losses of RMB0.7 million and provisions for slow-moving and obsolete inventories of about RMB6.1 million including a write off of RMB4.7 million of Harmont & Blaine inventory following the expiry of our distributorship agreement in August 2009.

Finance cost

Finance cost increased by about 11.8% from about RMB3.4 million for the six months ended 30 June 2009 to RMB3.8 million for the six months ended 30 June 2010. The increase in finance costs was primarily related to an interest of RMB1.7 million attributable to the

Redeemable Convertible Bonds issued in May 2010 offset by a decrease in interest in bank loans and other loans by RMB1.2 million.

Profit before tax

Profit before tax increased by about 269.8% from about RMB21.2 million for the six months ended 30 June 2009 to RMB78.4 million for the six months ended 30 June 2010. The significant increase for the six months ended 30 June 2010 was primarily due to the increase in sales performance of the Group arising from the increase in the demand of our products and the increase in the number of Stores in 2010. The profit before tax to revenue ratio was 15.5% and 31.5% for the six months ended 30 June 2009 and 2010, respectively.

Income tax expense

Income tax expense increased by about 80% from about RMB4.5 million for the six months ended 30 June 2009 to RMB8.1 million for the six months ended 30 June 2010. The significant increase was due to the increase in profit before tax from RMB21.2 million in the six months ended 30 June 2009 to RMB78.4 million in the six months ended 30 June 2010, partially offset by a decrease in deferred tax expense of approximately RMB5.6 million. The decrease in deferred tax expense was mainly because a withholding tax expense of RMB1.7 million was recorded in the six months ended 30 June 2009 as a result of the withholding tax at 5% on the distributable profits of the PRC subsidiaries as compared to a withholding tax credit of RMB4.0 million recorded in the six months ended 30 June 2010 as a result of the Directors' resolutions in 2010 that no dividend would be declared by our PRC subsidiaries for 2009. Our effective tax rate decreased from 21.4% in the six months ended 30 June 2009 to 10.3% in the six months ended 30 June 2010 mainly because we recorded a withholding tax credit in the six months ended 30 June 2010 as opposed to a withholding tax expense for the same period in 2009 as described above.

Profit for the period

Profit for the period increased by about 321.0% from RMB16.7 million for the six months ended 30 June 2009 to RMB70.3 million for the six months ended 30 June 2010. The increase in profit for the six months ended 30 June 2010 was primarily due to the increase in sales performance of the Group arising from the increase in the demand of our products and the increase in the number of Stores in 2010.

Profit attributable to equity holders

Net profit margin increased from 12.2% for the six months ended 30 June 2009 to 28.2% for the six months ended 30 June 2010. This was mainly due to the overall increase in gross profit margin of sales of products under our self-owned brands as stated above and the decrease in most of our operating expenses as a percentage of our revenue, partially offset by the increase in the other expenses as a percentage of our revenue.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Our revenue increased by approximately 20.2% from approximately RMB340.4 million in the year ended 31 December 2008 to approximately RMB409.0 million in the year ended 31 December 2009. The significant increase in revenue in the year ended 31 December 2009 was mainly due to the combined effects of the following: (i) an increase in revenue from the sales of ***V.E. DELURE*** products by about RMB61.6 million, because the number of Stores of the ***V.E. DELURE*** brand increased from 184 as at 31 December 2008 to 197 as at 31 December 2009 due to our Stores expansion strategy; (ii) an increase in revenue from the sales of ***TESTANTIN*** products by about RMB10.6 million, because the number of Stores of the ***TESTANTIN*** brand increased from 58 as at 31 December 2008 to 62 as at 31 December 2009 due to our Stores expansion strategy; and (iii) a decrease in revenue from sales of Harmont & Blaine products by about RMB10.3 million following the phase out of our licensing business of Harmont & Blaine brand since August 2009.

Cost of Sales

Cost of sales increased by approximately 17.6% from about RMB137.1 million in the year ended 31 December 2008 to approximately RMB161.1 million in the year ended 31 December 2009, primarily due to the increase in sales volume of ***V.E. DELURE*** and ***TESTANTIN*** products for which we largely outsourced the production process to outsourced manufacturers. The increase was also driven by increased sales volume of CARTIER accessory products which we purchased from Richemont. Purchase costs of outsourced products and raw materials, in the aggregate, constituted 96.2% and 98.6% of the total cost of sales for the years ended 31 December 2008 and 2009, respectively.

Gross profit

Gross profit increased by 21.9% from about RMB203.3 million in the year ended 31 December 2008 to about RMB247.9 million in the year ended 31 December 2009. Gross profit margin increased slightly from 59.7% for the year ended 31 December 2008 to 60.6% for the year ended 31 December 2009. This was mainly due to an increase in gross profit margin of the sales of ***V.E. DELURE*** products from 60.1% in the year ended 31 December 2008 to 63.4% in the year ended 31 December 2009 due to the increase in overall selling prices of our ***V.E. DELURE*** products in the year ended 31 December 2009 as a result of the increased recognition of our ***V.E. DELURE*** brand in the PRC high-end menswear market which provided us with increased pricing advantages, offset by a decrease in gross profit margin of the sales of ***TESTANTIN*** products from 62.5% in the year ended 31 December 2008 to 56.2% in the year ended 31 December 2009 due to promotional sales activities such as discounts ranging from 10% to 60%, for our ***TESTANTIN*** self-operated Stores in Hong Kong in the year ended 31 December 2009 in response to the highly competitive retail market in Hong Kong and the generally difficult economic environment in Hong Kong as a result of the global economic crisis. The gross profit margin of ***TESTANTIN*** products in Hong Kong decreased from 75.7% in the year ended 31 December 2008 to 52.4% in 2009. Gross profit from sales of our ***TESTANTIN*** products in Hong Kong fell from RMB14.8 million in 2008 to RMB5.4 million in 2009. Such decrease of RMB9.4 million represented approximately 20% of the total gross profit of our ***TESTANTIN*** brand in 2009.

Other income

Other income decreased slightly from about RMB2.2 million in the year ended 31 December 2008 to about RMB2.1 million in the year ended 31 December 2009, mainly attributable to the decrease in compensation income from suppliers and outsourced manufacturers by RMB693,000 in the year ended 31 December 2009, offset by an increase in related income of about RMB439,000 in 2009 as we started to charge fees from our customers for packaging materials in 2009.

Selling and distribution costs

Selling and distribution costs decreased by about 9.7% from RMB98.7 million in the year ended 31 December 2008 to RMB89.1 million in the year ended 31 December 2009. In addition, selling and distribution cost as a percentage of our revenue decreased from 29.0% in 2008 to 21.8% in 2009. The decreases were mainly attributable to the decrease in advertising and promotional expenses of about RMB20.8 million as we adopted a more focused approach to our advertising and branding strategy in view of the global economic downturn since early 2009. For example, we placed advertisements through Guangdong Television and various channels of Southern Television in 2008 incurring an advertising expense of RMB11.9 million, while we did not incur such TV advertising expense in 2009. In addition, sales fair and fashion show expenses decreased by RMB4.0 million because we organised fewer of such events to control cost. In particular, we participated in the China International Clothings & Accessories Fair in Beijing in the year ended 31 December 2008, for which we incurred a related fashion show expenses of about RMB2.2 million, but we did not participate in such fair in the year ended 31 December 2009. For further marketing and promotion details, please refer to the section headed "Business – Marketing and Promotion" in this prospectus. The decrease in selling and distribution costs was partially offset by: (i) an increase in rental fees for Retail Stores which comprised fixed rental expenses and concessionaire commissions of about RMB6.8 million mainly due to the increase in the number of the self-operated Stores of our brands in 2009; and (ii) an increase in staff costs of about RMB5.0 million due to the increase in the number of sales and marketing staff as a result of the increase in the number of our self-operated Stores in 2009.

Administrative expenses

Administrative expenses increased by 4.6% from RMB19.9 million in 2008 to RMB20.8 million in 2009. The increase in administrative expenses in 2009 was primarily attributable to an increase in legal and professional fees incurred in 2009 in relation to the preparation for the Listing, partially offset by a decrease in staff costs of RMB1.9 million in 2009 due to a decrease in the number of administrative staff in 2009.

Other expenses

Other expenses for the year ended 31 December 2009 were about RMB3.0 million, which mainly represented provisions for slow-moving and obsolete inventories of RMB1.8 million, donations of RMB0.7 million and loss on disposal of items of property, plant and equipment of approximately RMB0.3 million. Other expenses for the year ended

31 December 2008 were RMB6.8 million, which mainly represented provisions for slow-moving and obsolete inventories of RMB4.3 million, donations of RMB1.4 million and loss on disposal of items of property, plant and equipment of RMB1.0 million.

Finance cost

For the year ended 31 December 2009, finance costs amounted to about RMB6.1 million, while for the year ended 31 December 2008, finance costs amounted to about RMB5.2 million. The increase in finance costs in 2009 was primarily due to an increase in interest payment for bank borrowings.

Profit before tax

Profit before tax increased by 74.8% from RMB74.9 million for the year ended 31 December 2008 to RMB131.0 million for the year ended 31 December 2009. The increase in profit before tax in the year ended 31 December 2009 was primarily due to the reasons set forth above. The profit before tax to revenue ratio was 22.0% and 32.0% for the years ended 31 December 2008 and 2009, respectively.

Income tax expense

For the year ended 31 December 2009, income tax expense amounted to about RMB26.0 million. For the year ended 31 December 2008, income tax expense amounted to about RMB14.5 million. Our effective tax rate remained stable in 2008 and 2009, which amounted to 19.3% and 19.9%, respectively.

Profit for the year

Profit for the year increased by 73.5% from RMB60.5 million for the year ended 31 December 2008 to RMB105.0 million for the year ended 31 December 2009. The increase in profit for the year ended 31 December 2009 was primarily due to the reasons set forth above.

Profit attributable to equity holders

Net profit margin increased from 17.8% for the year ended 31 December 2008 to 25.7% for the year ended 31 December 2009. This was mainly due to an overall increase in gross profit margin of sales of the Group's self-owned brands and licensed brands as stated above and a decrease in selling and distribution costs of about 9.7% from RMB98.7 million for the year ended 31 December 2008 to RMB89.1 million for the year ended 2009 primarily due to our adoption of a more market focused approach to advertising and promotion in view of the global economic downturn. Such increase was offset by an increase in income tax expenses of about RMB11.5 million from RMB14.5 million for the year ended 31 December 2008 to RMB26.0 million for the year ended 31 December 2009.

Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Our revenue increased by about 75.6% from about RMB193.9 million in the year ended 31 December 2007 to RMB340.4 million in the year ended 31 December 2008. The significant increase in revenue in the year ended 31 December 2008 was mainly due to: (i) an increase in revenue from sales of ***V.E. DELURE*** products of about RMB92.1 million because the number of Stores carrying the ***V.E. DELURE*** brand increased from 120 as at 31 December 2007 to 184 as at 31 December 2008 due to our Store expansion strategy; (ii) an increase in revenue from sales of ***TESTANTIN*** products of about RMB32.8 million, since the number of Stores carrying the ***TESTANTIN*** brand increased from 47 as at 31 December 2007 to 58 as at 31 December 2008 due to our Store expansion strategy; (iii) we began to operate the CARTIER Stores which contributed RMB8.8 million to our revenue in the year ended 31 December 2008; and (iv) we acquired 100% of the equity interest in each of Guangzhou Changyue and Guangzhou Changzhuxing on 31 May 2007[Note] and, as a result, recorded revenue from Guangzhou Changyue and Guangzhou Changzhuxing for only seven months in the year ended 31 December 2007 while we recorded a full year of revenue from Guangzhou Changyue and Guangzhou Changzhuxing in the year ended 31 December 2008.

Cost of Sales

Cost of sales increased by approximately 55.4% from about RMB88.2 million in 2007 to approximately RMB137.1 million in 2008, primarily due to an increase in the revenue of ***V.E. DELURE*** and ***TESTANTIN*** products for which we largely outsourced the production process to outsourced manufacturers. The increase in cost of sales was also due to an increase in revenue generated from sales of Harmont & Blaine products and the commencement of our sale of CARTIER accessory products in the year ended 31 December 2008. Purchase costs of outsourced products and raw materials, in the aggregate, constituted about 99.3% and 96.2% of the total cost of sales for the years ended 31 December 2007 and 2008, respectively.

Note: 31 May 2007 is treated as the acquisition date for accounting purposes, as on that date Evergreen Guangdong began exercising control over Guangzhou Changyue and Guangzhou Changzhuxing pursuant to the board minutes of Evergreen Guang Dong dated 25 March 2007. In the opinion of our Directors, the financial information of Guangzhou Changyue and Guangzhou Changzhuxing since 1 June 2007 should be and is consolidated with our Group's financial information. However, according to the PRC legal opinion, the effective acquisition date was when Evergreen Guangdong obtained the relevant approvals from the Department of Foreign Trade and Economic cooperation of Guangdong Province on 18 August 2007, as disclosed in the section headed "History, Reorganization and Group Structure" and "Further information about the Company – Corporate reorganization" in Appendix VI to this prospectus.

Gross Profit

Gross profit increased by 92.4% from RMB105.7 million in the year ended 31 December 2007 to RMB203.3 million in the year ended 31 December 2008. Gross profit margin increased from 54.5% in the year ended 31 December 2007 to 59.7% in the year ended 31 December 2008. The increase in gross profit margin was primarily attributable to an increase in gross profit margin of the sales of ***V.E. DELURE*** products to distributors from 47.7% in 2007 to 52.7% in 2008 and an increase in gross profit margin of the sales of ***TESTANTIN*** products to distributors from 45.0% in 2007 to 54.6% in 2008 due to an increase in the selling prices to our distributors in 2008. Due to increased recognition of our ***V.E. DELURE*** and ***TESTANTIN*** brands in the PRC in their respective market segments, we were able to increase the overall selling prices of our ***V.E. DELURE*** and ***TESTANTIN*** brand products to our distributors for the year ended 31 December 2008 which was consistent with our on-going branding strategy. The selling prices of our ***V.E. DELURE*** and ***TESTANTIN*** brand products to our distributors increased by an average of 10.1% and 23.8%, respectively in 2008.

Other income

Other income decreased by about 19.5% from RMB2.7 million in 2007 to RMB2.2 million in 2008. The decrease was due to the combined effects of (i) a decrease in interest income from about RMB1.1 million in 2007 to approximately RMB0.2 million in 2008 due to a decrease in our bank interest rates in 2008; an (ii) an increase in the compensation income from suppliers and outsourced manufacturers from approximately RMB0.7 million in 2007 to RMB1.3 million in 2008; and (iii) the excess over cost of a business combination of approximately RMB0.8 million in 2007 for the acquisition of Guangzhou Changyue.

Selling and distribution costs

Selling and distribution costs increased by about 112% from RMB46.5 million in 2007 to RMB98.7 million in 2008. In addition, selling and distribution costs as a percentage of our revenue increased from 24.0% in 2007 to 29.0% in 2008.

The increase in selling and distribution costs in 2008 was primarily attributable to the following: (i) an increase in rental fees for Retail Stores due to an increase in the number of our self-operated Stores in 2008; (ii) an increase in advertising and promotional expenses because we promoted our brands on television through Guangdong Television and various channels of Southern Television in 2008, resulting in an increase in advertising expense of about RMB11.9 million, and because we placed advertisements in more magazines, resulting in an increase in advertising expense of about RMB2.0 million; (iii) an increase in staff costs related to the sales and marketing staff due to the increase in the number of staff as a result of our increase in the number of Stores in 2008; and (iv) on 31 May 2007, we acquired 100% of the equity interest in each of Guangzhou Changyue and Guangzhou Changzhuxing. Therefore, we recorded selling and distribution costs of Guangzhou Changyue and Guangzhou Changzhuxing for only seven months in 2007, while we recorded a full year's selling and distribution costs in 2008.

Administrative expenses

Administrative expenses increased by 74.9% from RMB11.4 million in 2007 to RMB19.9 million in 2008.

The increase in administrative expenses in 2008 was primarily attributable to the following: (i) an increase in administrative staff costs of RMB5.0 million in 2008; (ii) an increase in rental fees of RMB1.7 million in 2008; and (iii) on 31 May 2007, we acquired 100% of the equity interest in each of Guangzhou Changyue and Guangzhou Changzhuxing. Therefore, we recorded administrative expenses of Guangzhou Changyue and Guangzhou Changzhuxing for only seven months in 2007, while we recorded a full year of administrative expenses in 2008. During 2007, office premises in the PRC were rented by Guangzhou Dilai and used by us for free, while such premises were rented by us from the landlord for consideration in 2008, resulting in an increase in rental fees of RMB648,000. In addition, we rented a new office premises in 2008, resulting in an additional increase in rental fees of RMB472,000. The increase in administrative expenses in 2008 was partially offset by a decrease in legal and professional fees of about RMB1.8 million, as we appointed an accounting consultant, CWCC Co. Ltd., in 2007 and incurred professional fees amounting to RMB1.4 million. Through a referral, CWCC Co. Ltd (a Hong Kong based professional advisory firm all of whose partners are members of Hong Kong Institute of Certified Public Accountants (HKICPA)) was appointed by us to, among others, perform a review of our internal controls across our key business divisions and finance department and advise us on the establishment of an effective information disclosure system as we began to plan for a listing in Hong Kong. The engagement lasted until December 2007 and the total fee paid was RMB1.4 million. In its review of our internal controls, CWCC Co. Ltd. did not identify any major deficiencies but identified areas where we can further strengthen our internal controls across our business and financial units.

Other expenses

Other expenses for the year ended 31 December 2008 were RMB6.8 million, which mainly represented provisions for slow-moving and obsolete inventories of RMB4.3 million, donations of RMB1.4 million and loss on disposal of items of property, plant and equipment of RMB1.0 million. Other expenses for the year ended 31 December 2007 were RMB0.3 million, which mainly represented net foreign exchange losses.

Finance cost

For the year ended 31 December 2008, finance costs amounted to about RMB5.2 million. For the year ended 31 December 2007, finance costs amounted to about RMB1.5 million. The increase in finance costs in 2008 was primarily due to an increase in interest payments for bank borrowings as we expanded the scale of business and increased the number of self-operated Stores.

Profit before tax

Profit before tax increased by 54.0% from RMB48.7 million for the year ended 31 December 2007 to RMB74.9 million for the year ended 31 December 2008. The increase in profit before tax in 2008 was primarily due to the reasons set forth above. The profit before tax to revenue ratio was 25.1% and 22.0% for the years ended 31 December 2007 and 2008, respectively.

Income tax expense

For the year ended 31 December 2008, our income tax expense amounted to about RMB14.5 million. For the year ended 31 December 2007, our income tax credit amounted to about RMB510,000. We paid income tax in 2008, while we had tax credit in 2007, primarily attributable to (i) an increase in profit before tax as a result of our increased revenue from 2007 to 2008; (ii) the fact that Evergreen Guangdong[Note] was exempted from corporate income tax in 2007 but was subject to a reduced rate of 12.5% in 2008; and (iii) the fact that the tax rate applicable to Guangzhou Changyue and Guangzhou Changzhuxing decreased from 33% in 2007 to 25% in 2008, following the new corporate income tax law in the PRC that took effect on 1 January 2008. We had tax credit in 2007 also due to the recognition of deferred tax assets in respect of unrealized profit on inventory in 2007. Such unrealized profit on inventory arose from transactions among the subsidiaries within the Group. Evergreen Guangdong, after performing the post-finish processing of apparel, sold its finished products to Guangzhou Changyue and Guangzhou Changzhuxing and these products remained unsold as at 31 December 2007. This resulted in an unrealized profit with respect to these unsold finished products and the respective deferred tax assets were recognized. Starting from 2008, the Group minimized such unrealized profits by Evergreen Guangdong gradually switching to selling finished goods to Guangzhou Changyue and Guangzhou Changzhuxing just-in-time when Guangzhou Changyue and Guangzhou Changzhuxing made sales to its customers, resulting in a smaller amount of deferred tax asset recognised in 2008.

Profit for the year

Profit for the year increased by 23.0% from RMB49.2 million for the year ended 31 December 2007 to RMB60.5 million for the year ended 31 December 2008. The increase in profit for the year ended 31 December 2008 was primarily due to an increase in our revenue.

Note: As disclosed in note 30 to the Accountants' Report, the acquisition was completed on 8 January 2007, which was when the procedures of change in business registration were completed, as stated in the renewed business license. It is consistent with the Reporting Accountants' view. According to the PRC legal opinion, the effective date of the acquisition was when Evergreen Guangdong obtained the relevant renewed approval certificate on 14 December 2006, as disclosed in the sections headed "History, Reorganization and Group Structure" and "Statutory and General Information – I. Further Information about the Company – 4. Corporate reorganization" in this prospectus.

Profit attributable to equity holders

Net profit margin decreased from 25.4% for the year ended 31 December 2007 to 17.8% for the year ended 31 December 2008. This was mainly due to the (i) an increase in selling and distribution costs of about 112.0% from RMB46.5 million for the year ended 31 December 2007 to RMB98.7 million for the year ended 31 December 2008; (ii) an increase in other expenses by about RMB6.5 million from RMB0.3 million for the year ended 31 December 2007 to RMB6.8 million for the year ended 31 December 2008; and (iii) an increase in income tax expenses arising from the change in our tax credit position amounting to about RMB510,000 for the year ended 2007 to our tax expense position amounting to about RMB14.5 million for the year ended 2008.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to satisfy our working capital needs and the payment of capital expenditures. We financed our cash flow needs primarily through cash generated from our operating activities and through our interest-bearing bank borrowings. Following the Global Offering, we also expect to fund a portion of our foreseeable expenditures with the net proceeds from the Global Offering. Please see "Future Plans and Use of Proceeds" in this prospectus for further details.

The following table presents summary cash flow data from our consolidated statements of cash flow for the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)* (unaudited)	*(RMB million)*
Net cash flows from/(used in) operating activities	(53.1)	6.0	153.4	30.0	29.5
Net cash flows from/(used in) investing activities	35.8	(20.8)	(102.3)	(25.4)	70.2
Net cash flows from/(used in) financing activities	22.2	29.0	(53.2)	(16.2)	84.9
Net increase/(decrease) in cash and cash equivalents	4.9	14.2	(2.1)	(11.6)	184.6
Cash and cash equivalents at beginning of the year/period	4.9	9.8	24.0	24.0	21.9
Cash and cash equivalents at end of the year/period	9.8	24.0	21.9	12.4	206.5

Operating activities

For the six months ended 30 June 2010, we had net cash generated from operating activities of about RMB29.5 million, primarily due to adjusted cash generated from profit before tax of RMB90.6 million, partially offset by an increase in inventories of RMB3.7 million, an increase in trade receivables of RMB10.7 million, a decrease in trade payables of RMB10.9 million, an increase in prepayments, deposits and other receivables of RMB18.9 million and a PRC income tax payment of RMB17.0 million.

For the six months ended 30 June 2009, we had net cash generated from operating activities of about RMB30.0 million, primarily due to adjusted cash generated from operating profit before tax of RMB27.3 million, a decrease in trade receivables of RMB18.0 million and an increase in trade payables of RMB4.6 million and a decrease in prepayments, deposits and other receivables of RMB14.4 million, partially offset by an increase in inventories of RMB25.2 million, a PRC income tax payment of RMB6.4 million and a decrease in other payables and accruals of RMB2.4 million.

For the year ended 31 December 2009, we had net cash generated from operating activities of RMB153.4 million, primarily due to adjusted cash generated from operating profit before tax of RMB143.2 million, a decrease in trade receivables of RMB27.1 million and an increase in trade payables of RMB17.7 million, a decrease in prepayments, deposits and other receivables of RMB17.0 million, and an increase in other payables and accruals of RMB5.1 million, partially offset by an increase in inventories of RMB43.0 million and a PRC income tax payment of RMB13.3 million.

For the year ended 31 December 2008, we had net cash generated from operating activities of RMB6.0 million, primarily due to adjusted cash generated from operating profit before tax of RMB87.5 million, partially offset by an increase in inventories of RMB47.8 million, an increase in trade receivables of RMB5.0 million, an increase in prepayments, deposits and other receivables of RMB9.9 million, a decrease in trade payables of RMB6.0 million, a PRC income tax payment of RMB7.5 million, and a decrease in other payables and accruals of RMB5.3 million.

For the year ended 31 December 2007, we had net cash used in operating activities of RMB53.1 million, primarily due to an increase in inventories of RMB26.1 million, an increase in trade receivables of RMB61.0 million, an increase in prepayments, deposits and other receivables of RMB23.9 million, and a decrease in other payables and accruals of RMB4.2 million, partially offset by cash generated from operating profit before changes in working capital of RMB51.2 million and an increase in trade payables of RMB12.7 million.

Investing activities

For the six months ended 30 June 2010, we had net cash from investing activities of RMB70.2 million, primarily due to a decrease in other receivables of RMB79.4 million, resulting from repayment of fund transfers by certain Independent Third Parties (being acquaintances of the Chan Brothers, and two corporations separately owned as to 50% by two cousins of Mr. Chan), partially offset by the cost of renovation of our offices in Guangzhou and Hong Kong and our self-operated Stores of RMB9.4 million.

For the six months ended 30 June 2009, we had net cash used in investing activities of RMB25.4 million, primarily due to an increase in other receivables of RMB24.1 million in connection with fund transfers made to Independent Third Parties.

For the year ended 31 December 2009, we had net cash used in investing activities of RMB102.3 million, primarily due to an increase in pledged time deposits of RMB44.0 million to secure our new bank borrowings in 2009, an increase in other receivables of RMB54.7 million, and an increase in expenditure in relation to renovation and decoration of our Stores and/or our offices of RMB3.7 million.

For the year ended 31 December 2008, net cash used in investing activities amounted to RMB20.8 million, primarily due to (i) an increase in leasehold improvements of RMB4.8 million mainly due to an increase in Retail Stores and an expansion of our Guangzhou headquarters, (ii) an increase in office and equipment of RMB1.3 million mainly due to the expansion of our Guangzhou headquarters and setting up new branch offices in the PRC, (iii) an increase in motor vehicles of RMB2.0 million mainly due to increased activities relating to development of client relationships in PRC, (iv) an increase in acquisitions of plant and machinery of RMB1.4 million mainly due to the increase of post-finished processing facilities in PRC and (v) an increase in other receivables of RMB24.7 million, and partially offset by a decrease in the net amount due from Directors and related parties of RMB13.3 million.

For the year ended 31 December 2007, net cash generated from investing activities amounted to RMB35.8 million, which primarily consisted of net cash of RMB9.5 million from the acquisition of subsidiaries, a decrease in the net amount due from Directors and related parties of RMB27.5 million, and a decrease in other receivables of RMB7.1 million. These cash inflows were partially offset by (i) cash used in the acquisition of a minority interests in Evergreen Guangdong for RMB4.0 million, (ii) an increase in expenditure in relation to renovation and decoration of our Stores and/or our offices of RMB1.4 million resulting mainly from an increase in the number of Retail Stores, (iii) an increase in acquisitions of office and equipment of RMB1.2 million resulting mainly from the expansion of our Guangzhou headquarters and setting up of new branch offices in the PRC, and (iv) an increase in motor vehicles of RMB1.8 million mainly due to an increased demand for maintaining client relationships in the PRC.

Financing activities

For the six months ended 30 June 2010, we had net cash from financing activities of RMB84.9 million, primarily due to the proceeds from the issue of Redeemable Convertible Bonds in the amount of RMB170.6 million and new bank and trust receipt loans in the aggregate amount of RMB28.0 million, partially offset by repayment of bank and trust receipt loans of RMB50.0 million, a decrease in balances due to the Directors of RMB22.8 million and a dividend payment of RMB38.6 million.

For the six months ended 30 June 2009, we had net cash used in financing activities of RMB16.2 million, primarily due to the repayment of bank and trust receipt loans of RMB70.6 million and an interest payment of RMB3.4 million, which was partially offset by the proceeds from new bank and trust receipt loans in the amount of RMB51.5 million.

For the year ended 31 December 2009, we had net cash used in financing activities of RMB53.2 million, primarily due to the repayment of bank and trust receipt loans of RMB75.2 million, a dividend payment of RMB54.6 million, a decrease in other payables of RMB20.0 million and an interest payment of RMB6.0 million which was partially offset by the proceeds of new bank and trust receipt loans in the aggregate amount of RMB98.6 million.

For the year ended 31 December 2008, net cash generated from financing activities amounted to RMB29.0 million, which primarily consisted of proceeds from new bank and trust receipt loans in the aggregate amount of RMB80.9 million and an increase in other payables of RMB18.2 million, partially offset by repayment of bank and trust receipt loans of RMB32.1 million, a decrease in the net amount due to Directors and related parties of RMB32.6 million in the aggregate and an interest payment of RMB5.3 million.

For the year ended 31 December 2007, net cash generated from financing activities amounted to RMB22.2 million, which primarily consisted of proceeds from new bank and trust receipt loans in the aggregate amount of RMB18.0 million, an increase in the net amounts due to Directors and related parties of RMB18.2 million, and an increase in other payables of RMB1.8 million in the aggregate, partially offset by repayment of bank and trust receipt loans of RMB14.2 million and an interest payment of RMB1.5 million.

Net current assets

The following table sets out the current assets and current liabilities of our Group as at the balance sheet dates indicated:

	As at 31 December			As at 30 June	As at 31 August
	2007	**2008**	**2009**	**2010**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
CURRENT ASSETS					
Inventories	46,937	90,404	131,642	129,224	184,739
Trade receivables	77,718	82,747	55,668	66,392	67,269
Prepayments, deposits and other receivables	39,585	74,161	111,863	51,328	60,222
Due from directors	–	1,056	650	148	–
Due from related parties	14,402	18	71	832	837
Tax recoverable	–	99	–	–	–
Pledged deposits	–	–	43,980	43,980	43,980
Cash and cash equivalents	9,830	24,042	21,850	206,469	205,491
Total current assets	188,472	272,527	365,724	498,373	562,538

	As at 31 December			As at 30 June	As at 31 August
	2007	2008	2009	2010	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(audited)	(unaudited)
CURRENT LIABILITIES					
Trade payables	25,845	19,805	37,472	26,589	53,522
Other payables and accruals	34,515	47,325	32,468	32,270	39,032
Interest-bearing bank and other borrowings	22,420	70,574	93,994	71,417	93,417
Current portion of finance lease payables	166	42	–	–	–
Due to directors	29,391	18,666	22,768	–	–
Due to related parties	21,885	–	–	–	–
Tax payable	1,407	5,998	13,466	11,890	10,990
Total current liabilities	135,629	162,410	200,168	142,166	196,961
NET CURRENT ASSETS	52,843	110,117	165,556	356,207	365,577

We had net current assets of RMB52.8 million, RMB110.1 million, RMB165.6 million and RMB356.2 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The increase of RMB57.3 million in net current assets from 31 December 2007 to 31 December 2008 was mainly due to an increase of approximately RMB43.5 million in inventories, an increase of approximately RMB34.6 million in prepayments, deposits and other receivables and a decrease of approximately RMB21.9 million in amounts due to related parties, partially offset by an increase of approximately RMB48.2 million in the interest-bearing bank and other borrowings as at 31 December 2008. The increase of RMB55.4 million in net current assets from 31 December 2008 to 31 December 2009 was mainly due to an increase of approximately RMB41.2 million in inventories, an increase of approximately RMB37.7 million in prepayments, deposits and other receivables, and approximately RMB44.0 million of pledged deposits, partially offset by a decrease of approximately RMB27.1 million in trade receivables, an increase of approximately RMB17.7 million in trade payables, and an increase of approximately RMB23.4 million in the interest-bearing bank and other borrowings as at 31 December 2009. The increase of RMB190.7 million in net current assets from 31 December 2009 to 30 June 2010 was mainly due to an increase of approximately RMB184.6 million in cash and cash equivalents as a result of the proceeds from the issue of the Redeemable Convertible Bonds. The reasons for the changes in current assets and current liabilities during the Track Record Period are set forth below.

We had current assets of RMB188.5 million, RMB272.5 million, RMB365.7 million and RMB498.4 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The increase of RMB84.1 million in current assets from 31 December 2007 to 31 December 2008 was primarily due to an increase in inventories and, to a lesser extent, an increase in deposits and other receivables. The increase of RMB93.2 million in current assets from 31 December 2008 to 31 December 2009 was primarily attributable to an increase in inventories, deposits and other receivables, and the pledge of our time deposits amounting to approximately RMB44.0 million as security for our bank loans as at 31 December 2009. The increase in amounts receivable contributed to the majority of the increase in other receivables, in each of the years ended 31 December 2008 and 2009. The reasons for the changes in amount receivables and inventories during the Track Record Period are set forth in the section headed "Principal Balance Sheet Components – Inventories" below. The increase of RMB132.6 million in current assets from 31 December 2009 to 30 June 2010 was mainly due to an increase of approximately RMB184.6 million in cash and cash equivalents as a result of the proceeds from the issue of the Redeemable Convertible Bonds, repayment of funds by Independent Third Parties and to a lesser extent, an increase in prepayments to suppliers and outsourced manufacturers.

We had current liabilities of RMB135.6 million, RMB162.4 million, RMB200.2 million and RMB142.2 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The increase in current liabilities from 31 December 2007 to 31 December 2008 resulted primarily from an increase in interest bearing other borrowings, secured and unsecured, of approximately RMB48.2 million to meet the increasing working capital demand of our operations and partially offset by repayment of the amount due to related parties of approximately RMB21.9 million as at 31 December 2007. The increase in current liabilities from 31 December 2008 to 31 December 2009 was primarily attributable to an increase in trade payables of approximately RMB17.7 million, as our cost of sales increased during the same period, and an increase of approximately RMB23.4 million in interest-bearing bank and other borrowings to meet the continuing working capital demand of our operations. The decrease in current liabilities from 31 December 2009 to 30 June 2010 was primarily attributable to a decrease in trade payables of RMB10.9 million, a decrease in interest bearing bank and other borrowings of RMB22.6 million and the repayment of amount due to directors of RMB22.8 million.

The key components of our current assets as at 31 December 2007 included inventories of approximately RMB46.9 million, trade receivables of approximately RMB77.7 million, and prepayments, deposits and other receivables of approximately RMB39.6 million. The key components of our current assets as at 31 December 2008 included inventories of approximately RMB90.4 million, trade receivables of approximately RMB82.7 million, and prepayments, deposits and other receivables of approximately RMB74.2 million. The key components of our current assets as at 31 December 2009 included inventories of approximately RMB131.6 million, trade receivables of approximately RMB55.7 million, prepayments, deposits and other receivables of approximately RMB111.9 million and pledged time deposits of approximately RMB44.0 million. The key components of our current assets as at 30 June 2010 included cash and cash equivalents of approximately RMB206.5 million as a result of the injection of funds by New Horizon of RMB170.6 million in connection with the issue of the Redeemable Convertible Bond, inventories of approximately RMB129.2 million, trade receivables of approximately RMB66.4 million, and prepayments, deposits and other receivables of approximately RMB51.3 million.

The key components of our current liabilities as at 31 December 2007 included trade payables of approximately RMB25.8 million, other payables and accruals of approximately RMB34.5 million, and interest-bearing bank and other borrowings of approximately RMB22.4 million. The key components of our current liabilities as at 31 December 2008 included trade payables of approximately RMB19.8 million, other payables and accruals of approximately RMB47.3 million, and interest-bearing bank and other borrowings of approximately RMB70.6 million. The key components of our current liabilities as at 31 December 2009 included trade payables of approximately RMB37.5 million, other payables and accruals of approximately RMB32.5 million, and interest-bearing bank and other borrowings of approximately RMB94.0 million. The key components of our current liabilities as at 30 June 2010 included trade payables of approximately RMB26.6 million, other payables and accruals of approximately RMB32.3 million, and interest-bearing bank and other borrowings of approximately RMB71.4 million.

As at 31 August 2010, we had net current assets of RMB365.6 million, which the increase as compared to that of 30 June 2010 was mainly attributable to the net profits of our Group during the two months ended 31 August 2010. Our current assets as at 31 August 2010 mainly consisted of inventories of RMB184.7 million, trade receivables of RMB67.3 million, prepayments, deposits and other receivables of RMB60.2 million and cash and cash equivalents (including pledged deposits) of RMB249.5 million. Our current liabilities as at 31 August 2010 mainly consisted of trade payables of RMB53.5 million, other payables and accruals of RMB39.0 million and interest-bearing bank and other borrowings of RMB93.4 million.

Working capital

Taking into account the financial resources available to us, including internally generated funds, available banking facilities and the estimated net proceeds of the Global Offering, the Directors are of the opinion that we have sufficient working capital to meet our present working capital requirements and the working capital requirements for at least the next 12 months from the date of this prospectus.

PRINCIPAL BALANCE SHEET COMPONENTS

Inventories

The following table sets forth a summary of our inventory balances as at the balance sheet dates indicated, as well as our inventory turnover days for each period in the Track Record Period.

	As at/for the year ended 31 December			As at/for the period ended 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	5,058	4,070	4,720	9,892
Work in progress	2,590	1,176	5,618	9,989
Finished goods	39,289	89,454	127,368	121,479
	46,937	94,700	137,706	141,360
Less: Provision for slow-moving and obsolete inventories	–	(4,296)	(6,064)	(12,136)
	46,937	90,404	131,642	129,224
Inventory turnover days	112 days	183 days	251 days	285 days

The number of inventory turnover days is equal to the average inventory divided by cost of sales and multiplied by 365 days (or 180 days in the case of the six months ended 30 June 2010). Average inventory equals inventory at the beginning of the year or period plus inventory at the end of the year or period and divided by two.

Inventories increased from RMB46.9 million as at 31 December 2007 to RMB90.4 million as at 31 December 2008 and further to RMB131.6 million as at 31 December 2009. The increase was primarily due to (i) an increase in the number of our ***V.E. DELURE*** Stores from 120 in the year ended 31 December 2007 to 184 in the year ended 31 December 2008 and to 197 in the year ended 31 December 2009, in which the inventory of our ***V.E. DELURE*** brand increased by about RMB28.7 million from 31 December 2007 to 31 December 2008 and about RMB21.9 million from 31 December 2008 to 31 December 2009 in order to meet the corresponding increase in demand, (ii) an increase in the number of ***TESTANTIN*** Stores from 47 in the year ended 31 December 2007 to 58 in the year ended 31 December 2008 and further to 62 in the year ended 31 December 2009, in which the inventory relating to our ***TESTANTIN*** brand increased by about RMB4.3 million from 31 December 2007 to 31 December 2008 and RMB3.1 million from 31 December 2008 to 31

December 2009, and (iii) our commencement of the licensing business of CARTIER brands in the year ended 31 December 2008, in which two CARTIER Stores were newly opened and operated by us, resulting in the increase in inventory relating to CARTIER brands by RMB10.1 million from 31 December 2007 to 31 December 2008 and RMB10.9 million from 31 December 2008 to 31 December 2009. Our inventories decreased from RMB131.6 million as at 31 December 2009 to RMB129.2 million as at 30 June 2010 primarily as a result of the decrease in finished goods and an increase in provision for slow-moving and obsolete inventories made comprising in part of a write off of RMB4.7 million of Harmont & Blaine inventory following the expiry of our distributorship agreement in August 2009, offset by an increase in raw materials and work in progress due to increased orders placed by our distributors.

The average inventory turnover days increased from 112 days for the year ended 31 December 2007 to 183 days for the year ended 31 December 2008 and further to 251 days for the year ended 31 December 2009 and 285 days for the six months ended 30 June 2010. The increase in inventory turnover days was primarily due to: (i) The opening of more self-operated Stores (including ***V.E. DELURE***, ***TESTANTIN***, Harmont & Blaine (prior to the expiration of the Harmont & Blaine distributorship agreement in August 2009) and CARTIER Stores), which resulted in the maintenance of a inventory level for the purpose of display and sales and avoiding stock shortage. Normally, a certain level of buffer inventory would be maintained at self-operated Stores for display and sale, which would increase our inventory level as more self-operated Stores open. We had an additional 11, 20 and 14 self-operated Stores as at 31 December 2008 and 2009 and 30 June 2010, respectively, resulting in longer stock turnover days throughout the Track Record Period; and (ii) increase in the number of stores operated by distributors as we increased the buffer stock level and relevant raw materials in order to meet with the expected increase in demand from distributors. We have taken practical steps to keep our inventory levels in check. Our inventory policy is set out in more detail below.

As at 30 June 2010, the Directors performed a specific review of our inventories as at 30 June 2010 and were satisfied that inventories were carried at the lower of cost and net realizable value. The Directors consider the inventory provision amounting to approximately RMB12.1 million as at 30 June 2010 to be adequate in view of the nature of our products and our inventory control policy as set out below:

(i) We primarily operate in the middle-upper to high-end menswear segment, in which the products sold by us, in particular our business menswear, are less sensitive to rapid changes in fashion trends and, as such, some past season products could continue to be sold in our Stores during the Track Record Period; and

(ii) We monitor and review the level of aged inventories and set specific goals to reduce any excess aged products on a regular basis, which varies from time to time depending on seasonality effects. For instance, we have special offer sales annually to clear unsold aged products that our staff and their families and friends are invited to attend. The Retail Stores also hold, in conjunction with department stores and shopping malls, promotional events for annual stock clearance, store anniversary sales or festival promotional sales as directed by respective department stores and shopping malls. We typically coordinate special offers between our self-operated Stores and the Stores operated by our distributors. We evaluate sales and demand levels from time to time to determine the ideal inventory level and form relevant strategies to achieve such target level. We also aim to make more precise estimates of the sales of each season and the level of raw materials and finished products required to ensure that only an optimum level of inventories is held in order to reduce inventory holding periods and tighten control over the procurement process.

We are responsive to seasonal and swift changes in consumer demand and therefore have no rigid inventory control policy or pre-set inventory level. In order to reduce excess aged inventories, we regularly review the ageing condition of our inventories, and considers whether a provision is necessary semi-annually. We have implemented a computerized inventory control system to keep track of the inventory level and the physical stock counts will be carried out from time to time to identify the obsolete or damaged products. With the upgrade of our hardware and software of an ERP system and database management system as disclosed in the "Future plans and use of proceeds" section, it will allow us to obtain operating data on a timely basis, thereby allowing central management to further improve our capabilities of inventory control and financial management.

The Directors determine the appropriate level of inventory to be maintained according to our prevailing needs including but not limited to the increase in our new self-operated Stores and as a result leading to increase in certain level of buffer stock being maintained for display and sale, the effect of the ramp-up period for sales for new Stores, and also number of Stores operated by our distributors during the Track Record Period. The Directors confirm that adequate inventory provision has been made by making a detailed assessment of such inventory based on the net realizable value and the expected future salability including, but not limited to, subsequent sales of the past seasons' inventories post 30 June 2010, marketing and promotion plans we have devised to clear such inventory and the type of inventory.

Because CARTIER is a luxury brand, Richemont requires us to operate our CARTIER Stores like a showroom and, as a result, the buffer inventory for display and sale will be maintained at an even higher level. In addition, Richemont required us in the distributorship agreements to keep at all times a sufficient and representative stock of the CARTIER products and further implemented specific inventory requirements for each of the CARTIER Stores, one opened in Fuzhou, Fujian Province, in March 2008, one in Nanning, Guangxi Province, in December 2008 and one in Xiamen, in September 2010. For each of our CARTIER Stores, the initial stock level required by Richemont for a newly opened store to begin operation is at least RMB10.3 million, and Richemont also specifies the requirement of inventory for different products, such as jewellery and watches. As at 31 December 2008 and 2009 and 30 June 2010, our inventories attributable to the CARTIER products were RMB10.1 million, RMB21.0 million and RMB20.8 million, respectively, or 11.2%, 16.0% and 16.1%, respectively, of our total inventories. The Directors believe that the inventory of CARTIER products has been maintained at an appropriate level to sustain the continued operation of stores. For the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, the inventory turnover days for the CARTIER products were 344 days, 587 days and 551 days, respectively. We have collaborated, and will continue to collaborate, with Richemont to enhance the brand awareness and image of CARTIER products in these three markets, thereby increasing saleability and preventing the accumulation of inventories. The three CARTIER stores submit sales reports to Richemont on a weekly basis. Richemont then assists us with the adjustment of the composition of inventory and customized marketing events.

To prevent build up of CARTIER inventories, Richemont has implemented a number of sales incentive schemes since August 2008 for products determined by Richemont on a case by case basis under which our salespeople are eligible for sales commissions determined by the sales revenue achieved by them. Sales commissions are structured on a progressive scale. Higher sales commissions will be awarded if actual sales exceed the sales target and for such sales incentive scheme implemented by Richemont, all the relevant sales commission paid to the Group's sales persons are borne by Richemont. Such sales incentive scheme is carried out at the discretion of Richemont and is not stated in the CARTIER Agreements signed by the Group with Richemont.

Since 2008 when we became an authorized dealer of CARTIER products, except for the required stock level to be maintained as disclosed in the preceding paragraph, we have never been required by Richemont to meet any annual minimum purchase requirement and have never been offered any sales return policy. Although buffer inventory for CARTIER products has been maintained at a relatively high level, as a well-known luxury brand, the Directors believe that CARTIER accessories can readily be sold at a profit and therefore we have not made a provision for CARTIER accessory products. Excluding our inventories attributable to the CARTIER products, our average inventory turnover days were 112 days, 176 days, 230 days and 261 days for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. We opened our third CARTIER Store in September 2010. The Directors are of the view that the decision to open a new CARTIER Store should not be simply influenced by the inventory turnover days of CARTIER products, but rather the Directors have considered the following factors, including but not limited to an assessment of the potential demand (both short and long term) for CARTIER products in each respective market that we entered into or plan to enter into, the availability and attractiveness of suitable store location in each market and the overall profitability of selling CARTIER products.

A substantial part of our inventories consist of finished goods. Our senior management performs a specific review of finished goods regularly. Our management makes specific provisions for slow-moving and obsolete inventories and also for inventories with the net realizable value lower than a carrying value. For the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, our inventory provision recorded in other expense amounted to nil, RMB4.3 million, RMB1.8 million and RMB6.1 million, respectively. The provision was made to write down the carrying amounts of these inventories to their net realizable value. The management of the Group estimated the net realizable value of these products, normally based on the year of design, the historically lowest discount applied to the products and the salability of the products according to the records of the special offer sales. As at 30 June 2010, the inventory provision amounted to RMB12.1 million, which included finished apparel products for the past seasons of RMB10.4 million.

The Directors performed a specific review of the aging, nature and percentage of the write down provision of the finished apparel products for the past seasons as at 30 June 2010 as set out in the table below.

		Aging			
Brand	**Type of products**	**Less than 1 year**	**1-2 years**	**2 years above**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			Inventories balance		
V.E. DELURE	Apparels	20,581	14,793	4,723	40,097
TESTANTIN	Apparels	7,951	5,253	580	13,784
Harmont & Blaine	Apparels	–	1,890	2,131	4,021
Total		**28,532**	**21,936**	**7,434**	**57,902**
			Percentage of write down provision following the specific review for inventory level as at 30 June 2010		
		5%	**26%**	**43%**	**18%**

The Directors confirmed that, as at 15 September 2010, RMB14.1 million of the apparels inventories as at 30 June 2010 had been subsequently sold or used of which RMB3.8 million relates to inventories over two years. As at 15 September 2010, only RMB0.4 million of apparels inventories of two years and above are yet to be sold. The subsequent utilization rate of apparels inventories as at 30 June 2010 is approximately 24.4%.

Trade receivables

Our trade receivables represented the receivables for goods sold to our distributors and also the receivables from department stores or shopping malls in respect of our self-operated Stores. Pursuant to our standard distributorship agreements, the total outstanding balances should be settled by our distributors before the delivery of products by us. However, in practice, for certain distributors with a long business relationship with us and a satisfactory credit history, we may extend credit for a period of 30 to 90 days, and certain customers were allowed to extend payment credit terms beyond three months upon request which was considered on a case-by-case basis, depending on the length of their business relationships with us, the amount of deposits the customers have made, their credit history, and other circumstances that our management deemed relevant. The sale proceeds generated from our self-operated Stores are typically paid to us by the department stores or the shopping malls within one to three months after deducting the monthly rental expenses or concessionaire commissions and any other relevant operating expenses.

The following table sets out the respective balances of our trade receivables from our self-operated Retails Stores located in the department stores and shopping malls and from goods sold to our distributors as at the balance sheet dates indicated:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from Retails Stores located in the department stores/shopping malls	14,839	25,208	27,839	22,737
Receivables from goods sold to the distributors	55,808	50,949	25,420	43,625
Others	7,071	6,590	2,409	30
Total	77,718	82,747	55,668	66,392

In addition, our receivables from goods sold to our distributors as a percentage of our total trade receivables decreased from 71.8% as at 31 December 2007 to 45.7% as at ended 31 December 2009 primarily because the sales to our distributors as a percentage to our total revenue decreased compared to sales generated from our self-operated Retail Stores as a percentage to our total revenue during the same period. In addition, as disclosed above, for the years ended 31 December 2007 and 2008, certain customers were allowed to extend payment credit terms beyond three months upon request which was considered on a case-by-case basis, resulting in relatively higher balance of receivables from goods sold to the distributors as at 31 December 2007 and 2008. Our receivables from goods sold to our distributors then increased from RMB25.4 million as at 31 December 2009 to RMB43.6 million as at 30 June 2010, primarily because the sales during the second quarter of 2010 made to the distributors was greater than that during the fourth quarter of 2009. The Directors confirmed that, as at 31 August 2010, RMB35.5 million of the balance of the trade receivables as at 30 June 2010 had been settled.

An aging analysis of our trade receivables based on the invoice date as at the balance sheet dates indicated and net of provision for impairment and our debtors' turnover days for each period in the Track Record Period, is as follows:

	As at/for the year ended 31 December			As at/for the period ended 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	5,233	30,517	39,679	37,840
1 to 3 months	44,560	31,976	14,623	26,557
3 to 6 months	19,866	7,478	1,084	622
6 months to 1 year	6,792	7,881	282	1,339
Over 1 year	1,267	4,895	–	34
	77,718	82,747	55,668	66,392
Debtors' turnover days	89 days	86 days	62 days	44 days

The number of debtors' turnover days is equal to the average trade receivables divided by revenue and multiplied by 365 days (or 180 days in the case of the six months ended 30 June 2010). Average trade receivables is equal to trade receivables at the beginning of the year or period plus trade receivables at the end of the year or period and divided by two.

Debtors' turnover days during the Track Record Period were in line with the credit terms of one to three months with the department stores or the shopping malls. Debtors' turnover days decreased in the year ended 31 December 2009 and the six months ended 30 June 2010 because we strictly required our customers to repay the outstanding balance within normal credit terms during the year ended 31 December 2009, while in each of the years ended 31 December 2007 and 2008, certain customers were allowed to extend payment credit terms beyond three months upon request which was considered on a case-by-case basis, depending on the length of their business relationships with us, the amount of deposits the customers have made, their credit history, and other circumstances that our management deemed relevant. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we granted 22, 35, 9 and 15 customers, respectively, credit terms beyond three months.

Prepayments, deposits and other receivables

The following table sets forth a breakdown of prepayments, deposits and other receivables as at the balance sheet dates indicated:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment to suppliers/outsourced manufacturers	24,561	16,228	4,453	23,170
Prepayments for Store decorations	152	4,360	7,430	9,613
Prepayments for IPO fee	281	638	2,403	4,293
Others	57	55	2	–
	25,051	21,281	14,288	37,076

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits	11,464	16,171	10,916	9,669
Amounts receivables	–	25,503	79,393	–
Value-added tax receivables	2,280	9,778	6,689	3,343
Others	790	1,428	577	1,240
	14,534	52,880	97,575	14,252

The decrease in the balance of prepayment to suppliers and outsourced manufacturers as at 31 December 2008 and 2009, was primarily because we were able to negotiate with certain major suppliers and outsourced manufacturers of payment terms so that the suppliers and outsourced manufacturers required less prepayments from us for the purchase of raw materials and outsourced products. The increase in the balance of prepayment to suppliers and outsourced manufacturers from 31 December 2009 to 30 June 2010 was to fulfill the sales orders placed during the sales fair held in March 2010 and the expected sales in relation to the autumn/winter season in the third and fourth quarters of 2010.

Deposits mainly represented the payment of deposits for decoration of Stores, rentals, and raw materials and outsourced products. Amounts receivable represented our fund transfers in 2008 and 2009 to certain Independent Third Parties, being acquaintances (individuals or corporations) of the Chan Brothers and two corporations (the "Corporation(s)") separately owned as to 50% by two cousins of Mr. Chan, who requested us to provide such funds in 2008 and 2009. The Corporations are engaged in (i) trading and sale of office supplies, electronic products, chemical products, construction materials and (ii) provision of guarantee services to enterprises and individuals in the PRC for bank and other borrowings, respectively. We have transferred funds of RMB48.0 million to the Corporations in 2009 for their working capital purposes. The amounts receivables were non-trade, unsecured, interest-free and had no fixed terms of repayment. The Directors confirmed that such individuals and corporations do not have any trade relationships with the Group. The PRC Legal Advisor, has confirmed under the relevant PRC laws and regulations, that such fund transfer arrangement between us and the Corporations will be deemed invalid, but the Group will not be subject to any administrative penalties because the amounts receivables were interest-free and the Group did not receive any interest from the fund transfers. The Directors confirmed that such balances were fully settled in April 2010, and such fund transfer activities will not continue after the Listing.

Trade payables

Our trade payables represented payables to raw material suppliers and outsourced manufacturers with credit terms of generally three months, and extending to longer periods with long-standing suppliers. An aging analysis of the trade payables based on invoice dates as at the balance sheet dates indicated and creditors' turnover days for each period in the Track Record Period is as follows:

	As at/for the year ended 31 December			**As at/for the period ended 30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	857	2,865	10,346	13,780
1 to 3 months	12,830	8,568	15,272	6,418
3 to 6 months	3,961	2,810	10,047	1,099
6 months to 1 year	6,685	3,713	632	4,530
Over 1 year	1,512	1,849	1,175	762
	25,845	19,805	37,472	26,589
Creditors' turnover days	59 days	61 days	65 days	70 days

The number of creditors' turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days (or 180 days in the case of the six months ended 30 June 2010). Average trade payables are equal to the trade payables at the beginning of the year or period plus trade payables at the end of the year or period and divided by two.

Creditors' turnover days remained stable in 2007 and 2008 and increased slightly in 2009 and the six months ended 30 June 2010 and were in line with the credit terms offered by our raw materials suppliers and outsourced manufacturers.

The Directors confirmed that, as at 31 August 2010, RMB15.1 million of the trade payables as at 30 June 2010 had been settled.

Other payable and accruals

The following table sets forth a breakdown of other payables and accruals as at the balance sheet dates indicated:

				As at
	As at 31 December			**30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipt in advance from distributors	22,482	14,558	16,162	15,642
Amounts payable	1,800	20,000	–	–
Value-added tax payable	3,453	9,770	9,193	6,992
Accruals	1,353	357	3,485	3,468
Others	5,427	2,640	3,628	6,168
	34,515	47,325	32,468	32,270

Amounts payable represented funds advanced to us from an Independent Third Party, being a certain acquaintance of the Chan Brothers and a cousin of Mr. Chan. The funds were utilized for our general working capital purposes. The amounts payables were non-trade, unsecured, interest-free and had no fixed terms of repayment. Such balances were fully settled as at 31 December 2009. The PRC Legal Advisor has confirmed that fund transfers such nature are deemed as invalid according to relevant PRC laws and regulations. However, no penalties will be imposed on us given the fact that we were the recipient of such funds. The Directors confirmed such fund transfer activities will not continue after Listing.

Amounts due from/(to) related parties and Directors

The tables below set out the breakdown of balances with related parties and the Directors:

(a) Amount due from/to related parties

	As at December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from:				
Pacific Success Holdings Limited(1)	–	18	31	832
Honour Focus (Far East) Development Limited(1)	–	–	6	–
Marvel Trend Ltd.(1)	–	–	8	–
New Trend Apparel Limited(1)	–	–	8	–
Mega Power (Asia) Investment Co., Limited(1)	–	–	6	–
Multi Shine Group Inc.(1)	–	–	8	–
New Asia (China) Limited(1)	–	–	4	–
Chen Jiachang (陳甲長)	14,402	–	–	–
	14,402	18	71	832

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to:				
Chen Jiachang (陳甲長)	6,906	–	–	–
Chen Mianna (陳勉娜)	1,450	–	–	–
Jiang Shunzhu (江舜珠)	1,344	–	–	–
Guangzhou Dilai	12,185	–	–	–
	21,885	–	–	–

Note (1): These companies were previously engaged in distribution or trading activities and/or used to hold certain trade marks. Other than New Trend which held trademarks until the trademarks were assigned to Richwood in December 2009, they ceased to carry on any business activities before the Track Record Period. Except for Pacific Success which is an investment holding company wholly owned by Mr. Chan, these companies are all companies with no business activities.

(b) Amounts due from/to Directors

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from Directors				
Chen Yunan (陳育南)	–	203	372	–
Chen Minwen (陳敏文)	–	10	278	–
Chan Yuk Ming (陳育明)	–	843	–	148
	–	1,056	650	148
Due to Directors				
Chen Yunan (陳育南)	828	228	–	–
Chen Minwen (陳敏文)	802	252	–	–
Chan Yuk Ming (陳育明)	27,761	18,186	22,768	–
	29,391	18,666	22,768	–

The amounts due from/(to) related parties were non-trade in nature, unsecured, interest-free (except for the amounts due from Mr. Chen Jiachang which bore interest ranging from 0.765% to 1.0449% in 2007 and were interest-free from January 2008 onwards) and repayable on demand. The amounts due from/(to) Directors were non-trade in nature, unsecured, interest-free and had no fixed terms of repayment. The amounts due from/(to) related parties/Directors mainly represent net cash advances and payment for the Group's working capital purposes. The Directors confirmed that all the amounts due from/(to) the related parties/Directors have been settled as at the Latest Practicable Date.

COMMITMENTS

Operating lease commitments

We lease certain of our office, factory and warehouse space under operating lease arrangements. Leases where substantially all the rewards and risks of ownership of assets remain with the owner of the leased premises are accounted for as operating leases. Leases for properties are negotiated for terms ranging from three months to five years.

We had the following future minimum lease payments payable under non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB million	*RMB million*	*RMB million*	*RMB million*
Within one year	18.2	11.3	10.9	12.9
In the second to fifth year, inclusive	17.0	7.8	2.5	15.0
Total	35.2	19.1	13.4	27.9

CAPITAL EXPENDITURES

Our capital expenditures for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, amounted to about RMB4.4 million, RMB9.5 million, RMB4.0 million and RMB9.4 million, respectively. The Directors are of the opinion that these capital expenditures were incurred in the ordinary and usual course of our business and were on normal commercial terms. Our capital expenditures during the Track Record Period were mainly for (i) renovation and decoration of our self-operated Stores and/or our offices, (ii) acquisition of office and other equipment and motor vehicles for our offices in the PRC, and (iii) acquisition of plant and machinery for the post-finished processing in the production plant in Guangzhou.

The following table sets out our projected capital expenditures for the period from 1 July to 31 December 2010 and the year ending 31 December 2011:

	Period from 1 July to 31 December 2010	Year ending 31 December 2011
	RMB million	*RMB million*
Projected capital expenditures		
Opening of our new self-operated Stores and improvement works for our self-operated Stores	9.4	42.8
Opening of our licensed brands Stores	0.4	–
Property, plant and equipment	0.8	–
Upgrading our ERP system	5.6	17.3
Total capital expenditures	16.2	60.1

We expect to fund our projected capital expenditures principally through a portion of the net proceeds from the Global Offering, cash generated from our operating activities and proceeds from bank loans.

Our current plan with respect to future capital expenditures is subject to change based on the implementation of our business strategy and market conditions. As we continue to grow our business, we may incur additional capital expenditures.

Our ability to obtain additional funds in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flow and political, regulatory, economic and other conditions in China and Hong Kong.

INDEBTEDNESS

Bank and other borrowings

We use short term interest-bearing bank borrowings and finance leases in the course of operating our business. As at each of 31 December 2007, 2008 and 2009 and 30 June 2010, we had total outstanding bank and other borrowings of approximately RMB22.4 million, RMB70.6 million and RMB94.0 million, and RMB71.4 million, respectively, and finance lease payables of about RMB210,000, RMB42,000, nil and nil, respectively. The table below sets out our bank and other borrowings as at the dates indicated.

	As at 31 December									As at 30 June		
	2007			2008			2009			2010		
	Effective interest rate (%)	Maturity	Amount RMB'000	Effective interest rate (%)	Maturity	Amount RMB'000	Effective interest rate (%)	Maturity	Amount RMB'000	Effective interest rate (%)	Maturity	Amount RMB'000
Current												
Bank loans – secured (i)			–			–	0.53	2010	43,994	0.53	2010	43,417
Other loans – secured (ii)	9.18	2008	2,300	11.21-11.65	2009	24,300	8.39	2010	22,000	–	–	–
Other loans – unsecured (ii)	11.76-12.54	2008	14,200	11.92-12.85	2009	42,200	10.83	2010	28,000	10.83	2011	28,000
Trust receipt loans – secured	7.5-8.5	2008	5,920	7.5-8.5	2009	4,074			–			–
Finance lease payables	5.28	2008	166	5.28	2009	42			–			–
			22,586			70,616			93,994			71,417
Non-current												
Finance lease payables	5.28	2009	44			–			–			–
			22,630			70,616			93,994			71,417
Analysed into:												
Bank loans repayable within one year:			22,420			70,574			93,994			71,417
Finance lease repayable:												
Within one year			166			42			–			–
In the second year			44			–			–			–
			210			42			–			–
Denominated in RMB			16,500			66,500			50,000			28,000
Denominated in HKD			6,130			4,116			43,994			43,417

Notes:

(i) The Group's bank loans was secured by the pledge of certain of Group's time deposits amounting to RMB43,980,000 as at 31 December 2009 and 30 June 2010;

(ii) The Group's other unsecured loans were borrowed from the rural credit union. Certain of other loans and trust receipt loans were secured by properties owned by certain directors;

In addition, the Group's related parties guaranteed certain of Group's unsecured other loans and trust receipt loans amounting to RMB20,120,000, RMB36,874,000, RMB28,000,000 and RMB28,000,000 as at 31 December 2007, 2008, 2009 and 30 June 2010, respectively.

The Directors confirmed that we have obtained bank and other loans from China Construction Bank and rural credit unions during the Track Record Period. We obtained our loans from the rural credit union during the Track Record Period because the Directors believed that it usually required lower extent of pledge of assets or guarantees to secure the loans extended to us than those that commercial banks normally required. Therefore, the rural credit union charged a higher interest rate compared with the average interest rate charged on secured bank loans extended by commercial banks. A rural credit union is a financial institution under the supervision and administration of China Banking Regulatory Commission (中國銀監會) and is entitled to conduct a loan business in the PRC. The loan from China Construction Bank was secured by our time deposits. The loan from China Construction Bank subjects us to certain restrictive covenants, including among other things, the immediate repayment of the loan prior to maturity in the event of our breach of other loan agreements or borrowings with any other third parties. Given the fact that we have successfully obtained loans from China Construction Bank and rural credit unions, the Directors believe that there would be no difficulty to continue to obtain loans (if necessary) from commercial banks and/or rural credit unions. We increased the total borrowings during the Track Record Period because of the increase in demand of working capital and capital expenditures in relation to the opening of new Stores during the Track Record Period. For more information, please refer to note 30(c) "Provision of guarantees by related parties" to the Accountants' Report set out in Appendix I to this prospectus.

Pursuant to the Subscription and SP Agreement, the Company issued to Admiralfly Redeemable Convertible Bonds in the aggregate principal amount of US$25,000,000 which will be automatically converted to Shares in full on the Listing Date. Based on the number of Shares which are expected to be in issue immediately upon the Listing, Admiralfly is expected to be allotted and issued 110,021,763 Shares upon Conversion, representing 11.62% of the enlarged issued Share capital immediately following the completion of the Global Offering (based on the number of Shares which are expected to be in issue immediately upon the Listing and assuming that the Over-allotment Option is not exercised). The Conversion Price will be approximately HK$1.77 per Share and represents approximately a 53.4% discount to the lowest range of the Offer Price of HK$3.80 per Share and approximately a 61.5% discount to the highest range of the Offer Price of HK$4.60 per Share. The proceeds of the Redeemable Convertible Bonds were received by the Company on 24 May 2010. For further details, please refer to the section headed "Financial Investor – Subscription and SP Agreement."

As at 31 August 2010, being the latest practicable date for determining our indebtedness, we had outstanding Redeemable Convertible Bonds with book value of RMB174.2 million, unsecured outstanding other borrowings of RMB28.0 million and secured outstanding bank and other borrowings of RMB65.4 million, which were secured by the Group's time deposits and properties owned by certain Directors. As at 31 August 2010, our Group had no unutilized facilities for bank and other borrowings. The unsecured other borrowings of RMB28 million and bank borrowings of RMB22 million secured by the properties owned by certain Directors have been fully repaid by our Group and the respective pledge be released during September 2010.

Except as aforesaid or as otherwise disclosed in this prospectus, at the close of business on 31 August 2010, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities.

The Directors confirm that there have been no material changes in our indebtedness and contingent liabilities since 31 August 2010.

Loans to assets ratio

Our loans to assets ratio (calculated by dividing total interest-bearing bank and other borrowings by total assets) was approximately 11.4%, 24.5%, 24.6% and 13.6% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The increase in the loans to assets ratio for the year ended 31 December 2008 was in line with the increase in the level of our interest-bearing bank and other borrowings as at 31 December 2008.

Contingent Liabilities

As at each of 31 December 2007, 2008 and 2009 and 30 June 2010, we had no material contingent liabilities.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Foreign exchange risk

We conduct our business primarily in Hong Kong and the PRC with most of our transactions denominated and settled in Hong Kong dollars and Renminbi. We purchase some of our raw materials and outsourced products in Euros or U.S. dollars. Depreciation of Renminbi against these foreign currencies will therefore have the effect of increasing our cost of sales, thus impacting our results of operations.

We have not entered into any forward contracts to hedge against fluctuations in the exchange rate between Renminbi and Euros and U.S. dollars. However, our management monitors foreign exchange exposure regularly and will consider if there is a need to hedge against significant foreign currency exposure if necessary.

Please refer to the section headed "Risk Factors – Risks Relating to the PRC – Fluctuations in the exchange rates of the Renminbi" in this prospectus for more information.

Interest rate risk

Our exposure to the interest rate risk arises primarily from debt obligations. The effective interest rates and terms of repayment of our interest-bearing bank loans are set forth in note 22 to our consolidated financial statements included in "Appendix I – Accountants' Report" to this prospectus.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollars and RMB interest rates, with all other variables held constant, of our profit before tax (through the impact of floating rate borrowings) as at 31 December 2007, 2008 and 2009 and 30 June 2010:

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
31 December 2007		
HKD	10	(6)
	(10)	6
RMB	10	(17)
	(10)	17
31 December 2008		
HKD	10	(4)
	(10)	4
RMB	10	(67)
	(10)	67
31 December 2009		
HKD	10	(44)
	(10)	44
RMB	10	(50)
	(10)	50
30 June 2010		
HKD	10	(43)
	(10)	43
RMB	10	(28)
	(10)	28

Credit risk

Our credit risk is primarily attributable to trade receivables and prepayments, deposits and other receivables. Our management does not consider that we have a significant concentration of credit risks as we have a broad customer base. The details of our exposure to credit risks arising from trade and other receivables are set forth in notes 17 and 18 to our consolidated financial statements included in "Appendix I – Accountants' Report" to this prospectus and please refer to the section headed "Business-Cash and Credit Control" in this prospectus for details with respect to our credit policy.

The credit risk of our other financial assets, which mainly consist of cash and cash equivalents, amounts due from directors and related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets set forth in our consolidated financial statements included in "Appendix I – Accountants' Report" to this prospectus. We have not provided any financial guarantees which will expose us to additional credit risks.

Liquidity risk

We aim to maintain sufficient cash and cash equivalents and have available funding through capital contributions and financial support from related parties and bank borrowings. The maturity analysis of our financial liabilities as at 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, based on the contractual undiscounted payments, is as follows:

		As at 31 December 2007		
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	25,845	–	25,845
Other payables	754	9,926	–	10,680
Interest-bearing bank and other borrowings	–	23,490	–	23,490
Finance lease payables	–	173	45	218
Due to related parties	21,885	–	–	21,885
Due to directors	29,391	–	–	29,391
	52,030	59,434	45	111,509

	As at 31 December 2008			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	19,805	–	19,805
Other payables	548	31,862	–	32,410
Interest-bearing bank and other borrowings	–	74,530	–	74,530
Finance lease payables	–	42	–	42
Due to directors	18,666	–	–	18,666
	19,214	126,239	–	145,453

	As at 31 December 2009			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	37,472	–	37,472
Other payables and deposits received from customers	2,503	10,318	–	12,821
Interest-bearing bank and other borrowings	–	96,628	–	96,628
Due to directors	22,768	–	–	22,768
	25,271	144,418	–	169,689

	As at 30 June 2010			
	On demand	**Less than 1 year**	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	26,589	–	26,589
Other Payables	3,476	9,684	–	13,160
Interest-bearing bank and other borrowings	–	73,495	–	73,495
Convertible bonds	–	3,396	237,158	240,554
	3,476	113,164	237,158	353,798

Distributable reserves

As at 30 June 2010, the Company had a reserve available for distribution to its Shareholders in the amount of RMB3.0 million.

Dividend and dividend policy

The Company declared and paid out interim dividends out of the Company's internal funds in the amount of RMB54.6 million and RMB38.6 million during the year ended 31 December 2009 and the six months ended 30 June 2010, respectively, in respect of the relevant prior years'/periods' profits distributed to the Company by the Company's subsidiaries.

Declaration of dividends is subject to the discretion of the Directors, depending on our results of operations, working capital, cash position, future operations, and capital requirements, as well as any other factors which the Directors may consider relevant. In addition, any declaration and payment as well as the amount of the dividend will be subject to the constitutional documents of the Company and the Cayman Islands Companies Law. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends of the Company and will be at the absolute discretion of the Directors. Under applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made (i) allocations or allowances for recovery of accumulated losses and (ii) allocations to the statutory reserves.

Subject to the conditions set forth in preceding paragraph, it is the Directors' current intention for the foreseeable future to recommend annually the distribution to Shareholders of not less than 30% of our Company's annual net profits attributable to the equity holders of the Company as dividends commencing from the year ending 31 December 2010.

No material adverse change

The Directors confirm that there has been no material adverse change in our financial or trading position since 30 June 2010 (being the date to which our latest financial statements were made up).

Disclosure required under the Listing Rules

The Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.

PROPERTY INTEREST

CB Richard Ellis Limited, an independent property valuer, has valued the property interests attributable to us as at 31 August 2010, all of which are leased, as having no commercial value. The text of its letter, summary of valuation and valuation certificates are set out in "Appendix IV – Property Valuation" to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group have been prepared for the purpose of illustrating the effect of the Global Offering as it had taken place on 30 June 2010 and based on the audited consolidated net assets attributable to owners of the Company as at 30 June 2010 as extracted from "Appendix I – Accountants' Report," and is adjusted as described below.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010 (1)	Estimated net proceeds from the Global Offering (2)	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$3.80 per Share	205,351	731,266	936,617	0.99	1.14
Based on an Offer Price of HK$4.60 per Share	205,351	890,956	1,096,307	1.16	1.33

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2010 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to owners of the Company as at 30 June 2010 of RMB207,231,000 with an adjustment for intangible assets as at 30 June 2010 of RMB1,880,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.80 and HK$4.60 per Share, respectively, after the deduction of the relevant estimated underwriting fees and other related fees and expenses and do not take into account of any Shares that may be issued pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company and unaudited pro forma adjusted consolidated net tangible assets per Share will increase. The estimated net proceeds from the Global Offering are translated at the exchange rate of RMB0.87 to HK$1.00.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in notes 1 and 2 above and on the basis that 946,695,763 Shares are issued and outstanding as set out in the "Share Capital" section of this prospectus, and that the Over-allotment Option has not been exercised. The unaudited pro forma adjusted net tangible assets per Share are translated at the exchange rate of RMB0.87 to HK$1.00.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

Forecast consolidated net profit attributable to owners of the Company for the year ending 31 December 2010 *(Note 1)*	not less than RMB150.0 million (equivalent to about HK$172.4 million)
Unaudited pro forma forecast earnings per Share for the year ending 31 December 2010 *(Note 2)*	not less than RMB0.16 (equivalent to about HK$0.18)

Notes:

(1) The forecast consolidated net profit attributable to owners of the Company for the year ending 31 December 2010 has been prepared based on the audited consolidated results of the Group for the six months ended 30 June 2010 and the unaudited consolidated results based on management accounts of the Group for the two months ended 31 August 2010. The profit forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in Section II of the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The forecast consolidated net profit attributable to equity holders of the Company is translated at the exchange rate of RMB0.87 to HK$1.

(2) The unaudited pro forma forecast earnings per Share is calculated by dividing the forecast consolidated net profit attributable to owners of the Company for the year ending 31 December 2010, on the basis that 946,695,763 Shares were in issue, assuming that the Shares to be issued pursuant to the Conversion and the Global Offering had been in issue on 1 January 2010, but does not take into account any Shares that may be issued upon the exercise of the Over-allotment Option. The unaudited pro forma forecast earnings per Share is translated at the exchange rate of RMB0.87 to HK$1.00.