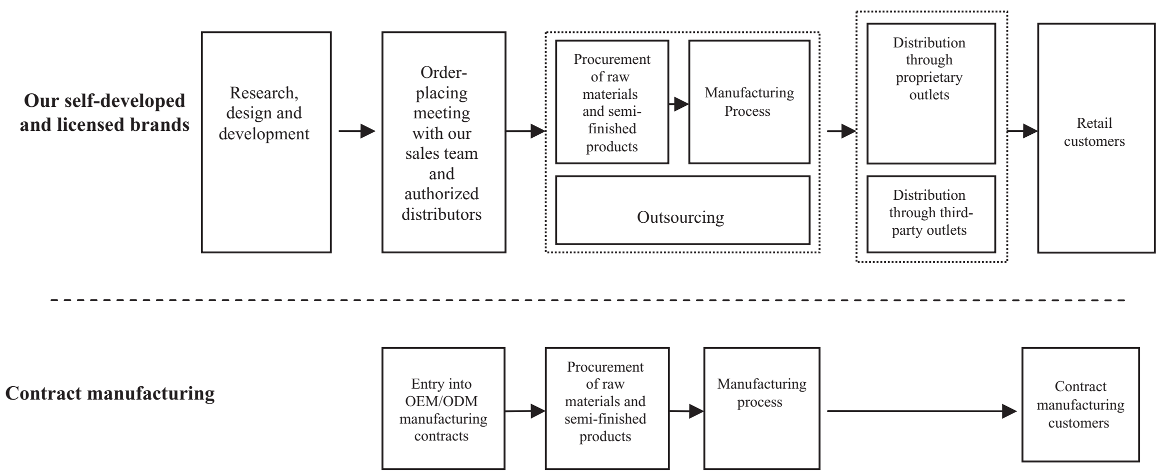
OVERVIEW

We are primarily engaged in the design, manufacture and sale of mid-to-premium women's footwear in China. We are the second largest retailer of mid-to-premium women's formal and casual footwear in China in terms of estimated retail revenue for the year ended December 31, 2010 according to the Euromonitor Report. We retail products of our self-developed and licensed brands through department store outlets and independent store outlets primarily in first-to-third-tier cities in China. We also wholesale products of our self-developed brands to authorized distributors, who in turn retail these products primarily in the other cities in China. In addition to manufacturing women's footwear of our self-developed and licensed brands, we also manufacture footwear, as OEM or ODM, for international footwear companies for export to overseas. We have established a vertically integrated business model to manage our key operational chains, including design and development, sourcing, manufacturing, marketing, distribution and sale of our products. We believe our control over such key functions provides us significant operational flexibility to quickly respond to changing market trends and customer tastes with suitable products, and enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women's footwear market. The following diagram illustrates our main business model:



We currently manufacture and sell a wide range of women's footwear with various designs for all seasons through two of our self-developed brands, "C.banner 千百度" and "EBLAN 伊伴," introducing approximately 400 to 500 SKUs into the market for each brand during each season. We also sell footwear through our licensed brand "Naturalizer." According to the Euromonitor Report, our "C.banner" brand is the fourth largest mid-to-premium women's formal and casual footwear brand in China as measured by its estimated 2010 retail revenue. We have launched one additional self-developed footwear brand, "FABIOLA 範歐納," in the first half of 2011 and launched another self-development footwear brand, "SUNDANCE 太陽舞," into the market in August 2011.

According to the Euromonitor Report, women's footwear accounted for approximately 51.8% of the entire PRC footwear market, women's mid-to-premium footwear accounted for approximately 27.8% of the entire women's footwear market in China, and formal and casual footwear accounted for approximately 30.5% and 55.8% of the entire women's mid-to-premium footwear market in China, respectively, all in terms of estimated retail sales value for the year ended December 31, 2010. For further information on market share and ranking, you may refer to the section entitled "Industry Overview—Mid-to-premium Women's Footwear Competitive Landscape" in this prospectus.

Extensive Distribution and Retail Network

Our extensive distribution and retail network consisted of 1,015 proprietary outlets and 344 third-party outlets located in 31 provinces, autonomous regions and municipalities in China as of March 31, 2011. Among the 1,015 proprietary outlets, there were 1,006 outlets located in department stores across China and nine independent store outlets operated at premises other than department stores. Our proprietary outlets are primarily located in first-to-third-tier cities of China, where we believe consumers generally have stronger spending power and, therefore, are more inclined to purchase mid-to-premium women's footwear. In order to expand into the other regions in China in a cost-effective manner, we distribute footwear in such regions primarily through third-party outlets established by our authorized distributors. As of March 31, 2011, we had 196 authorized distributors, who operated 344 third-party retail outlets across China.

Strong Design Capacity and Reliable Manufacturing Capacity

For each of our self-developed brands, including "C.banner," "EBLAN," "FABIOLA" and "SUNDANCE," we have a research, design and development team to create designs of a wide variety of products based on domestic and international fashion trend, distinctive features of the brand and market demand. We currently have a design capacity of approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands.

We manufacture approximately 50% to 60% of the footwear of our self-developed brands each year and outsource the rest from third-party manufacturers. We typically enter into one year agreements with our main suppliers of raw materials, such as leather, which govern the terms of the periodic purchase orders we place during the year. Our outsourcing of finished products typically occurs on a season-by-season basis in connection with our product offerings for each season. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we placed orders with 17, 20, 19 and 18 sub-contractor footwear manufacturers, respectively, all located in Guangdong province, China. For the risks relating to our outsourcing of finished products, see the section entitled "Risk Factors—Risks Relating to Our Business—Unfavorable changes in the price or quality, or interruptions to the supply, of raw materials or finished products we source from third parties will adversely affect our business" in this prospectus.

We also manufacture a wide range of footwear with various designs for all seasons as OEM or ODM of international brands primarily for export into other countries. Our direct contract manufacturing customers are primarily footwear trading companies for international footwear brands and we generally do not have direct contact with the headquarters of the companies which operate these brands. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we had six, 10, six and four contract manufacturing customers, respectively, acting for seven brands from the United States, two from Australia and one from Canada.

Rapid Growth during Track Record Period

With the expansion of our distribution and sales network in the fast-growing women's footwear market in China, we have experienced rapid growth in financial and operational terms during the Track Record Period. Our revenue grew from RMB1,044.0 million in 2008 to RMB1,575.0 million in 2010, representing a CAGR of approximately 22.8%, and the number of our proprietary outlets and third-party outlets, in aggregate, grew from 928 as of December 31, 2008 to 1,289 as of December 31, 2010, representing a CAGR of approximately 17.9%. Comparing the three months ended March 31, 2010 with the three months ended March 31, 2011, our revenue grew by 24.5% from RMB373.5 million to RMB465.1 million, and the number of our proprietary outlets and third-party outlets, in aggregate, grew by 22.4% from 1,110 as of March 31, 2010 to 1,359 as of March 31, 2011. Our proprietary outlets achieved the same-store sales growth rate of approximately 12.3% from 2009 to 2010 and approximately 17.7% from 2008 to 2009.

Segment Information

Our revenue and growth heavily depend on our sales through department store outlets. Our revenue generated from department store outlets for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011 was approximately RMB753.2 million, RMB965.4 million, RMB1,206.8 million and RMB364.6 million, respectively, representing approximately 72.1%, 75.1%, 76.6% and 78.4%, of our total revenue for the respective periods. We enter into concessionaire agreements with department stores typically on a six-month to annual basis with respect to our retail spaces in department stores. We may be unable to secure such retail spaces for our department store outlets or on terms that we consider commercially reasonable, as we have disclosed in the section entitled "Risk Factors—Risks Relating to Our Business—We heavily rely on our department store outlets for our sales and we may be unable to secure retail space for our department store outlets or secure such spaces on commercially reasonable terms" in this prospectus.

The following table sets forth our revenue from (i) our retail and wholesale segments and (ii) our contract manufacturing segment, and provides their respective percentages of our total revenue from continuing operations for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2008		2009		2010		2010		2011	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Retail and wholesale										
Retail	758,457	72.7	972,100	75.7	1,214,566	77.1	299,475	80.2	367,214	79.0
Wholesale	69,393	6.6	123,744	9.6	152,350	9.7	25,059	6.7	52,293	11.2
Contract Manufacturing	216,109	20.7	189,079	14.7	208,047	13.2	49,011	13.1	45,589	9.8
Total revenue	1,043,959	100.0	1,284,924	100.0	1,574,963	100.0	373,545	100.0	465,096	100.0

With multiple brands targeting a broad customer base in the mid-to-premium women's footwear market, we believe that we are well positioned to continue to benefit from the fast-growing women's footwear industry in China and further strengthen our market position.

OUR COMPETITIVE STRENGTHS

We believe that our historical success and potential for future growth are attributable to the following competitive strengths.

A Leading Player with Multiple Brands in the Fast-growing Women's Footwear Industry

We are the second largest retailer of mid-to-premium women's formal and casual footwear in China in terms of retail revenue according to the Euromonitor Report. According to the Euromonitor Report, our first brand, "C.banner," is the fourth largest mid-to-premium women's formal and casual footwear brand in China as measured by estimated retail revenue. We have successfully established a second brand, "EBLAN," which was launched in 2004 and has continued to grow, with a CAGR of approximately 47.4% in retail revenue from 2008 to 2010. In addition, we have launched a third brand, "FABIOLA," in the first half of 2011 and launched a fourth brand, "SUNDANCE," in August 2011, which we believe will further strengthen our market position.

According to the Euromonitor Report, the growth rates for retail sales of the women's footwear market in China were approximately 8.7% and 7.7% for 2008 and 2009, respectively, which represented a slowdown from the double-digit growth in previous years mainly due to the impact of the global financial crisis in late 2008 and early 2009. Since then, retail sales of women's footwear has seen a robust growth of approximately 11.7% in 2010 and is expected to grow at a CAGR of approximately 11.5% from 2011 to 2014. We experienced rapid growth during the Track Record Period. Our revenue grew from RMB1,044.0 million in 2008 to RMB1,575.0 million in 2010, representing a CAGR of approximately 22.8%. Comparing the three months ended March 31, 2010 with the three months ended March 31, 2011, our revenue grew by 24.5% from RMB373.5 million to RMB465.1 million. With multiple brands targeting the broad customer base in the mid-to-premium women's footwear market, we believe that we are well positioned to continue to benefit from the fast-growing women's footwear industry in China.

Extensive Distribution and Retail Network in Strategic Locations in China

We have an extensive distribution and retail network with 1,015 proprietary outlets and 344 third-party outlets located in 31 provinces, autonomous regions and municipalities in China as of March 31, 2011. Our proprietary outlets are primarily located in first-to-third-tier cities of China. We believe that consumers in these cities generally have stronger spending power and are, therefore, more inclined to purchase mid-to-premium women's footwear. Most of our proprietary outlets are established in department stores, which are the primary retail channel for mid-to-premium women's footwear accounting for approximately 80.0% and 76.9% of the total retail sales of mid-to-premium women's formal and casual footwear in 2010, respectively, according to the Euromonitor Report. Our widely spread proprietary outlets have enabled us to stay at the forefront of the market and respond quickly to customers' needs.

In the other cities of China, in order to expand into these areas in a cost-effective manner, we distribute footwear primarily through third-party outlets established by our authorized distributors. The third-party outlets established by our authorized distributors are decorated in the same style and layout as our proprietary outlets to ensure consistent brand positioning to customers in different geographic areas. By deepening our reach to customers in different geographic locations, we believe our extensive distribution and retail network greatly enhances our communication with customers and continuously improves brand awareness of our brands, which in turn enhances our product sales.

Responsive Supply Chain Based on Vertically Integrated Business Model

We have established a vertically integrated business model to manage the key supply chain functions, including design and development, sourcing and merchandising, manufacturing, marketing, distribution and sale of our products. We believe our control over such key supply chain functions provides us significant operational flexibility to quickly respond to changing market trends and customer tastes with suitable products, which enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women's footwear market.

Our network of proprietary outlets has enabled us to closely monitor market trends and customer preferences in different regions across China. Through our regional sales team, continuous market and customer feedbacks are provided to our design team, which enable our designers to consistently develop new products for our brands that attend to the latest fashion trends and customer preferences. Our design team works together with both our sourcing and manufacturing teams to ensure that the new products are manufactured efficiently and in a cost-effective manner. Once new products have been developed, our production team works together with our marketing and sales team to ensure appropriate quantities of each product are produced in line with the varying levels of market demand in different regions so that appropriate levels of inventory are maintained. We believe our vertically integrated business model, which allows us to control the whole process from design to sale, enhances our operational efficiency and our ability to compete effectively in the mid-to-premium women's footwear market.

Systematic Research, Design and Development Capabilities

We conduct research, design and development of footwear systematically at our own research and development center, which is strategically located in Foshan, Guangdong province, next to Guangzhou, the hub of China's footwear industry. With a GFA of approximately 15,000 square meters and 223 employees as of March 31, 2011, our research and development center has a current design capacity of approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands. For each of our self-developed brands, including "C.banner," "EBLAN," "SUNDANCE" and "FABIOLA," we have a research, design and development team for developing distinctive designs for each brand.

In order to continuously improve our design capacities, we conduct various regular trainings for our brand directors, design managers and designers. Such trainings include internal and external design courses, and field study in both domestic markets and overseas markets. In order to keep abreast of the latest international fashion trends, our designers attend trade exhibitions in Hong Kong and Europe on a regular basis. In addition, we are able to leverage our business with international brands in our contract manufacturing operations, which brings us advanced shoe-making know-how to continuously improve the product quality of our self-developed brands.

As a result of our systematic research, design and development capabilities, we have successfully established two self-developed brands, "C.banner" and "EBLAN", with "C.banner" being the fourth largest mid-to-premium women's formal and casual footwear brand in China. Moreover, we have launched a third brand, "FABIOLA," in the first half of 2011 and launched a fourth brand, "SUNDANCE," in August 2011.

Experienced and Dedicated Management Team

We have an experienced and dedicated management team which has extensive knowledge and strong operational expertise in the footwear industry. Our executive Directors and senior management team have, on average, more than 10 years of experience in the women's footwear industry in China. In particular, Mr. Chen Yixi and Mr. Li Wei, two of the three founders of our group, have been playing an important role in establishing our market share in the PRC women's footwear industry since our inception. Mr. Chen Yixi received the "Outstanding Entrepreneur of Non-state-owned Companies (優秀民營企業家)" award from the People's Government of Jiangsu Province and the People's Government of Nanjing in 2008. Mr. Li Wei, with his 20 years of experience in the footwear industry, has made great contributions to the fast growth of our "C.banner" women's footwear. Mr. Wan Xianghua, our Chief Executive Assistant as well as the General Manager of our commodity center, is responsible for our product research, design and development and supply chain management and has served as a committee member of the National Technical Committee on Footwear of Standardization Administration of China (中國制鞋標準化委員會) since 2008.

We believe our strategic vision and our efficient management model are the keys to our long-term success. Under the leadership of our management team, we have built up our systematic research, design and development capabilities, developed an extensive distribution and retail network in China, and established a responsive supply chain to capture market opportunities. We are committed to retaining and recruiting talented people and providing our key management, technical and sales staff with professional development opportunities as well as attractive compensation packages.

OUR BUSINESS STRATEGIES

In order to maintain and extend our leading position in the mid-to-premium women's footwear market in China, we have established the following business strategies:

Improve Same-store Sales Growth of Our Retail Outlets

We achieved the same-store sales growth rate of approximately 12.3% from 2009 to 2010 and approximately 17.7% from 2008 to 2009 for our proprietary outlets. We intend to continue to increase the same-store sales of our proprietary outlets by improving outlet quality, enhancing product offerings and strengthening customer-focused marketing. To this end, we plan to continue to improve the location and layout of our outlets and periodically refurbish our outlets, which we believe will improve customers' shopping experience and our brand image. We also intend to rely on our management information systems and strong research, design and development capabilities to further enhance our product offerings. In order to establish and enhance customer loyalty with our customers, we will continue to promote our VIP member program for each of our self-developed footwear brands to encourage customers' repeat purchases of our products and enhance customers' awareness of our footwear brands. Under the VIP program, our customers may accumulate points for purchasing our products, which can be used as credits for their subsequent purchases of our products of the same brand.

Expand Distribution and Retail Network

We intend to further expand our distribution and retail network by establishing more proprietary outlets and developing more third-party outlets. In first-to-third-tier cities of China, where we believe consumers generally have stronger spending power to purchase our mid-to-premium women's footwear, we plan to add a net number of approximately 220 to 320 proprietary outlets, primarily department store outlets, in each of the years ending December 31, 2011, 2012 and 2013, subject to market conditions in the future. In line with our previous practice and experience, we expect the establishment of a medium-size proprietary outlet to cost an average of approximately RMB400,000 in the targeted first-to-third tier cities, without adjustment for inflation.

In the other cities of China, we also plan to further enlarge our market share, targeting an increase of approximately 80 to 125 third-party outlets in 2011 through both our existing authorized distributors and new authorized distributors to be developed, and continue the expansion depending upon market conditions in the future. The costs for establishing third-party outlets are typically for the account of our authorized distributors.

The table below sets forth the number of our proprietary outlets and third-party outlets we plan to increase on a net basis during 2011 in the regions indicated:

	Net increase in number in 2011	
Region(1)	Proprietary outlets(2)	Third-party outlets(3)
Northeastern China	25-33	15-20
Beijing Region	22-25	5-8
Tianjin Region	30-38	5-8
Northwestern China	12-15	15-20
Central China	15-18	2-6
Eastern China	62-70	15-25
Zhejiang Region	30-38	3-8
Shanghai Region	20-23	Nil
Southwestern China	20-26	15-20
Southern China	24-34	5-10
Total	260-320	80-125

(1) For the definition of each region, see the section entitled "Business — Sales and Distributions" in this prospectus.

(2) For the six months ended June 30, 2011, we opened 138 new proprietary outlets, with 39 existing proprietary outlets terminated during the same period. The number of new proprietary outlets we opened during the six months ended June 30, 2011 is within our expectation for our expansion in 2011 for our existing brands. We launched our new brand "SUNDANCE" in August 2011 and plan to open approximately 60 proprietary outlets in 2011 for "SUNDANCE."

(3) For the six months ended June 30, 2011, our authorized distributors opened 76 new third-party outlets, with 20 existing third-party outlets terminated during the same period.

For 2012 and 2013, we intend to continue to increase an average number of proprietary outlets and third-party outlets (except for the Shanghai Region in which we do not operate third-party outlets) in each of the above regions evenly according to our overall expansion plans, depending on the market conditions and the actual implementation of our expansion plan in the preceding years. Our expansion plans are based on the outlet-opening plans of our regional divisions. For the expansion of proprietary outlets, our regional divisions formulate their respective plans in turn based on the outlet-opening proposals of the branch offices under their management. With this bottom-up approach, our headquarters reviews the outlet-opening plans submitted by our regional divisions at the end of each year and formulate our overall expansion plans, which will be further adjusted on an on-going basis in their implementation.

Through market monitoring at our outlet and branch office level and our high-level communication with department stores, our regional divisions stay abreast of the potential outlet-opening opportunities at both the existing department stores and the new department stores to be opened in their respective regions. Based on our market analysis and communication with department stores, we typically set the target number of new outlets to be opened well below the number of potential opportunities for which we expect the commercial terms offered by the relevant department stores will be acceptable to us, which will ensure that we can achieve our outlet-opening target. We typically staff our new outlets with at least one of our experienced employees together with new recruits, preferably from the footwear industry, to whom we will provide sales training before they commence work. For further information on development and management of our proprietary outlets and third-party outlets, see the sections entitled "Distribution of Products of Our Self-developed Brands and Licensed Brand Through Our Proprietary Outlets—Selection of proprietary outlets" and "—Management of proprietary outlets" and the sections entitled "Distribution of Products of Our Self-developed Brands Through Third-party Outlets—Selection of third-party outlets" and "—Management of authorized distributors and third-party outlets" in this prospectus.

Our Directors believe that our expansion plans are feasible and reasonable based on our past growth, anticipated market demand and our production and sourcing capacities. In particular, we added 183 proprietary outlets in 2010 and expect that the growth of the market demand for our products of existing brands will continue in the next three years. Furthermore, we are planning to open approximately 60 proprietary outlets for our new brand "SUNDANCE," which was launched in August 2011. However, we cannot guarantee the strict implementation of such expansion plans, and we may adjust such plans depending upon circumstances in our actual implementation process. For risks involved in our expansion plan, see the sections entitled "Risk Factors—Risks Relating to Our Business—We may not be able to maintain our growth or manage our expansion effectively" and "Forward-looking Statements" in this prospectus.

As online shopping has been growing rapidly in China, we are also planning to expand our retail network via the internet. We established our internet sales department in 2009 and have been selling our products through third-party online platforms, which we intend to continue to use and develop upon. Specifically, we plan to establish warehousing facilities and recruit experienced technical and sales personnel for our online business. We also intend to upgrade our computer software and hardware in order to provide better online sales services. As a marketing strategy, we also intend to cooperate with third-party e-commerce companies to advertise our brands online and to extend the coverage of our VIP program also to online customers. In addition, we plan to establish strategic relationships with third-party logistics companies to facilitate the logistics management of our online business. We also intend to develop our internet sales through our own websites when we consider our online sales have grown into a relatively mature stage, which is expected to occur in the next three to five years. Our PRC legal counsel has advised that (i) for conducting our internet sales through third-party online platforms, no particular approvals or registrations are required under the relevant PRC laws and regulations and (ii) for conducting internet sales through our own websites, which we plan to do in the long run, there is no material legal impediment so long as we make filings related to such websites with the relevant provincial telecommunication administrative authorities for conducting such business, which we intend to do before launching our own website for internet sales.

Expand Our Brand Portfolio

We will remain focused on the women's footwear market in China and continue to develop complementary mid-to-premium brands to establish a multi-brand portfolio. Specifically this year, we have started marketing premium formal and trendy women's footwear under the new brand name "FABIOLA" in the first half of 2011, and we have started marketing mid-to-premium casual women's footwear under the new brand name "SUNDANCE" since August 2011.

We intend to continue to strengthen our product research, design and development capabilities to support the expansion of our brand portfolio. We believe that such capabilities are crucial for us to develop new products for our existing brands as well as launch new brands to the market. We believe a multi-brand portfolio will diversify our product offerings, broaden our customer base and enhance our market segmentation.

Enhance Our Operating Capabilities and Efficiencies

We intend to enhance our operating capabilities through expanding manufacturing facilities, enhancing our supply chain management capabilities, and developing strategic relationship with selected suppliers. In line with our business growth, we have established, and will continue to expand, our third production facility in Suining, Jiangsu province, a town where a large number of skilled workers reside. We believe the selection of Suining as the venue of our third production facility will facilitate the expansion of our production capacity in a cost-effective manner.

We also intend to upgrade our current management information system into a business intelligence system, which will integrate our current separate systems into one centralized operation platform based on a uniform database. Such business intelligence system is expected to improve the efficiency of our data analysis and enhance our supply chain management capabilities. In addition, we plan to enhance our internal training for employees, sales personnel in particular, to continuously improve our performance and results of operations.

Moreover, we plan to develop strategic Relationship with selected suppliers of both raw materials and finished products to ensure stable and flexible supplies through reasonable scheduling of orders along the year. As another way to enhance our operating capacities, we will optimize our inventory level by further lowering the proportion of the initial batch of footwear in the estimated total production of each design. By meeting market demands as much as possible via production of subsequent batches, we target to keep our inventory of finished products at a minimum level.

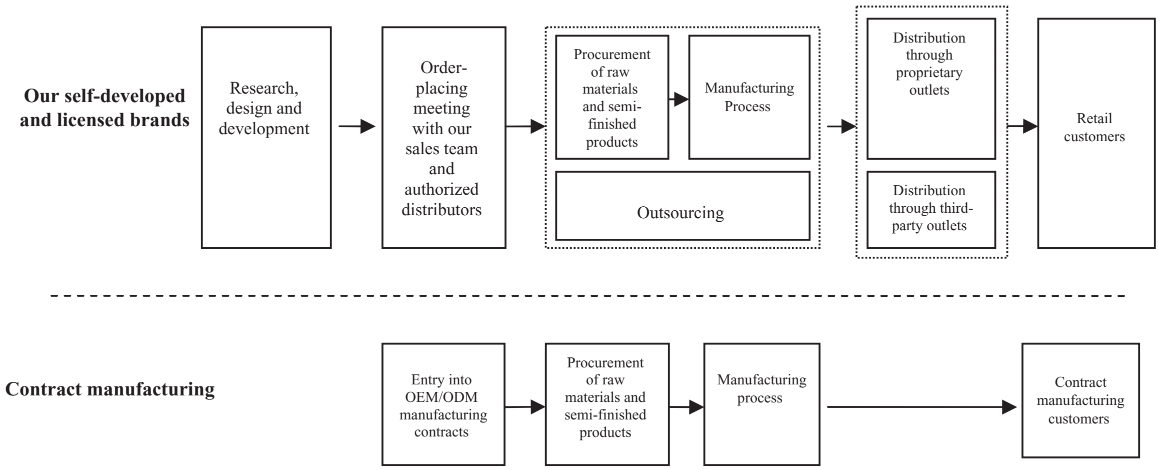
Expand Our Business Through Selective Acquisitions

If the opportunity arises, we intend to expand our business by selectively acquiring footwear retailers in China in order to enhance our competitiveness and strengthen our market position. Our potential acquisition targets primarily include footwear companies which have well-established distribution channels or footwear companies which own regional footwear brands. We also consider other acquisition targets which may potentially complement our existing operation. In making acquisition decisions, we will further consider other factors, such as stableness of management team, healthiness of financial conditions, inventory levels, and reasonableness of acquisition price, to ensure the acquisitions will generate synergies. With our experienced and dedicated management team, we believe we will be able to successfully expand our business in a time-efficient manner through selective acquisitions in China.

OUR BUSINESS MODEL

We are primarily engaged in the design, manufacture and sale of mid-to-premium women's footwear in China. We retail products of our self-developed and licensed brands through department store outlets and independent store outlets primarily in first-to-third-tier cities in China. We also wholesale products of our self-developed brands to authorized distributors, who in turn retail these products primarily in the other cities in China. We generally endeavor to set the retail and wholesale prices of our products at an appropriate market price by reference to comparable products and our assessment of actual market conditions. In addition to manufacturing women's footwear of our self-developed and licensed brands, we also manufacture footwear, as OEM or ODM, for international footwear companies primarily for export to overseas.

The following diagram illustrates our main business model:



For our licensed brand "Naturalizer," we purchase products of such brand from a joint venture we established with the licensor and retail such products through our proprietary outlets. For more details, see the section entitled "—Our Product Portfolio—Our licensed footwear brand" in this prospectus.

OUR PRODUCT PORTFOLIO

We are the second largest retailer of mid-to-premium women's formal and casual footwear in China in terms of retail revenue in 2010. We currently manufacture and sell a wide range of women's footwear with various designs for all seasons through two of our self-developed brands, "C.banner" and "EBLAN," and also sell women's footwear through our licensed brand "Naturalizer." In addition, as a complement to our women's footwear business, we sell a small amount of related products, such as men's footwear and women's handbags, of our self-developed brands. We launched one additional self-developed footwear brand, "FABIOLA," in the first half of 2011 and launched another self-developed brand, "SUNDANCE," in August 2011. The retail prices of our products generally range from approximately RMB500 to approximately RMB3,000.

We also manufacture a wide range of footwear as OEM or ODM of mid-to-premium international footwear brands primarily for export into other countries.

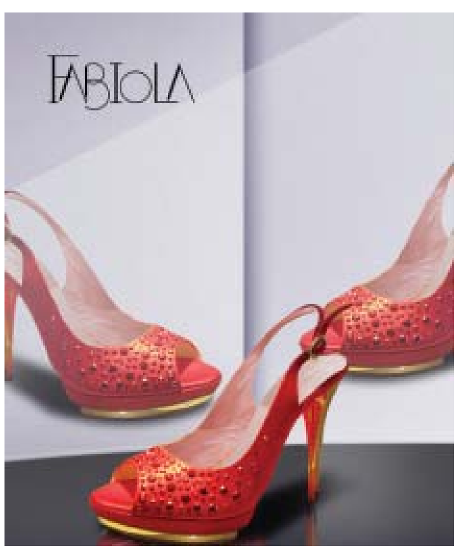
Our Self-developed Footwear Brands

We currently have four self-developed footwear brands in the market:

- "C.banner 千百度"—"C.banner" mainly offers a range of mid-to-premium fashion, business and business casual footwear targeting women aged from 20 to 40. Footwear in this line is generally priced between RMB500 and RMB700 per pair for spring and summer styles, and RMB800 to RMB2,500 for fall and winter styles. We have engaged celebrity Miss Gao Yuanyuan (高圓圓), a well-known actress in China, as our brand ambassador for "C.banner" for a term of three years ending December 31, 2012, renewable as may be agreed by the parties. Pursuant to our agreement, the brand ambassador is required to provide certain advertising services, maintain appropriate personal image and promote our product image, failing which the ambassador will be responsible for our damages accordingly. We are required to pay a total amount of service fees to the brand ambassador in installments as provided by our agreement. We launched our "C.banner" brand into the market in 1996 and, according to the Euromonitor Report, "C.banner" is the fourth largest mid-to-premium women's formal and casual footwear brand in China as measured by estimated retail revenue in 2010. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our revenue generated from the retail sales of "C.banner" products through proprietary outlets was RMB613.7 million, RMB749.9 million, RMB894.5 million and RMB262.7 million, respectively. We own the trademarks related to our "C.banner" brand.

- "EBLAN 伊伴"—"EBLAN" mainly offers a range of more colorful and energetic mid-to-premium fashion, business and business casual footwear targeting women aged from 20 to 35. Footwear in this line is generally priced between RMB500 and RMB700 per pair for spring and summer styles, and RMB800 to RMB2,500 for fall and winter styles. We launched our "EBLAN" brand footwear into the market in 2004 and our revenue generated from the retail sale of "EBLAN" products through proprietary outlets has been continuously increasing, reaching RMB127.2 million, RMB193.0 million, RMB276.5 million and RMB92.3 million, respectively, for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011. We own the trademarks, and have pending trademark applications, related to our "EBLAN" brand.

- "FABIOLA 範歐納"—We launched "FABIOLA" as our self-developed footwear brand in the first half of 2011. With "FABIOLA," we offer a range of premium fashion, business and business casual footwear targeting women aged from 25 to 39, starting in the first half of 2011. Footwear in this line is priced between RMB1,000 and RMB1,500 per pair for spring and summer styles, and RMB1,200 to RMB3,000 for fall and winter styles. The design and manufacture of our "FABIOLA" footwear is primarily outsourced at present to our preferred suppliers in Italy, whose footwear designs are carefully chosen by our dedicated team to fit into our "FABIOLA" brand image. We enter into purchase contracts with such suppliers, pursuant to which the suppliers sell to us their self-designed footwear chosen by us, on a non-exclusive basis. Under the contracts, the suppliers are required to deliver specified quantities of footwear identical to the samples initially provided to us. The suppliers are typically subject to damages of up to 15% of the contract price for any late delivery. If the delivery is delayed, due to causes other than force majeure, for more than two weeks, however, we will be entitled to cancel the contract, in addition to the above damages. In parallel with our outsourcing efforts, our own in-house team is also developing new designs for our "FABIOLA" footwear. We have commenced mass production of such "FABIOLA" footwear of our own design and expect to introduce them into the market following the initial launch of our "FABIOLA" brand with outsourced footwear. We are currently selling the "FABIOLA" footwear in the outlets of our best selling brand, "C.banner," in order to gradually develop the premium market for our "FABIOLA" footwear. We own the trademarks, and have pending trademark applications, related to our "FABIOLA" brand.



- "SUNDANCE 太陽舞"—We launched our "SUNDANCE" brand in August 2011. With "SUNDANCE", we offer a range of mid-to-high-end casual footwear targeting women aged from 18 to 35. Footwear in this line is expected to be priced between RMB400 and RMB600 per pair for spring and summer styles, and RMB700 to RMB2,200 for fall and winter styles. We have engaged Miss Shang Wenjie (尚雯婕), a popular singer in China, as our brand ambassador for "SUNDANCE" with a term of two years ending May 31, 2013, renewable as may be agreed by the parties. Pursuant to our agreement, the brand ambassador is required to provide certain advertising services and use her best effort to maintain our product image, failing which the ambassador will be responsible for our damages accordingly. We are required to pay a total amount of service fees to the brand ambassador in installments as provided by our agreement. We sell "SUNDANCE" footwear in its own outlets and expect to open approximately 60 such outlets by the end of 2011. We own the trademarks, and have pending trademark applications, related to our "SUNDANCE" brand.

Each of our self-developed footwear brands is managed by its own team, which is responsible for the research, design, development, marketing and sales of such brand only. The separate management of each of the different brands is intended to promote market segmentation and management accountability.

Our Licensed Footwear Brand

We currently have a license to distribute "Naturalizer" brand of footwear in China from Brown Shoe, the owner of "Naturalizer" brand, with which we established a joint venture, Hong Kong B&H. In Hong Kong B&H, we hold a 49% equity interest and Brown Shoe holds the other 51% equity interest through its subsidiary. Brown Shoe initially granted Dongguan B&H, a wholly owned subsidiary of Hong Kong B&H, the exclusive, non-transferable license to operate "Naturalizer" brand women's footwear in China by a master license agreement entered into in August 2007. In turn, Dongguan B&H initially granted us the exclusive, non-transferable license to distribute "Naturalizer" brand women's footwear pursuant to a sub-license agreement entered into at the same time. These two licenses subsequently became non-exclusive and the license agreements were amended in August 2011, as disclosed below.

"Naturalizer" mainly offers a range of casual footwear targeting women aged from 25 to 44. Footwear in this line is generally priced between RMB650 and RMB1,100 per pair for spring and summer styles, and RMB1,100 to RMB3,000 for fall and winter styles.

License agreements

We established the joint venture, Hong Kong B&H, on May 29, 2007 in Hong Kong through our subsidiary Best Invent with Brown Shoe Asia, a subsidiary of Brown Shoe, the owner of the "Naturalizer" brand. Hong Kong B&H's wholly-owned PRC subsidiary, Dongguan B&H, entered into a master license agreement with Brown Shoe in August 2007. Pursuant to the master license agreement, Dongguan B&H is granted a license to manufacture, sell, market, advertise and distribute footwear and other footwear-related accessories bearing the "Naturalizer" trademark in China. The master license agreement requires Dongguan B&H to pay Brown Shoe a royalty as a percentage of the net sales of "Naturalizer" products. On the same date of the master license agreement, Dongguan B&H, together with Brown Shoe, entered into a tripartite sub-license agreement with us. Pursuant to the sub-license agreement, we are granted the right to own and operate "Naturalizer" stores in China except for Beijing, Shanghai, Guangzhou and Shenzhen. We purchase "Naturalizer" brand footwear from Dongguan B&H under a predetermined pricing formula and conduct retail sale of the footwear in all other areas of China. Pursuant to the tri-partite sub-license agreement, we sell "Naturalizer" brand footwear through our proprietary outlets decorated in accordance with Brown Shoe's requirement, solely for the retail of the "Naturalizer" brand footwear.

Both the master license agreement and sub-license agreement have a term of 10 years commencing in August 2007 and can be renewed and amended as agreed by contracting parties. Both agreements provide for termination events, which include, among other things, breach of the agreements, failure to make the required payment, failure to maintain necessary approvals and consents, failure to maintain the product quality and failure to attain the minimum required number of "Naturalizer" retail outlets. Under the sub-license agreement, any breach of the agreement will entitle both Brown Shoe and Dongguan B&H to terminate our license to use the "Naturalizer" brand upon delivery of a written termination notice if such breach is not rectified within 30 days of such written notice from either Dongguan B&H or Brown Shoe. In addition, Brown Shoe and Dongguan B&H may also seek damages from us for our breaches. We have breached some of the requirements or restrictions contained in the initial sub-license agreement. Our initial sub-license agreement required us to operate 20, 66, 120, 182 and 245 "Naturalizer" retail outlets during the first, second, third, fourth and fifth years, respectively after mid-2007, failing which our license would become non-exclusive. We did not attain the specified number of "Naturalizer" retail outlets as required for certain years primarily due to unexpected difficulties in our expansion. As a result, our license became non-exclusive and, pursuant to a similar requirement under the master license agreement, Dongguan B&H's license also became non-exclusive, although, to our knowledge, neither Brown Shoe nor Dongguan B&H has granted the license to any other person in China. The sub-license agreement also requires us to sell "Naturalizer" brand women's footwear only through our "Naturalizer" retail outlets and not through any third party distributor. We however wholesaled "Naturalizer" brand women's footwear to a third party for retail in a third-party outlet in Inner Mongolia from 2008 to 2009 and ceased such practice by the end of 2009. In 2010, we commenced operating "Naturalizer" stores in Beijing and Shanghai by oral agreement with Dongguan B&H, notwithstanding such operations were beyond the scope of the licenses. We have subsequently ceased such operation in Beijing but continued the operation in Shanghai.

In view of the above breaches, the parties to the master license agreement and the sub-license agreement entered into a deed of understanding, effective May 4, 2011, pursuant to which Brown Shoe and Dongguan B&H have waived their rights and will not seek any damages under the joint venture deed, the sub-license agreement and the master license agreement resulting from our breaches as mentioned above. Moreover, prior to entering into any formal supplemental agreements, we were not obligated to further attain the store-opening targets as required by the sub-license agreement and we may continue to operate the "Naturalizer" stores in Beijing and Shanghai.

As part of our further cooperation with Brown Shoe, the parties have agreed that Dongguan B&H will own and operate all the "Naturalizer" stores in Beijing and Shanghai by itself. Accordingly, we entered into an asset sale agreement with Dongguan B&H in August 2011 to transfer all of our "Naturalizer" retail outlets in Shanghai, four in total, to Dongguan B&H, including assignment of business contracts and sale of equipment and inventory of these outlets. The sale of the equipment and inventory of our outlets will be based on their book value plus a margin with respect to our inventory for the spring 2012 season. The book value of such equipment and inventory was approximately RMB1.2 million as of March 31, 2011. We expect to complete the sale by January 2012 and will be restricted from operating "Naturalizer" retail outlets in Shanghai afterwards pursuant to the sub-license agreement.

Also in August 2011, we entered into a deed of amendment with the relevant parties to amend the joint venture deed, the master license agreement and the sub-license agreement. The deed of amendment allows us to continue to operate "Naturalizer" retail outlets in Shanghai until the transfer of such outlets to Dongguan B&H and has removed the previous store-opening requirement. Pursuant to the deed of amendment, we have agreed to purchase an annual amount, ranging from 100,000 pairs to 220,000 pairs, of women's footwear under "Naturalizer" brand from Dongguan B&H in each year from 2011 to 2017. While we are confident to meet such annual purchase requirement, if we fail to do so in any one year, we are not deemed in breach of the agreement but are required, in the succeeding year, to make up for the difference between the required annual purchase amount and the actual purchase amount. If we fail to make up for the difference in the succeeding year, we will be deemed in breach and required to pay a certain amount of liquidated damages as calculated under a formula by reference to the difference. If we fail to pay the liquidated damages within 10 days of Dongguan B&H's written notice, Brown Shoe will be entitled to purchase the number of Hong Kong B&H's shares held by us as calculated under a formula by reference to the liquidated damages. When Brown Shoe's shareholding in Hong Kong B&H reaches two-thirds or 75%, both the joint venture deed and Hong Kong B&H's articles of association will be revised accordingly to restrict our right in the management of Hong Kong B&H. Except as amended by the deed of amendment, the joint venture deed, master license agreement and sub-license agreement will continue to be effective under their current terms. For risks relating to our license of "Naturalizer" brand, see the section entitled "Risk Factors—We do not have a controlling equity interest in our joint venture and may lose our non-exclusive license to use the 'Naturalizer' brand" in this prospectus. We anticipate to finance the expansion of our "Naturalizer" retail outlets with our own funds, and if necessary, bank borrowings.

As Hong Kong B&H had been recording losses since its establishment, we incurred our share of losses in this joint venture in the amount of RMB10.6 million, RMB4.4 million, RMB3.0 million and RMB0.4 million for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. You may find more information under Note 20 in the Accountants' Report included in Appendix I attached to this prospectus. Hong Kong B&H's losses were primarily caused by the time-consuming process for the joint venture to develop "Naturalizer" brand footwear suitable for the PRC market. First, although "Naturalizer" is a well-known brand in the United States, we had to adjust its market positioning in China to ensure it could be well received by PRC consumers. Our joint venture had to develop, and constantly adjust, new designs and products in order to cater to the PRC market, which was more time-consuming than we expected. Second, it took time and resources to establish supply chain and sales outlets for this new brand. The joint venture incurred substantial expenses in establishing its operating platform in China, and did not reach the break-even point during the Track Record Period.

Our Contract Manufacturing Brands

In addition to the manufacture and sale of our self-developed or licensed footwear brands, we also manufacture footwear for several international brands as OEM or ODM primarily for export overseas. For more information about our contract manufacturing arrangement, see the section entitled "—Contract Manufacturing" below.

SALES AND DISTRIBUTION

There are two principal channels for the sales and distribution of our footwear: proprietary outlets and third party outlets. Our sales volume is affected by seasonality, as disclosed in the sections entitled "Risk Factors—Risks Relating to Our Business—Our sales volume is sensitive to changes in consumer spending patterns, seasonality and change of weather patterns" and "Financial Information—Key Factors Affecting Our Results of Operations—Seasonality Effects" in this prospectus. The table below sets forth the numbers of our proprietary outlets and third-party outlets by brand and region as of March 31, 2011.

	"C.banner"		"EBLAN"		"Naturalizer"	
Region	**Proprietary Outlets**	**Third-party Outlets**	**Proprietary Outlets**	**Third-party Outlets**	**Proprietary Outlets**	**Total**
Northeastern China	75	34	48	19	5	181
Beijing Region	38	9	13	5	2(1)	67
Tianjin Region	61	54	35	14	7	171
Northwestern China	51	51	28	21	—	151
Central China	35	18	11	8	—	72
Eastern China	109	44	79	19	10	261
Zhejiang Region	70	10	42	1	12	135
Shanghai Region	50	—	18	—	4(2)	72
Southwestern China	75	18	21	1	1	116
Southern China	78	14	31	4	6	133
Total	642	252	326	92	47	1,359

(1) The two "Naturalizer" proprietary outlets in Beijing Region as of March 31, 2011 were located in Inner Mongolia autonomous region, not in Beijing.

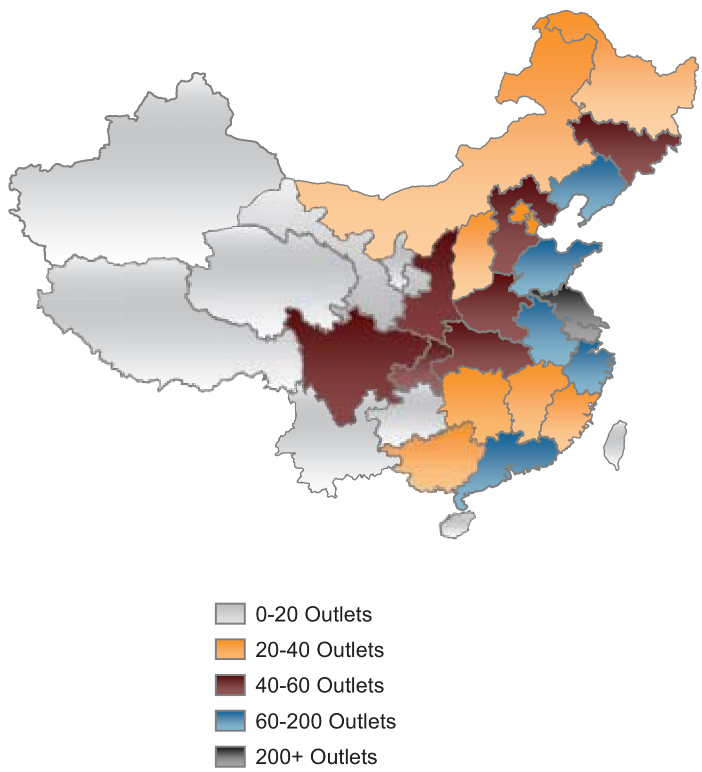
(2) In August 2011, we entered into an agreement to sell all of our "Naturalizer" proprietary outlets in Shanghai to Dongguan B&H, the wholly owned subsidiary of our joint venture Hong Kong B&H, and we expect to complete the sale by January 2012. For more information, see the section entitled "—Our Product Portfolio—Our licensed footwear brand" in this prospectus.

For purposes of this prospectus:

- Northeastern China comprises Jilin, Liaoning and Heilongjiang provinces;
- Beijing Region comprises Beijing, Inner Mongolia autonomous region, and Zhangjiakou and Qinhuangdao cities of Hebei province;
- Tianjin Region comprises Tianjin, and Shandong and Hebei provinces (except Zhangjiakou and Qinhuangdao cities of Hebei province);
- Northwestern China comprises Shanxi, Shaanxi, Qinghai, Gansu and Henan provinces, and Xinjiang and Ningxia autonomous regions;
- Central China comprises Hunan and Hubei provinces;

- Eastern China comprises Jiangsu (excluding Wuxi and Suzhou cities), Anhui and Jiangxi provinces;
- Zhejiang Region comprises Zhejiang province, and Wuxi and Suzhou cities of Jiangsu province;
- Shanghai Region comprises Shanghai;
- Southwestern China comprises Sichuan, Guizhou, and Yunnan provinces, Chongqing, and Tibet autonomous region; and
- Southern China comprises Guangdong, Hainan and Fujian provinces and Guangxi autonomous region.

The following map illustrates our sales and distribution network, which consisted of 1,015 proprietary outlets and 344 third-party outlets across China as of March 31, 2011:



The following table sets forth the average selling price and sales volume of our retail business for each of our brands during the Track Record Period:

		Year ended December 31,			Three months ended March 31,
		2008	2009	2010	2011
	Revenue (RMB'000)	613,701	749,896	894,534	262,743
C.banner	Sales volume (thousand pairs)	1,923	2,244	2,289	538
	Average selling price (RMB)(1)	**319**	**334**	**391**	**488**
	Revenue (RMB'000)	127,179	192,983	276,481	92,252
EBLAN	Sales volume (thousand pairs)	417	619	725	200
	Average selling price (RMB)(1)	**305**	**312**	**381**	**461**
	Revenue (RMB'000)	17,577	29,221	43,551	12,218
Naturalizer	Sales volume (thousand pairs)	27	55	88	21
	Average selling price (RMB)(1)	**646**	**534**	**494**	**596**

(1) Average selling price does not include value-added tax.

Distribution of Products of Self-developed Brands and Licensed Brand Through Proprietary Outlets

We retail products of both our self-developed brands and licensed brand through our proprietary outlets, which include department store outlets and independent store outlets. As of March 31, 2011, we had in aggregate 1,015 proprietary outlets throughout China for all of our brands. We derived approximately 72.7%, 75.7%, 77.1% and 79.0% of our total revenue from this channel for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

- *Department Store Outlets*

We operate our department store outlets pursuant to agreements with major department stores in China. Pursuant to such agreements, the department stores typically allocate to us a certain amount of store space, generally with a size ranging from approximately 20 square meters to approximately 80 square meters, for the display and sale of our products, provide centralized cashier services and receive concessionaire fees payable by us. As of March 31, 2011, our department store outlets have an average size of approximately 44 square meters. We negotiate these agreements, which generally have a duration of six months to one year, on an outlet-by-outlet basis for each of our department store outlets. Key terms of our arrangements with department stores are set out below.

Restrictions on Sale and Pricing. We are typically required to sell the products of the brands and types expressly identified in our agreements with the department stores. We generally have the discretion to set prices for our products except that some department stores may require the retail prices for our products sold in such department stores to be no higher than those for our products sold in other department stores in the same city.

Concessionaire Fees. The concessionaire fees we pay to department stores are calculated as a percentage, typically ranging from 15% to 30%, of our respective outlets' total retail sales and are negotiated individually with the department stores. During the Track Record Period, the concessionaire fees paid by our department store outlets as a percentage of our retail sales remained relatively stable on average, while in absolute terms the total concessionaire fees we paid in aggregate increased in line with the increase of our total retail sales. Some department stores require our outlets to also guarantee a minimum yearly or monthly retail sales amount, failing which we would be required to pay the concessionaire fees calculated as a percentage of such minimum sales. As of March 31, 2011, 197 of our department store outlets operated pursuant to such agreements with minimum sales requirements, which typically ranged from RMB240,000 per year to RMB5.0 million per year. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, the portion of concessionaire fees we paid to department stores due to such minimum sales requirements as a result of our failure to meet the requirements was RMB309,724, RMB452,239, RMB566,847 and RMB101,294, respectively, representing approximately 0.14%, 0.18%, 0.16% and 0.10% of the total concessionaire fees we paid to department stores during the corresponding periods.

Other Fees and Expenses. In addition to the concessionaire fees, we also pay the department stores certain utilities fees and management fees, and share a part of the expenses incurred by the department stores for the stores' overall promotion and advertisement either in a fixed amount or as a percentage of our total sales during the promotion period. For the years ended December 31, 2008, 2008 and 2010 and the three months ended March 31, 2011, we made payment to the department stores for fees and expenses other than concessionaire fees in an aggregate amount of RMB24.0 million, RMB40.6 million, RMB46.0 million and RMB13.0 million, respectively, accounting for 3.2%, 4.2%, 3.8% and 3.5% of our total retail revenue for the corresponding periods. The department stores generally provide us, at their expenses, with certain basic decorations and electrical equipment for our outlets, while we are generally responsible for any further decoration and renovation at our own expenses.

Fee Settlement. We manage our inventories and conduct sales at the department store outlets with our own employees and recognize revenue when our products are sold to customers in the department store outlets, but do not accept payments directly from customers. Instead, all payments from our customers are made to the centralized cashiers provided and managed by the department stores. We typically hand over the products to our customers after they present us a copy of their payment receipts endorsed by the centralized cashiers. We keep such payment receipts as our sales records, which would serve as the basis to reconcile any inconsistency between the department stores' sales records and ours. Our outlets generally settle on a monthly basis for the sales we made in the preceding month with the department stores, and we are typically paid the net sales amount after deduction of the concessionaire fees. For more information about our accounting policy for revenue recognition, see the section entitled "Financial Information—Critical Accounting Policies and Estimates—Revenue Recognition" in this prospectus.

We generally re-negotiate the major commercial terms of our agreements, such as the concessionaire fees, the location and size of the outlet within a department store, the arrangement of the utilities fees and management fees with the department stores and the duration of the renewed concession, before the expiration of the existing terms in the event we decide to renew a concession. While our agreements with these department stores are typically entered into every six months to one year, we have generally maintained a long-term cooperation relationship with most of them. As of March 31, 2011, we had 1,006 department store outlets throughout China, among which we had maintained a business relationship with 261 department stores for more than five years, 459 department stores for more than one but less than five years and 286 department stores for less than one year.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any early termination of our agreements with the department stores. On occasions where we failed to meet the minimum sales requirement provided in certain of our agreements with the department stores, we paid, as required, concessionaire fees by reference to such minimum sales and no disputes had ever ensued. While we had never been rejected by the department stores to negotiate the renewal of concessionaire agreements, we did not renew some concessionaire agreements when we deemed the terms and conditions required by the department stores for renewal were not commercially acceptable to us, or when we found better offers from comparable department stores or when we decided to close the outlets due to our assessment of market circumstances.

The following table sets out the total number of our department store outlets as of December 31, 2008, 2009 and 2010 and March 31, 2011, and the number of additions and terminations of such department store outlets during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011.

	January 1, 2008	December 31,						March 31, 2011	
		2008		2009		2010			
Brand	Number of department store outlets	Addition/ (Termination)(1)	Number of department store outlets	Addition/ (Termination)(1)	Number of department store outlets	Addition/ (Termination)(1)	Number of department store outlets	Addition/ (Termination)(1)	Number of department store outlets
C.banner	430	98/(43)	485	98/(44)	539	114/(37)	616	29/(9)	636
EBLAN	112	89/(19)	182	63/(37)	208	115/(20)	303	24/(4)	323
Naturalizer	18	27/(7)	38	12/(19)	31	21/(10)	42	5/(0)	47(2)
Total	560	214/(69)	705	173/(100)	778	250/(67)	961	58/(13)	1006

(1) The numbers of additions and terminations do not include the outlets which were opened and closed during the same year.

(2) In August 2011, we entered into an agreement to sell all of our "Naturalizer" department store outlets in Shanghai to Dongguan B&H, the wholly owned subsidiary of our joint venture Hong Kong B&H, and we expect to complete the sale by January 2012. As of March 31, 2011, we had four "Naturalizer" department store outlets in Shanghai. For more information, see the section entitled "—Our Product Portfolio—Our licensed footwear brand" in this prospectus.

- *Independent Store Outlets*

We operate our independent store outlets at premises other than department stores. For our independent store outlets, we typically enter into lease agreements with the landlords, pursuant to which we make rental payments to the landlords but conduct our retail operations with our own employees independently from the landlords. As of March 31, 2011, we had nine independent store outlets throughout China.

Operational structure

For our retail business, we have a four-tiered management structure consisting of our retail headquarters, 10 regional divisions, 37 branch offices and 1,015 proprietary outlets as of March 31, 2011. In addition, the footwear of different brands are sold in separate retail outlets except that we have recently started selling our "FABIOLA" footwear in our C. banner outlets in connection with the initial launch of the "FABIOLA" brand in order to gradually develop the premium market for this new brand. However, we conduct centralized manufacturing of footwear of different brands to achieve the economies of scale.

Our retail headquarters, which is located in Nanjing, is primarily responsible for formulating our expansion plans each year and setting out the sales targets for our outlets and profits targets for our branch offices each year. Our retail headquarters creates ordering plans, organizes order-placing meetings for branch offices, manages stock replenishment, and sets forth product prices.

Our regional divisions are responsible for implementing the sales plans and targets formulated by our retail headquarters in their respective geographic areas through branch offices located in such areas. Specifically, they conduct market research, carry our market expansion, and manage product sale and stock replenishment for their respective geographic areas. We currently have 10 regional divisions responsible for the product sales in the following 10 geographical areas, respectively: Northeastern China, Beijing Region, Tianjin Region, Northwestern China, Central China, Eastern China, Zhejiang Region, Shanghai Region, Southwestern China, and Southern China. For more details, see the table set out at the beginning of the section entitled "—Sales and Distribution" above.

Depending on the market size of the relevant geographic area, each of our regional divisions typically has three to four branch offices which directly manage the operations of our proprietary outlets. Our branch offices are also responsible for preparing proposals for opening new retail outlets, managing contracts with department stores and landlords, negotiating promotion terms with relevant parties, and managing product sales and stock replenishment for their proprietary outlets.

Our retail headquarters evaluates the performance of each tier of retail management as follows: (i) regional divisions are evaluated by profit indicators on a yearly basis, by inventory indicators on a seasonal basis for new products, and by inventory indicators on a yearly basis for previous season's products; (ii) branch offices are evaluated on a yearly basis by profit indicators; and (iii) proprietary outlets are evaluated by revenue indicators on both monthly and yearly bases.

We closely monitor the women's footwear market in China, including the performance of our competing brands, on a daily basis, through our product sales, public information and the observation and enquiries by our sales personnel at each proprietary outlet. On both monthly and yearly basis, we further analyze our own as well as our competitors' performance across different regions and department stores, including average revenue growth per outlet, year-on-year growth, sales rankings, regional total sales, and market shares. Based on such market analysis, we may adjust our plans to open new outlets, refine our product, marketing and promotion strategies, and formulate appropriate employee incentive schemes.

Selection of proprietary outlets

We open our proprietary outlets primarily in first-to-third-tier cities in China. To ensure the successful opening of our new proprietary outlets, we place great emphasis on high-level communication with department stores, have implemented strict approval procedures for opening new outlets, and focus on the year-on-year growth of the outlets. In considering to establish a new proprietary outlet, we generally take into account the following factors:

- geographical area;
- available shop area;
- customer flow;
- impact of the new outlet on our nearby outlets;
- credibility of the department stores or other relevant parties;
- potential sales for the first year and potential growth;
- location of outlets in the department store; and
- commercial terms with department stores.

In order to open a new proprietary outlet, our branch office first evaluates the prospect of the proposed outlet based on the above factors and conduct a detailed operational forecast for the first year after the proposed opening. The branch office then reports to its regional division with the proposed commercial terms and its evaluation and forecast for the proposed outlet. The general manager of the regional division, if satisfied with the proposal after reviewing and verifying the information submitted, will submit the proposal to our retail headquarters for further review. If confirmed by the general manager of our retail headquarters, the proposal will be submitted to our Chief Executive Officer for final approval.

Management of proprietary outlets

We divide our proprietary outlets into five categories in order to target different groups of customers: high-end stores, fashion stores, traditional stores, general stores and discount stores. The category is determined typically before we open the relevant outlet. We then decide the product mix we will sell in the outlets for each category. For the outlets in each category, we generally sell (i) a fixed proportion of new products we launch for the current season in the outlet's total products, and (ii) fixed proportions of fashion wear, business wear and casual wear lines of new products.

We have also categorized our department store outlets into A, B and C types according to the amount of revenues they generate monthly. Based on stores categorization, we have set out corresponding commercial terms as our basis to negotiate with department stores. In first-to-third-tier cities in China, A, B and C types of outlets refer to the outlets that generate monthly revenue, including value-added tax, in an amount of no less than RMB200,000, no less than RMB150,000 but less than RMB200,000, and less than RMB150,000, respectively. We have similar standards for our outlets in the other cities in China.

We also manage our proprietary outlets in the following aspects.

- *Brand Image Management*

All our proprietary outlets have a layout that complies with our prescribed standards, including distinctive color scheme and design. We have set out specific requirements for the layout of our promotion showcases and show windows to present our new products or selling points. We have also set out detailed requirements for the layout of our inside display stands to effectively present our primary products, secondary products, accessories and products on sale to our customers. In addition, we typically require the outlet's shop area to be no less than 45 square meters or the shop areas of our competitors in the same department store, whichever is larger, and the outlet's stocking area to be no less than 15 square meters. The sales personnel at these outlets, who are usually employed by us, wear our corporate uniforms to project a consistent corporate image.

- *Stock Management*

Our branch offices have warehouses dedicated for the proprietary outlets managed by such branch office. We decide on the stock amount for each proprietary outlet based on its target sales volume rather than the size of its stocking area to increase operational efficiency. We further decide on the number of SKUs for each outlet based on how many sizes for each SKU we should maintain for such outlet.

We generally replenish the stock for our proprietary outlets either on a daily basis or twice a week according to their sales volume and stocking capacities. In addition to the stock replenishment for our outlets, we always increase the sizes and numbers of popular SKUs that are in strong demand in the market.

- *Personnel Training*

Through our human resources department, we conduct various training programs for our sales personnel at our proprietary outlets depending on their experience and responsibilities. For example, trainings for our shopping guide include point-of-sale system operation, daily outlet maintenance, standard outlet management, sales skills and after-sale services. Trainings for our outlet managers include sales management, service management, outlet management, personnel management, inventory management, financial management, effective communication, time management and objectives management. We also conduct special trainings relating to seasonal new products, and monthly or quarterly special trainings.

- *Outlets Inspection*

Through our branch offices, regional divisions as well as retail headquarters, we conduct regular inspections of our proprietary outlets to understand their operations, enforce our standards, collect feedbacks to our policies, and solve problems on-site. The items subject to inspection include appearance of shopping guides, knowhow of sales, training, shop area and stocking area, promotion activities, point-of-sale systems, VIP member applications and outlet logs.

- *Employee Compensation*

The compensation for employees at our proprietary outlets are divided into base salaries, overtime salaries, sale commissions, target bonuses and additional ranking bonuses. Target bonuses and ranking bonuses are designed to encourage competition by our sales personnel with our major competitors by reference to sales targets and relative sales rankings.

Distribution of Products of Self-developed Brands Through Third-party Outlets

We wholesale products of our self-developed brands to authorized distributors who are independent third parties. Pursuant to our agreements with the authorized distributors, we have the obligation to arrange the transportation of the products, while the authorized distributors bear the transportation charges and the general risks of the products during the transportation. Also we are not obligated under such agreements to accept any return of the products by the authorized distributors, except due to quality problems of the products. We have not experienced significant returns of our products by the authorized distributors during the Track Record Period. As such, the revenue from wholesale to authorized distributors is recognized when the products are delivered to the authorized distributors, which is the time when the significant risks and rewards of ownership are transferred to the authorized distributors. The authorized distributors in turn retail such products through their own retail outlets in geographical areas agreed by us. As of March 31, 2011, we had 196 authorized distributors, who operated 344 third-party retail outlets across China. We derived approximately 6.6%, 9.6%, 9.7% and 11.2% of our total revenue from this sales channel for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

Operational structure

For our authorized distributors and third-party outlets, we have a two-tiered management structure consisting of a headquarters and nine regional divisions responsible for the following geographical areas, respectively: (i) Northeastern China, (ii) Beijing Region, (iii) Tianjin Region, (iv) Northwestern China, (v) Central China, (vi) Eastern China, (vii) Zhejiang Region, (viii) Southwestern China, and (ix) Southern China.

In each regional division, we have a general manager, necessary financial personnel and, depending upon the amount of revenue generated from the region, product managers and operation managers, to facilitate the authorized distributors' operations of their third-party outlets. We deliver our products directly to the third-party outlets.

We conduct evaluation of our authorized distributors at the end of our first year of cooperation. Each authorized distributor must meet a performance target in terms of minimum sales within a year. If we are satisfied with a distributor's performance, we will extend the distribution agreement for another year.

Selection of third-party outlets

We develop third-party outlets through authorized distributors primarily in cities other than first-to-third-tier cities in China, where we do not maintain proprietary outlets or where we believe distribution through third-party outlets will be more cost-effective as compared with setting up our own proprietary outlets. In selecting authorized distributors to open third-party outlets, we generally consider the following factors:

- their financial resources;
- locations of proposed third-party outlets;
- their understanding of, and passion for, fashion footwear; and
- their marketing capability, including their relationship with local community which could facilitate the operations of third-party outlets.

In the future, with continued economic development and increase of the consumers' spending power in these areas, we may consider opening proprietary outlets in such areas to replace the current distribution method on a case-by-case basis.

Management of authorized distributors and third-party outlets

Third-party outlets are operated pursuant to our agreements with the authorized distributors. Under such agreements, the authorized distributors are required to set up retail outlets in specified geographic areas and maintain the corporate image specified by us. Key aspects of our arrangements with our authorized distributors are set out below.

- *Brand Image Management.* Before any authorized distributor opens a third-party outlet, we will conduct evaluation over the proposed outlet in respect of its location, GFA and the authorized distributor's compliance with the relevant laws and regulations relating to the opening. We are in charge of standard image design for the outlets and will designate a qualified construction team for the fit-out. All our third-party outlets are required to have a layout that complies with the same standards for our proprietary outlets. In practice, the sales personnel at these outlets, who are employed by the authorized distributors are also required to wear our corporate uniforms to project a consistent brand image.

- *Commitment and Deposit.* In order to become our authorized distributor, the proposed authorized distributor must commit to open one or more third-party outlets in the designated geographic area. In addition, the authorized distributors typically pay a deposit of RMB10,000, from which we may deduct penalties in case they violate our distribution agreements.

- *Training*. Prior to the opening of a third-party outlet, we conduct trainings for the authorized distributor and its employees at the outlet on sales management, inventory management, product display, products of current season and financial management. We also provide from time to time trainings on customer service skills, outlet management and business operations.

- *Data Management*. In practice, we require third-party outlets to install point-of-sale systems to monitor their sales, goods and financial performance. Based on such data, we give suggestions on stock replenishment, product promotion, seasonal product changes and display adjustment to authorized distributors to facilitate their business operations.

- *Regular Inspection*. We have designated personnel from our regional divisions responsible for conducting formal inspections of third-party outlets. We also conduct inspections of third-party outlets in an informal manner as disguised customers to ensure the compliance of our authorized distributors with our various requirements.

- *No Agency or Partnership*. Pursuant to our agreements with the authorized distributors, we typically require each authorized distributor not to present itself as our partner, employee or representative, and not to enter into any agreement in our name or otherwise bind us to other agreements. An authorized distributor does not act, and is prohibited from acting, as our agent or on our behalf.

- *Competition and Intellectual Property Rights.* Pursuant to our agreements with the authorized distributors, each authorized distributor is typically prohibited from procuring and selling products which compete with the products we sell to such authorized distributor. We also generally require each authorized distributor not to sell any other products in the third-party outlets. Without our written consent, an authorized distributor is not allowed to use our trademarks or logos for purposes other than those agreed between us. We require each authorized distributor to keep our proprietary designs and technologies as well as our marketing and promotion strategies confidential.

- *Sale Restrictions and Requirements*. Each authorized distributor is required to sell our products only in its third-party outlets in the designated geographical area as agreed between us. We typically appoint only one authorized distributor for each designated geographical area at a county or equivalent level, in which we do not operate any proprietary outlets during the term of our agreement with the authorized distributor. However, if the authorized distributor fails to open the third-party outlets or achieve the sales targets as agreed between us, we are entitled to open proprietary outlets, or appoint another authorized distributor, in this geographical area.

- *Termination*. Our agreement with each authorized distributor typically has an initial term of one year and may be renewed by the authorized distributor for another year if it meets all our requirements during the initial term. We typically have the right to terminate the agreement if the authorized distributor breaches the agreement and fails to rectify such breaches within 10 days of our written notice. For certain material breaches, such as selling products other than ours in the third-party outlets or selling our products outside the third-party outlets or the designated geographical area, we are entitled to terminate the agreement immediately without notice to the authorized distributor.

In order to prevent accumulation of unnecessary inventory at any authorized distributor, we usually assist our authorized distributors in conducting analysis of their respective local markets and in their placement of purchase orders with us in terms of their reasonable amounts. In addition, we also provide authorized distributors with suggestions on their marketing strategies in order to increase their product sales. Specifically, in each of our regional divisions, we have designated personnel responsible for monitoring and supervising the operations of the third-party outlets in their corresponding regions. These personnel visit different third-party outlets twice or three times a month to identify any potential issues in their operations, including their inventory levels, product displays, marketing strategies and promotion plans. In addition, our personnel assess the reasonableness of the purchase orders placed by authorized distributors based on the size of the relevant third-party outlets and their historical sales data, and give our suggestions accordingly to prevent accumulation of inventory. Our personnel also provide the authorized distributors with other specific suggestions in order to improve the efficiency of the operations of their third-party outlets.

We have no other relationships with our authorized distributors except for our business relationship related to the wholesale of our products and the operation and opening of third-party outlets described above. The following table sets forth the total number of our authorized distributors as of December 31, 2008, 2009 and 2010 and March 31, 2011, and the number of additions or terminations of our authorized distributors during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011.

	January 1, 2008	December 31,						March 31, 2011	
		2008		2009		2010			
	Total	Addition/ (Termination)	Total	Addition/ (Termination)	Total	Addition/ (Termination)	Total	Addition/ (Termination)	Total
Authorized distributors	51	33/(21)	63	107/(17)	153	66/(44)	175	21(0)	196

During the Track Record Period, certain of our agreements with authorized distributors were terminated primarily due to the following reasons. First, with the market growth in certain geographical areas for which we had previously appointed authorized distributors, we decided to open proprietary outlets as the market conditions in such areas matured to meet our criteria for us to do so. Accordingly, we did not renew or re-enter into agreements with the authorized distributors for such areas after the expiration of the existing agreements. Second, certain authorized distributors did not renew or re-enter into agreements with us due to their own reasons, such as change of business orientation. Third, we terminated certain agreements with authorized distributors as their management and operations failed to meet our requirements. None of our authorized distributors otherwise breached its agreement with us in any material respect during the Track Record Period.

Seasonality Effects

Our business is affected by seasonal fluctuations in demand for women's footwear, with sales for our women's footwear products generally higher during major holidays and festivals, as compared with the sales in other periods of a financial year. In addition, we typically generate more revenue from the fall and winter seasons of a year than from the spring and summer seasons primarily because the shoes we sell in fall and winter seasons generally have higher prices than the shoes we sell in spring and summer seasons and there are more holidays and festivals in fall and winter seasons. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years cannot be relied on as indicators of our performance.

Weather pattern may also change the consumers' preferences. Usually, consumers tend to purchase lighter and thinner footwear products when the weather is relatively warm, and heavier and thicker footwear products when the weather is relatively cold. As such, if the weather pattern is different from what we have expected, we may not have suitable footwear products to meet consumers' demand. Accordingly, our revenue and inventory are affected by any changes in consumer behavior due to seasonality effects.

ORDER-PLACING MEETINGS

For each season, we hold order-placing meetings for our proprietary outlets and authorized distributors, respectively, where preliminary sample shoes are displayed at our research and development center in Foshan, Guangdong province. At such order-placing meetings, we collect orders from our retail regional divisions for our proprietary outlets and from our authorized distributors for production.

Managers from our retail regional divisions, branch offices and authorized distributors, after assessing the potential consumer response toward each new design, place orders in light of their respective local market share, sales targets and outlet expansion plans.

We may adjust the orders placed by our retail regional divisions with respect to the type and quantities in light of our overall market strategies, but will typically accept all authorized distributors' orders without adjustment. Approximately 30% of our preliminary sample shoes designed for each season will eventually be selected for mass production.

PRICING STRATEGIES

We set nationwide retail prices for each of our products as reference for both our proprietary outlets and third-party outlets. Depending on the levels of consumer spending and other market factors in different cities, our branch offices may raise retail prices of the products sold in our proprietary outlets by up to approximately 20% to 40%, subject to approval by our retail headquarters.

While our agreements with authorized distributors may provide for restrictions on retail prices of the products sold through third-party outlets, for various commercial reasons, we have not vigorously enforced such restrictions. As a result, our authorized distributors have adjusted the retail prices of our products according to their actual local market conditions. We believe, without vigorously enforcing restrictions on such retail prices, our authorized distributors will be in a better position to improve the sales through third-party outlets and, in turn, increase our wholesale to them. Our revenue generally will not be affected by the authorized distributors' retail pricing as our agreements do not require us to accept returns of our products sold to them. You may find additional disclosure on such return policy and practices relating to our wholesales under the section entitled "—Sales Return

Policy—Wholesale" below. Moreover, as each authorized distributor is limited in its retail of our products exclusively in the geographical area designated by us, the retail pricing of one authorized distributor generally will not affect the retail pricing of other authorized distributors or our proprietary outlets. During the Track Record Period up to the Latest Practicable Date, we had not received any complaints related to the retail pricing of our authorized distributors.

MARKETING AND PROMOTION

We target our marketing activities at the mid-to-premium women's footwear market in China, focusing on direct interaction and communication with our customers and on improving our brand awareness. We primarily engage in the following marketing activities:

VIP Member Programs

In order to enhance customer loyalty, we have been promoting our VIP member program for each of our self-developed brands, "C.banner" and "EBLAN," since 2010. Under the program, our customers may elect to become a VIP member and accumulate one point for each Renminbi yuan they spend on purchasing our products at a price no less than approximately 65% of the products' initial retail prices. Our VIP members may use the accumulated points under the program within one or two years for their subsequent purchases of the same brand of footwear at the current conversion rate of one Renminbi yuan per ten points.

We provide our VIP members with promotional information in anticipation of major Chinese holidays. In addition, we organize regular promotional events solely for our VIP members, such as customized birthday gifts from us. As of July 31, 2011, we had 216,568 VIP members for our "C.banner" brand and 41,685 VIP members for our "EBLAN" brand. Our PRC legal counsel has advised that our VIP member program complies with PRC laws and regulations.

Department Store Promotions

Department stores in which our outlets are located may from time to time organize promotions for a certain time period with a discount for the merchandise of participating retailers. We usually participate in such promotions to benefit from the increased customers shopping and traffic during the promotion period. As our "C.banner" is a popular footwear brand, we have also been able to negotiate with the department stores to set reasonable discounts for our promotions.

Seasonal Sales and Promotional Events

We offer discounts from the retail price on selected merchandise near its season end. We also hold regular promotional events, which typically last three to five days, at or near our department store outlets and independent store outlets. At such events, we usually invite singers, actors and other celebrities to participate in order to enhance our brand image and our communication with customers. In addition, we cooperate with department stores to initiate various promotional campaigns to promote our products.

Outdoor Advertisements

We have engaged celebrities, such as Miss Gao Yuanyuan (高圓圓), a well-known actress in China, as our brand ambassador for "C.banner," and Miss Shang Wenjie (尚雯婕), a popular singer in

China, as our brand ambassador for "SUNDANCE," to promote our products. We also use department store showcases and highway billboards displaying images of our brand ambassadors and products to advertise and enhance our brand image.

Product Catalogs or Brochures

We prepare product catalogs or brochures featuring a range of designs in our collections every season. Such catalogs and brochures are displayed at each of our proprietary outlets and third-party outlets as well as distributed to our VIP members.

PRODUCT RESEARCH, DESIGN AND DEVELOPMENT

We place a great emphasis on consistently offering comfortable and quality women's footwear with a variety of styles in line with the latest fashion trends. To this end, we conduct research, design and development of footwear systematically at our own research and development center in Foshan, Guandong province, focusing on the mid-to-premium women's footwear market. In the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our research and development expenditures amounted to approximately RMB10.9 million, RMB15.6 million, RMB20.2 million and RMB5.3 million, respectively, representing approximately 1.0%, 1.2%, 1.3% and 1.1% of our total revenue for the corresponding periods.

For each of our self-developed brands, including "C.banner," "EBLAN" and "FABIOLA" and "SUNDANCE," we have a research, design and development team consisting of design department, development department and production department to create designs of a wide variety of products based on domestic and international fashion trend, distinctive features of the brand and market demand. Our design managers for our self-developed brands, on average, have more than seven years of experience in footwear design. In particular, our brand director for "C.banner," who previously worked with an internationally renowned Italian designer, has 12 years of experience in footwear design. Our brand director for "EBLAN" also has 11 years of experience in footwear design.

Our new footwear designs are generally created and developed in accordance with our "business wear," "fashion wear" and "casual wear" categories of merchandise. Our "formal wear" line of products for professional women use high-quality materials and offer classic designs. Our "fashion wear" line of products use trendy design elements and unconventional materials in line with the latest international fashion trend and are meant for fashion-conscious young women in general. Our "casual wear" line of products focus on the use of colors and are suitable for most women, with designs which are comfortable, easy-to-wear and suitable for various informal occasions.

We introduce approximately 400 to 500 SKUs into the market for each of our "C.banner" and "EBLAN" brands during each season. As a supplement to our own design capacity, we also outsource the design, together with the manufacturing, of some of the products of our self-developed brands to third parties.

Our Research and Development Center

Our research and development center is strategically located in Foshan, next to Guangzhou, which is the hub of China's footwear industry with abundant supply of raw materials and a well developed industry chain. Such convenient location affords us easy access to the latest fashion intelligence and cutting-edge techniques for footwear manufacturing. The concentration of suppliers of leather and other shoe components in Guangdong province also facilitates product design at our research and development center.

With a GFA of approximately 15,000 square meters and 223 employees as of March 31, 2011, our research and development center has a current design capacity of approximately 4,800 to 6,400 SKUs for each of our "C.banner" and "EBLAN" brands per year.

In order to continuously improve our design capacities, we conduct various regular trainings for our brand directors, design managers and designers. Such trainings include internal design courses, internal training on management and corporate culture, field study in both domestic market and overseas markets, design courses provided by colleges and universities.

Market Research

We have adopted a systematic approach to consistently create a wide variety of products that keep up with contemporary international fashion trends and cater to the preferences of our target consumer groups in China. This approach is based on detailed product research involving the collection of market and fashion information as described below.

- *Tracking International Fashion Trends.* In order to keep abreast of the latest international fashion trends, our designers travel to Hong Kong and Europe regularly to attend trade exhibitions and conduct field studies. In particular, in March and September of each year, our designers attend the international exhibitions of new footwear collections by established brands and designers in Milan, Italy. In May and October, our designers also participate in trade shows for shoe-making machinery and footwear materials held in Bologna, Italy to interact with suppliers of raw materials, to source raw materials and to exchange ideas with footwear designers from other countries.
- *Monitoring Consumer Preferences in China.* In order to monitor the consumer preferences in China, we have selected six cities in China as indicator markets for domestic fashion trends. In addition, our designers regularly attend various trade shows in China to understand latest market developments. Our sales team also provides feedback to the designers in relation to the prevailing preferences of our customers, to enable them to better understand the demands of our targeted consumer groups. Our sales team also assists our designers in identifying popular product designs in prior years as references for future designs.
- *Collection of Information from Other Sources.* Our designers also research various professional websites and publications produced by world-renowned footwear retailers, manufacturers and industry publishers. Such researches often provide insights to our designers with respect to potential trends and preferences in other markets.

Through such research and investigation, we believe our designers are able to gain a comprehensive understanding of the international fashion trends and integrate such trends with the consumer preferences of the PRC market in creating new footwear designs.

Product Design

Based on detailed research of international fashion trends, domestic consumer preferences as well as information from other sources, our designers will discuss with our brand directors to decide on the seasonal themes with respect to the styles, colors, materials and other features of the footwear. Our designers will then create the preliminary designs for 60 to 80 sets of initial prototypes for each of our brands. We generally create about 18 to 20 preliminary sample shoes for each set of initial prototype every season. The preliminary sample shoes will then be tried on by models to test for proper fitting and wearing comfort.

Product Development

Our development and production departments work closely with our design department to determine the manufacturing process and the cost of producing each footwear design. We usually manufacture our footwear designs in batches. After the production of the initial batch, our design department, development department and production department will meet to further discuss issues relating to the initial batch, to rectify any problems discovered in the manufacturing process and to address quality defects, if any. The quantity to be produced for each footwear design in subsequent batches will be determined by consumer response, based on weekly sales records of the previous batch with the same design. This ensures that a production quantity is in line with the demand for each footwear design.

For each season, our initial batches of footwear produced generally account for approximately 50% to 60% of our total sales, while the remaining 40% to 50% are manufactured in subsequent batches according to orders for replenishment. For the production of our initial batches, it usually takes us approximately 45 to 50 days between receiving the orders from our retail regional divisions and authorized distributors and having the finished products for the initial batches ready for delivery. For more information about our order-placing meetings for each season, see the section entitled "—Order-placing Meetings" in this prospectus. For the production of our subsequent batches, it usually takes us approximately 20 to 25 days between receiving the subsequent replenishment orders and having the finished products for such subsequent batches ready for delivery. We are usually able to deliver products from our production facilities to proprietary outlets within one to eight days.

CONTRACT MANUFACTURING

In addition to manufacturing footwear of our self-developed brands, we also accept orders to manufacture a wide range of footwear with various designs for all seasons as OEM or ODM for international footwear companies primarily through footwear trading companies. As our contract manufacturing business is solely conducted for international footwear brands, such OEM or ODM products are usually exported to other countries for sale. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we had six, 10, six and four contract manufacturing customers, respectively, all of which were acting for international brands. These included seven brands from the United States, two brands from Australia and one brand from Canada.

As the purchase orders from our contract manufacturing customers have come to us from trading companies, we have accepted such orders on an order-by-order basis without long-term framework agreements. Under such purchase orders, our contract manufacturing customers will acquire all property rights in the footwear we manufacture for them, including the designs, artworks, drawings and technical specifications. Depending on the contract manufacturing arrangements, we may be required to keep confidential our contract manufacturing customers' proprietary information and trade secrets, and our contract manufacturing customers may be entitled to inspect our production facilities and manufacturing process and we may also be required to indemnify the contract manufacturing customers for their damages arising from our product defects, infringement of third parties' intellectual property or breach of product warranties. Our contract manufacturing customers usually place orders three months in advance and we are able to ship finished products within 78 days after we receive the orders.

The price charged is based on a negotiated case-by-case basis and is affected by various factors, including each party's expected cost of raw materials and labor cost, price quote from other contract manufacturers and other market conditions. As our contract manufacturing business is limited in scale, we generally agree to take on contract manufacturing orders based on the expected gross margin. As a result, even during the global financial crisis in late 2008 and early 2009, our contract manufacturing business was able to maintain a gross margin at a relatively stable level in 2008 and 2009.

Similar to the other export-oriented companies in China, the appreciation of Renminbi against foreign currencies has had a negative effect on our gross margin for the contract manufacturing segment as we incur substantially all of our cost of sales in Renminbi while our contract manufacturing orders are priced in foreign currencies. However, as our contract manufacturing business is conducted by order and, as we are generally in a position to choose contract manufacturing orders based on their expected gross margin, we were largely able to maintain stable level of gross margin during the Track Record Period.

Our revenue from the contract manufacturing segment accounted for approximately 20.7%, 14.7%, 13.2% and 9.8% of our total revenue for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. We believe this business segment brings us advanced technologies and management experiences from overseas customers as well as continuous pressure on us to improve our management efficiency and product quality. On the other hand, as our contract manufacturing segment relies solely on orders from overseas, we are exposed to the risks associated with the global economic conditions and the fluctuation of exchange rates.

In order to continuously improve our overall production efficiency and optimize our customer structure, we intend to maintain our current scale of contract manufacturing business with six existing production lines. Our contract manufacturing business will continue to focus on customers that can bring us a higher gross margin.

OUR MANUFACTURING PROCESS

We manufacture approximately 50% to 60% of the footwear for our self-developed brands and outsource the rest to third-party manufacturers. We manufacture all of our contract manufacturing orders, although we outsource certain semi-finished products with the approval of our contract manufacturing customers. Our contract manufacturing customers typically have representatives stationed at our production facilities to monitor our manufacturing process for their orders.

Self-production

Our manufacturing process is illustrated in the diagram below:

Making of upper units
↓
Preparation of sole units
↓
Fastening and assembling of upper and sole units
↓
Finishing operations

Each member of our manufacturing team has been trained to play a certain role in our manufacturing process, which is divided into four main steps: (1) making of upper units; (2) preparation of sole units; (3) fastening and assembling of upper units and sole units; and (4) finishing operations.

- *Making of Upper Units.* Upper unit is the upper part of a shoe. To make upper units, shoe materials, usually leather, are first cut into various shapes by mechanical presses using pattern-cutting dies, which are specially made blocks of metal used for cutting shoe materials into desired shapes. Depending on the shoe design, different materials for the upper unit will be stitched together using mechanical sewing machines to form the finished upper unit. Logos or special patterns are then sewn onto the finished upper units by sewing machines.

- *Preparation of Sole Units.* Sole units include in-soles, mid-soles and out-soles. Out-sole, which is the bottom part of a shoe, is usually made of synthetic materials and environmental-friendly glue. The out-soles are cut, trimmed and polished into different sizes according to various size and style specifications. Mid-sole is a layer between the in-sole and the out-sole. In-sole is a layer between upper unit and mid-sole. In-soles and out-soles, which are usually made of fabric and foam, are cut and trimmed into different shapes by mechanical cutting presses.

- *Fastening and Assembling of Upper Units and Sole Units.* After upper units and sole units have been prepared, a finished in-sole will be stapled to a last, and a finished upper unit will be stitched to shape around the last. Depending on the design of the shoe, a shank, which is a piece of metal or plastic placed adjacent to the heel to shape and strengthen a shoe, will be stapled onto the in-sole before the mid-sole and out-sole are glued to the in-sole. The heel is then glued to the outsole, to form the finished sole unit.

  The finished sole unit and the finished upper unit are then delivered to the pressing machines to ensure that the glue takes a firm hold. After that, these combined units are passed on to the cooling machine in order to fasten the various component parts. We conduct inspection at each stage of the gluing and fastening process to ensure that the different component parts are firmly fastened together.

- *Finishing Operations.* Finishing operations are carried out after the last is removed from the shoe, and typically include polishing, trimming and labeling. Afterward, the finished shoes are given a final inspection by our quality control team before they are packed into boxes in accordance with the order specifications as provided by our respective regional divisions or our authorized distributors, in preparation for delivery.

Outsourcing

We outsource part of our products in order to more efficiently meet market demand, particularly for the manufacturing of our initial batches of footwear for each season. We currently outsource approximately 40% to 50% of the footwear of our self-developed brands. Our outsourcing typically occurs on a season-by-season basis in connection with our product offerings each season.

- *Selection Criteria.* We generally require that the sub-contractors accept a 60-day settlement period after product delivery, operate a full set of footwear manufacturing facility, and maintain a quality standard comparable to our own. If our assessment is satisfactory, we will then conduct a quality tracing exercise for approximately three months before we place orders with them.

- *Raw Material Sourcing.* As part of our quality control measures, we typically require the sub-contractors to purchase raw materials from our designated suppliers.

- *Quality Control.* We require sub-contractors to provide us with sample shoes for initial testing and final inspection of the products before mass production. The products manufactured by the sub-contractors must pass the inspection by our quality control personnel. We conduct evaluations on a quarterly basis to assess their qualification. We will suspend our working relationships with the sub-contractors if they are rated sub-standard for two consecutive quarters. The sub-contractors are liable for losses we incur for material product quality issues and are required to make repairs at their own expense.

- *Product Delivery.* The sub-contractors are typically responsible for delivering the products to the warehouses designated by us and assume the transportation costs. We may terminate the purchase orders or manufacturing agreements and further seek damages if the sub-contractors fail to make timely delivery of the products pursuant to such orders or agreements.

- *Design Protection.* We generally require our sub-contractors not to manufacture footwear for themselves or other customers with the same designs as those which they manufacture for us. Specifically, for the outsourced products with our own design, we require the sub-contractors not to manufacture products of the same design for their other customers within three years after they manufacture products for us; for the outsourced products designed by the sub-contractors, if our order reaches a certain size, we generally require that the design be used for our products only and may not be used for the sub-contractors' other customers for a specified period of time. If a sub-contractor violates the above design protection provisions, it is required to pay us damages calculated on the basis of our order price. We generally do not impose any design protection requirement for stand-alone small orders designed by our sub-contractors.

- *Pricing.* The price we pay to our sub-contractors is based on the cost of the raw materials plus a reasonable processing fee for the outsourced products. For the years ended

December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our total purchases of outsourced products were approximately RMB256.0 million, RMB213.5 million, RMB356.5 million and RMB41.7 million, respectively. For the corresponding periods, the total purchase price we paid to our largest sub-contractor for the outsourced products was approximately RMB69.2 million, RMB57.4 million, RMB116.0 million and RMB15.1 million, respectively, representing approximately 27.0%, 26.9%, 32.5% and 36.1% of the total purchase price we paid to all of our sub-contractors, respectively. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, the total purchase price we paid to our five largest sub-contractors for the outsourced products was approximately RMB173.7 million, RMB136.7 million, RMB242.4 million and RMB34.1 million, respectively, representing approximately 67.9%, 64.0%, 68.0% and 81.7% of the total purchase price we paid to all of our sub-contractors, respectively.

- *Relationship with Sub-contractors.* During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we placed orders with 17, 20, 19 and 18 sub-contractors, respectively. These sub-contractors are footwear manufacturers located in Guangdong province. Among the 18 sub-contractors with which we placed orders in the three months ended March 31, 2011, we have maintained working relationships with eight of them for more than five years, five for more than one year but less than five years and five for less than one year. The pool of sub-contractors was slightly different each year as we made small adjustments taking into account factors such as the sub-contractors' capacity in manufacturing the products we need, and their record of product quality and timelines of product delivery. During the Track Record Period, none of our sub-contractors breached its agreement with us in any material respect.

With the expansion of our operations, we may expand the outsourcing amount of our products in the future in order to meet increasing demand and to control cost. However, as our cost of sales for self-manufactured products is, on average, lower than that for outsourced products, we intend to increase the proportion of the self-manufactured products to lower our overall cost. As a result, the outsourcing proportion of our products is expected to decrease in the long run.

PRODUCTION FACILITIES

We have three production facilities located in Nanjing, Dongguan and Suining in China, with a total GFA of approximately 70,445 square meters. Our Suining production facility, which currently does not have full production lines, has been producing only upper units since its establishment to support the footwear production at our Dongguan and Nanjing facilities, each of which has six full production lines. The following table sets outs a summary of certain key information about our Dongguan and Nanjing production facilities as of March 31, 2011, unless otherwise indicated:

	Nanjing	Dongguan	Total
GFA (square meters)	31,445	32,000	63,445
Number of production lines	6	6	12
Commencement date of production	1996	2001	—
Production capacity (pairs)(1)			
2008	2,100,000	2,700,000	4,800,000
2009	2,250,000	2,700,000	4,950,000
2010	2,700,000	2,700,000	5,400,000
2011 (1st quarter)	675,000	675,000	1,350,000
Actual production volume (pairs)(2)			
2008	1,380,000	1,900,000	3,280,000
2009	1,600,000	1,720,000	3,320,000
2010	1,900,000	2,020,000	3,920,000
2011 (1st quarter)	467,000	461,000	928,000
Utilization rate(3)			
2008	66%	70%	68%
2009	71	64	67
2010	70	75	73
2011 (1st quarter)	69%	68%	69%

(1) Production capacity for footwear products of our production facilities during any time period refers to the maximum pairs of standard pumps such production facilities can produce during such period. The estimation of such maximum amount is based on the GFA of the workshops, the number of production lines, the number of production employees and other relevant conditions of the production facilities, assuming the production is carried on eight hours a day, six days a week and 50 weeks a year. Our Directors believe that production capacity as so defined is in line with the practice in the footwear industry.

(2) Actual production volume refers to the total pairs of standard pumps, as converted from the various types of shoes we actually produced during the year. For such conversion, the pairs of shoes of different types which we actually produced during the year are multiplied by their respective weighing factors to calculate the standard pumps that we would have produced during the year. We determine such weighing factors based on our production experiences, taking into account various factors, primarily the working time required for producing a pair of specific type of shoes as compared with that required for producing a pair of standard pumps. Our Directors believe that actual production volume as so defined is in line with the practice in the footwear industry.

(3) Utilization rate equals actual production volume divided by production capacity.

In the past 10 years, we have been continuously increasing the use of machinery to improve our production efficiency. We conduct regular maintenance of our machinery every week and have designated staff inspect the machinery every month. Our suppliers of production machinery conduct inspection of our machinery every year. We balance the benefit of automation and cost-effectiveness in considering whether to implement new machines.

Nanjing Production Facility

Our Nanjing production facility, which we own, had an aggregate site area of approximately 100,176 square meters with a total GFA of approximately 31,445 square meters as of March 31, 2011. As of the same date, the facility had six production lines with an annual production capacity of approximately 2.7 million pairs. We use our Nanjing production facility primarily to manufacture shoes for our self-developed brands.

Dongguan Production Facility

Our Dongguan production facility, which we lease, had a total GFA of approximately 32,000 square meters as of March 31, 2011. As of the same date, the facility had six production lines with an annual production capacity of approximately 2.7 million pairs. We use our Dongguan production facility primarily to manufacture shoes for contract manufacturing brands to be sold overseas, with approximately 4% to 5% of the production capacity used for our self-developed brands to be sold in China.

Suining Production Facility

Our Suining production facility, which we lease, had a total GFA of approximately 7,000 square meters as of March 31, 2011. The facility commenced production in 2010 and has been producing only upper units to support the footwear production at our Nanjing and Dongguan facilities. We intend to expand our Suining production facility with capital expenditure of approximately RMB118.2 million for purchase of land use rights and plant and production equipment by the end of 2013. We plan to finance such capital expenditure through the proceeds from the Global Offering and, if necessary, the funds generated from our operations. Our Suining production facility is expected to have two full production lines by the end of 2011, four by the end of 2012, and six by the end of 2013. Each of these production lines is expected to increase our annual production capacity by approximately 450,000 pairs. We intend to use these production lines to manufacture shoes for our self-developed brands.

We have decided to increase our production capacity primarily based on the following considerations. First, as we anticipate the market demand for our products will continue to increase, our existing production capacity is not expected to meet such increase in market demand. The mid-to-premium women's footwear in China has continued to demonstrate strong growth and is expected to grow at a CAGR of approximately 13.0% between 2010 and 2014 according to the Euromonitor Report, as disclosed in the section entitled "Industry Overview—Overview of the Mid-to-Premium Women's Footwear Market" in this prospectus. While we would like to benefit from such strong growth, the overall utilization rate of our production facilities in Nanjing and Dongguan was approximately 73% for 2010, which we believe has only limited room for further improvement due to various factors affecting the actual production, such as less-than-ideal workflow and idle time caused by preparation of raw materials. For example, due to the varying skill levels of our production employees, it may take a longer time than we expect for a product to be processed at any step of the manufacturing process, which will in turn affect the subsequent workflow. In addition, while we manufacture approximately 40% to 50% of our products according to orders for replenishment, we may not have enough raw materials in stock upon receipt of a replenishment order, which may lead to production idle time when we procure and prepare raw materials for production. Second, as our cost of sales for self-manufactured products is, on average, lower than that for outsourced products, we intend to increase the proportion of our self-manufactured products with self-developed brands to lower our cost in the long run. Third, as we plan to continue to develop new products for our existing brands and launch new brands into the market, we will need to increase our production capacity to support the expansion of our product portfolio.

As we expand our production capacity, we will continue to improve the utilization rates of our existing production facilities. We believe the current level of our utilization rates have limited room for further improvement primarily due to the seasonal nature of the women's footwear business and our business model, which generate an uneven workflow during each season. For each season, our initial batches of footwear generally account for approximately 50% to 60% of our total sales, while the remaining 40% to 50% are manufactured in subsequent batches according to orders for replenishment. As our initial batches of footwear are typically manufactured continuously within a relatively short period of time at the beginning of each season under the pressure to timely launch new products, our production facilities are generally fully utilized during such period. However, our subsequent batches of footwear in each season are manufactured on a discontinuous basis over the rest of season, depending upon actual market demand for our products. As a result, our production facilities are underutilized during this period if there is no strong market demand after we launch the initial batches to the market. Moreover, in case of unanticipated market demand for manufacturing subsequent batches, we may not have all the required raw materials ready for use and will need more time for preparation accordingly, which may also result in underutilization of our production facilities. As such, there are inherent restrictions in improving our overall utilization rates. In order to improve our utilization rates, we have been improving, and will continue to improve, our management of supply chain through, among other things, expanding the coverage of and upgrade our management information system. For more information on our management information system, see the section entitled "Business—Management Information System" in this prospectus.

We have chosen Suining to establish our third production facility because of the availability of skilled labor and relatively low labor cost in Suining. In particular, Suining is an inland town with a large amount of skilled labor, which we believe will provide us a relatively stable labor supply in a cost-effective manner. Our Suining production facility, which is expected to support the production for our self-developed brands, is currently focusing on the production of upper units, which requires skilled labor.

RAW MATERIALS

The main raw material used in the manufacturing of our women's footwear is leather from the hide of a cow, goat or pig. Other raw materials used include fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. We source most of our raw materials from sources within China and only a small portion of our raw materials, mainly those required by our contract manufacturing customers, from overseas. In particular, we purchase approximately 80% to 85% of our raw materials from Guangzhou, where there is a well-developed raw material market for footwear.

OUR SUPPLIERS

We purchase raw materials in a centralized manner to increase our bargaining power. For our principal raw materials, we generally have two main suppliers and one supplemental supplier to ensure stable supply. We enter into yearly agreements with our main suppliers, which govern the terms of the purchase order we place during the year. Pursuant to such agreements, the suppliers will provide us with raw material samples, price quotes and delivery schedules each time we make an ordering request during the year, and the purchase prices, purchase quantities and delivery schedules will be finalized in each purchase order after negotiation. We require the suppliers to accommodate our quality inspection procedures during their manufacturing process and ensure the delivered products conform to the samples initially provided to us. The suppliers will be responsible for all damages we incur during the sale of finished footwear as a result of quality defects in the raw materials provided by such suppliers. As of the Latest Practicable Date, we had 112 major raw materials suppliers, among which we had maintained working relationships with 31 suppliers for no less than 10 years, 41 for more than three years but less than 10 years, and 40 for no more than three years, respectively. Our suppliers generally grant us a credit term of 45 to 60 days.

For the three years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our five largest suppliers accounted for approximately 26.0%, 30.6%, 34.0% and 34.3% of our total purchases, respectively, and our largest supplier accounted for 14.2%, 11.3%, 16.0% and 16.1% of our total purchases, respectively. None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our share capital has any interest in any of these five largest suppliers.

We also purchase semi-finished and finished products from other footwear manufacturers for our production and distribution. For the footwear of our self-developed brands, we outsource the production of approximately 40% to 50% of the total distributed amount to third-party manufacturers. For more information on our management of outsourcing and quality control of outsourced products, see the section entitled "—Our Manufacturing Process—Outsourcing" in this prospectus.

OUR CUSTOMERS

We retail footwear through our proprietary outlets and wholesale footwear to our authorized distributors exclusively in China. We also accept orders to manufacture footwear as OEM or ODM for international footwear companies.

For the three years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our five largest customers accounted for approximately 13.2%, 11.7%, 13.4% and 10.1% of our total revenue, respectively, and our largest customer accounted for approximately 5.7%, 4.3%, 5.5% and 5.6% of our total revenue, respectively. For the three months ended March 31, 2011, our five largest customers consisted of four contract manufacturing customers and one authorized distributor. None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our share capital has any interest in any of these five largest customers.

INVENTORY MANAGEMENT

Our inventory comprises mainly of raw materials and finished footwear. Our inventory level is determined principally by our production requirements and the orders received by us. Our goal is to minimize our inventory turnover days.

We generally purchase leather according to actual footwear orders we receive. However, as the price of leather is subject to seasonal fluctuations, we try to stock up on those of commonly used colors, such as black, when the price of leather is relatively low during the year.

We continuously monitor our inventory of raw materials and try to use older stock of raw materials first. For raw materials which are unused for a period exceeding 12 months, we sell them at cost to other manufacturers, failing which we would make the appropriate provisions for them. As of December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, the outstanding amounts of provisions we made for such inventory were RMB1.4 million, RMB1.3 million, RMB1.3 million and 1.3 million, respectively. After reassessment, we believe that the provision is sufficiently provided and no further provision is required for those raw materials unused for a period of exceeding 12 months.

We closely monitor the sales of the finished footwear we manufacture every season. At the headquarters level, our logistics center is responsible for the overall physical inventory management across China. At the regional division level, designated personnel, who periodically report to our headquarters, are responsible for the physical inventory management and stock replenishment in their respective sales regions.

If the sales of certain designs do not meet our expectations, we give discounts to stimulate the sales. For finished footwear, our current policy for proprietary outlets is to endeavor to sell 80% or more of the “C.banner,” “EBLAN” and “Naturalizer” shoes and to sell 70% or more of the “FABIOLA” and “SUNDANCE” shoes within one year of their production. To implement the policy, our branch offices closely monitor the sales of the footwear we produce for each season and conduct various promotion activities, especially around season ends, in order to reach our sales target. Our footwear produced for winter and summer are primarily sold during the season for which they are produced, while our footwear produced for spring or fall may also be sold in the succeeding fall or spring season, respectively. We offer discounts from the retail price on selected merchandise near its season end. For shoes left unsold after the season ends, we offer progressively deeper discounts, if we consider necessary, in order to sell all the remaining shoes as soon as possible. We will further reallocate most of our out-of-season products to our discount stores, which are more focused on selling out-of-season products. For our categorization of proprietary outlets targeting different groups of customers, see the section entitled “—Sales and Distribution—Distribution of Products of Self-developed Brands and Licensed Brand Through Proprietary Outlets—Management of proprietary outlets” in this prospectus. After the third year of producing the shoes, all unsold shoes are required to be returned to our headquarters to be disposed of. During the time when we hold unsold shoes aging more than three years, which are to be disposed of, we make full provision for such shoes. In order to keep our inventory at a reasonable level, our financial personnel work together with our sales and logistics personnel pursuant to our inventory policy to ensure the effectiveness of our inventory management. During the Track Record Period, approximately 72% to 82% of our “C.banner,” “EBLAN” and “Naturalizer” shoes are sold within one year of their production. In order to prevent accumulation of unnecessary inventory at any authorized distributor, we also assist our authorized distributors in conducting analysis of their respective local markets and in their placement of purchase orders with us in reasonable amounts, as disclosed in the section entitled “—Sales and Distribution—Distribution of Products of Self-developed Brands Through Third-party Outlets—Management of authorized distributors and third-party outlets” in this prospectus.

For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, our average inventory turnover days for continuing operations were 199 days, 163 days, 200 days and 199 days, respectively, partially due to (i) our policy of maintaining a certain level of raw materials in our inventory to support our manufacturing of approximately 50% to 60% of the footwear of our self-developed brands; (ii) our policy of maintaining a certain level of finished footwear in our inventory to support our retail business operated through our proprietary outlets, which need to keep adequate level of stock depending on their respective sizes and sales; (iii) the relatively high level of inventory we maintained to support the expansion of our sales network; (iv) the seasonality of our business, which results in a relatively high balance of inventory at year end as we generally have a relatively high level of inventory at the end of each year comprising fall and winter footwear in anticipation of the sales peak during the Chinese New Year holiday season and our fall and winter footwear generally have higher unit cost than those of our spring and summer footwear; and (v) our diverse offering of footwear products, which requires us to maintain a relatively high inventory level to accommodate a broad range of product offerings. As of December 31, 2008, 2009 and 2010 and the three months ended March 31, our inventories accounted for approximately 53.4%, 34.5%, 49.8% and 45.9% of our total current assets. For more details, see the section entitled “Financial Information—Inventory Analysis” in this prospectus.

LOGISTICS

Our finished products are managed by our logistics center with its two central warehouses located in Foshan and Nanjing, respectively. In addition, we also have local warehouses for our branch offices across China.

Our Foshan warehouse has a total GFA of 4,500 square meters and our Nanjing warehouse has a total GFA of 3,500 square meters. We plan to expand our Nanjing warehouse by building a new storage facility with a total GFA of approximately 10,000 square meters, which is expected to be completed in 2012.

In our warehouses, we regulate the humidity and temperature to ensure products are stored under appropriate conditions. We have designated staff track different raw materials and finished products, to conduct stock count twice a year and to systematically manage our inventory.

We generally ship products immediately upon completion of production. The insurance for the products in transportation is covered by the fees paid to the logistics companies either by us or by our customers. We typically ship products to our contract manufacturing customers via sea and are responsible for the transportation fees until the products are loaded onto the ship. Our authorized distributors are typically responsible for the transportation fees for the products delivered to them.

For our retail business, our finished products are first transported from our central warehouses to local warehouses, and then to individual outlets for sale. We have long-term relationships with seven logistics companies, among which we have maintained working relationships with four of them for more than five years and the other three for two to three years. These logistics companies typically undertake the transportation of our raw materials or finished products pursuant to our yearly agreements. Under these agreements, the logistics companies are responsible for any product loss incurred during transportation. If a logistics company causes damages to our products in an accumulated amount of more than RMB150,000 during the term of the agreement, or in an amount of more than RMB100,000 in any single incident, we are entitled to terminate the yearly agreement in addition to our right to seek damages against the logistics company. In addition, the logistics companies are required to keep our commercial secrets, such as our marketing plans, confidential and are prohibited from subcontracting the logistics services to third parties without our prior consent. For untimely delivery, the logistics companies are subject to liquidated damages in an amount of up to 100% of the transportation fees we have agreed to pay them. The fees we pay the logistics companies are typically calculated pursuant to a fee schedule, which vary depending on sizes of the items, distances for transportation and timing requirements for delivery. Such fees generally cover all the expenses to be incurred by the logistics companies, including insurance cost, tolls and any handling fees. We generally settle with the logistics companies every other month. During the Track Record Period, none of the logistics companies engaged by us had breached the agreements with us in any material respect.

MANAGEMENT INFORMATION SYSTEMS

We believe that management information system is fundamental to the efficient management and operation of our business and performs a key role in our success and future growth. Our management information system consists of business information management system, financial accounting and analysis system, human resources system, and internal communication system, which fully cover our headquarters, all subsidiaries, regional divisions, branch offices and retail outlets.

Our business information management system integrates the functions of order placing, inventory management, stock replenishment, sales, customer relationship management, and data analysis. In particular, all our proprietary retail outlets are equipped with point-of-sale terminals connected with the relevant branch offices, regional divisions and our retail headquarters. By synchronizing data once every other day, our branch offices, regional divisions and retail headquarters are able to obtain up-to-date sales information from our proprietary outlets. We further analyze such information to identify local customer preferences and domestic fashion trends, based on which we will adjust our production plans, inventory levels, marketing strategies and footwear designs. Through the customer relationship management function of our business information management system, we record and analyze the sales to and personal data of our VIP members and improve our VIP program on an on-going basis.

Our financial accounting and analysis system and human resources system are connected with our business information management system through interfaces to facilitate our overall data analysis. Our internal communication is conducted through our information center management system, office automation system, video conferencing system, instant messaging system and email system.

We are in the process of expanding our management information system to cover the third-party outlets operated by authorized distributors in order to obtain more up-to-date sales information from the frontline of such market. We also intend to upgrade our current management information system into a business intelligence system, which will integrate the current separate systems into one centralized operation platform based on a uniform database to improve the efficiency of our data analysis.

EMPLOYEES

For information about our employees, see the section entitled "Directors, Senior Management and Staff" in this prospectus.

QUALITY CONTROL

We have implemented quality control measures throughout our manufacturing process. As we focus on the market for mid-to-premium women's footwear, it is important that our customers are provided with products of superior quality. As of March 31, 2011, our quality control team had more than 39 members who are tasked with the examination of footwear products at each stage of the production to ensure that the quality is satisfactory. Members of our quality control team have been trained by the technical team to look out for quality control issues.

Raw Materials Inspection

We purchase our main raw materials only from reputable suppliers in China and strictly inspect the raw materials. In order to ensure the quality of raw materials, we have acquired various advanced inspection equipments. In addition, we have established a quality inspection team to examine all upper materials, sole materials and decorative materials to ensure only qualified materials enter production lines. Moreover, we periodically evaluate our suppliers to ensure that they are capable of meeting our quality standards.

Production Process Inspection

We have 30 dedicated personnel who inspect both semi-finished and finished products. Any products found to fail to meet the quality standard will be prevented to move to the next production step. Moreover, we have established a process supervision team which monitors our production process on a daily basis. Any production personnel found to have violated our process standard will receive corresponding penalties.

Finished Products Inspection:

We conduct random inspection of our finished footwear on a daily basis with various equipments. Our contract manufacturing customers also have quality inspectors stationed at our production facility to randomly inspect products on a daily basis. Every quarter, we will send our finished product samples to relevant authorities, which will issue an inspection report.

Control of Monitoring and Testing Equipment

All our monitoring and testing equipment and devices are controlled by our quality control department, which will allocate and install relevant equipment and devices to ensure the inspection is being conducted effectively and efficiently.

SALES RETURN POLICY

Under the PRC laws, we are required to accept the return of, exchange, or repair defective products. We have adopted a sales return policy in compliance with the relevant PRC laws.

Retail Sale

If quality problems governed by applicable laws surface during our customers' use of our products, our proprietary outlets will either accept product returns or exchange the defective products with new ones pursuant to the applicable laws. For other problems that surface during our customers' use of our products, we will provide repair services for a fee. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we accepted product returns in the total amount of 2,473 pairs, 2,745 pairs, 2,126 pairs and 522 pairs, respectively.

We have a dedicated after-sales department responsible for processing customers' complaints and safeguarding our brand image. Our after-sales team has been trained to address such complaints, including the verification of any alleged defects in the merchandise. Our customers may reach us through a hotline for product quality issues.

Wholesale

Generally, we do not accept return of our products sold to authorized distributors. As our standard commercial term, we pay the authorized distributors in an amount equal to 1% of the purchase price they pay to us as quality assurance money to cover any defective products which would otherwise entitle them to product returns or replacements. We are not entitled to any refund of such quality assurance money. However, if the defective products we sell to authorized distributors exceed 1% of the total purchase prices, we will make exchanges for the defective products in excess of the 1% amount.

Based on our market experience, including communications with our customers, we believe our payment of quality assurance money in the amount of 1% of the purchase price is in line with the practice in the footwear industry. By making such payment to authorized distributors, we are relieved from dealing with potential minor complaints for product quality issues, which allows us to better focus our resources on our core operations. During the Track Record Period, we did not have any material quality control problems related to our products and did not have to make any exchanges for defective products in excess of the 1% purchase price.

PROPERTIES

As of July 31, 2011, our production facilities, proprietary outlets, office buildings, residential units and other ancillary facilities had a total GFA of approximately 100,348 square meters. For further details about our properties, you may refer to Appendix IV entitled "Property Valuation Report" attached to this prospectus.

Owned Properties

As of July 31, 2011, we owned one parcel of land with a total site area of 100,176 square meters in Nanjing, Jiangsu province. We have obtained the land use rights certificate for such land.

As of July 31, 2011, we owned 11 buildings or units and one car parking space with a total GFA of approximately 32,348 square meters. We have obtained building ownership certificates to all such properties. In addition, we have a warehouse currently under construction, which is expected to have a total GFA of approximately 10,000 square meters upon completion in 2012.

Leased Properties

As of July 31, 2011, we leased 56 properties with a total GFA of approximately 68,258 square meters.

While not all of our lease agreements in China have been registered with the relevant PRC authorities, our PRC legal counsel has advised that the absence of such registration does not affect the validity and enforceability of such lease agreements in China. The relevant lease agreements are fully valid and effective and not subject to any legal restriction on enforcement. Although a PRC government departmental rule provides that the relevant parties that enter into a lease agreement without due registration with the proper local authorities may be subject to a penalty of no more than RMB10,000 if they fail to rectify their failure of registration within a specified time. Such PRC government departmental rule does not explicitly specify the responsible party for such registration, which could mean that our subsidiaries may end up being subject to such penalties. Given the relatively insignificant amount of such penalties, our Directors believe that it would not have any material adverse effect on our financial condition and results of operations.

Among these leased properties, 12 buildings or units with a total GFA of approximately 56,949 square meters have been leased from lessors who were unable to provide the relevant building ownership certificates. The lessors of 11 of these properties with a total GFA of 41,691 square meters have provided documents evidencing their rights that they have requisite titles or rights to lease the properties to us, including:

- The property leased for our Dongguan production facility with a total GFA of 32,000 square meters. The lessor of the property has obtained the underlying land use right certificates, the construction land planning permit and the fire department approval, and is currently in the process of applying for the relevant building ownership certificates, which are expected to be issued by the end of 2011. As such, our PRC legal counsel has advised that there is no legal restriction for the lessor to obtain such building ownership certificates.

- The property leased for our Suining production facility with a total GFA of 7,000 square meters. Although the lessor of the property has not provided the relevant building ownership certificates, the lease of the property has been accepted for registration with the relevant local government authorities. As such, our PRC legal counsel has advised that our lease is not in violation of the relevant PRC laws.

However, the lessor of one of the above 12 properties has been unable to provide enough documents sufficiently evidencing its title or rights to lease the property to us, as follows:

- The property leased for our research and development center and one of our central warehouses in Foshan with a total GFA of 15,258 square meters. The property is built on a collectively-owned land that belongs to a village. The village committee has acknowledged our lease of the building from the lessor. The lessor is processing its application for the building ownership certificate with the relevant government authorities. We have leased the property since 2007. There have been no disputes with any third party with respect to our lease of the property. As advised by our PRC legal counsel, the lease contract of this property complies with the PRC Contract Law and is valid, binding and enforceable against the contracting parties.

We do not deem this property crucial to our operations as it is not used as our production facility and we believe our relocation from this property, if compelled, is expected to take a relatively short period of time at a limited expense without interrupting our manufacturing process or product sales. In particular, if we are compelled to relocate our operations from the property leased for our research and development center and one of our central warehouses in Foshan due to title defects, such relocation is expected to take approximately 10 days and cost approximately RMB3.7 million, which is not expected to have any material adverse effect on our revenue.

If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them, we may be forced to relocate our operations on the affected properties and incur additional costs associated with such relocation. With respect to our leased properties, except for Dongguan production facility, Suining production facility and Foshan research and development center, we are of the view that all these leased properties can, if necessary, be replaced by other comparable alternative premises without material adverse effect on our operations and material additional costs. The Indemnifiers have agreed to indemnify us for any potential losses and liabilities resulting from the title defects of our leased properties.

COMPETITION

The competition in the women's footwear industry in China has been intensifying in the past three years as numerous brands are vying for the attention of customers. The mid-to-premium women's footwear market in China is relatively consolidated with the top 10 brands (both casual footwear and formal footwear) comprising 59.6% of the total market. Belle International Holdings Ltd is the largest company which operates five of the top 10 brands, including the top three brands in the segment. According to the Euromonitor Report, we are the second largest company in the segment with 6.5% market share, and our "C.banner" is the fourth largest brand in the segment with 5.0% market share based on estimated retail sales of 2010. In recent years, we believe some local footwear retailers with better sales distribution networks could have emerged, either with footwear of their own brands or as agents of other footwear brands.

To enter into the retail business of mid-to-premium women's footwear, a market participant will generally need to secure supply of finished footwear, develop or license mid-to-premium women's footwear brands, and establish a retail network. The participant may either outsource the manufacturing to third parties or construct its own production line to self-manufacture products. Similarly, it may either license mid-to-premium women's footwear brands from third parties or develop its own brands, which will require research and development capabilities. The retail network for mid-to-premium women's footwear in China is generally developed through department stores as its main distribution channel.

We primarily compete in the PRC women's footwear market with footwear manufacturers with national distribution networks, and some women's footwear companies of local brands, in terms of brand image, product design and quality, pricing and distribution network. As the targeted consumers are brand-oriented in the mid-to-premium women's footwear market, footwear companies pay significant attention to promote brand images through intensive marketing and advertising. As the second largest retailer of mid-to-premium women's formal and casual footwear in China in terms of estimated retail revenue for 2010, we believe we have successfully established the brand images for our "C.banner" and "EBLAN" footwear. For our new brands launched or to be launched into the market, we may face intensive competition with other brands.

Product design and quality is a crucial competitive factor in the women's footwear industry as the industry is highly susceptible to changes in fashion trends and high quality is the prerequisite to competition or market expansion. We are able to design approximately 4,800 to 6,400 SKUs per year for each of our "C.banner" and "EBLAN" brands, relying on our systematic research, development and design capabilities. Also, through our contract manufacturing business, we have been able to appreciate our customers' designs and manufacturing methods.

Pricing strategy is another factor which affects the competition in the women's mid-to-premium footwear market. While deep discounts to retail prices may increase sales volume in the short run, it may have a negative impact on the brand's image and profitability in the long run. We generally follow the market on pricing strategies and do not compete by discounts.

For the mid-to-premium women's footwear market, the development of an extensive distribution network, especially distribution through department stores, is crucial for effective competition in the segment. We have established our distribution network through both our proprietary outlets primarily in first-to-third-tier cities and authorized distributors primarily in other cities with their own third-party outlets to retail our products. We believe we are in a better position to compete with most of our competitors through such a distribution model, which distinguishes the geographical markets according to their level of economic development and corresponding customer spending power. In addition, with our vertically integrated business model, we believe we are able to control our supply chain and compete in a more effective manner than most of our competitors.

INTELLECTUAL PROPERTY

We regard the goodwill associated with our "C.banner" and "EBLAN" brands as our valuable assets. We believe that our trademark, trade secrets and other intellectual property rights are critical to our success. For details of our intellectual property rights, please refer to the section entitled "Appendix VII—Statutory and General Information—B. Further Information about the Business of the Group—2. Intellectual Property Rights of the Group" attached to this prospectus.

We own the trademarks related to our "C.banner," "EBLAN," "FABIOLA" and "SUNDANCE" brands, and also have pending trademark applications related to our "EBLAN," "FABIOLA" and "SUNDANCE" brands.

During the Track Record Period and through the Latest Practicable Date, we were not aware of any infringement of our intellectual property rights. Our market management personnel are constantly on the look-out for incidents of trademark infringement in the course of their routine inspection at various retail locations in the PRC cities. We will report all cases of infringement to the authorities and take the appropriate follow-up actions accordingly.

INSURANCE COVERAGE

We carry various insurance policies covering our properties, including inventories in our two central warehouses, motor vehicles and our investment real properties. Some of the department stores where our proprietary outlets are located also provide insurance coverage for our inventories at such proprietary outlets. We are not required under PRC laws to maintain, and we do not maintain, any product liability insurance.

For products of our self-developed brands or licensed brand, logistics companies generally carry insurance for the products in transit. For our contract manufacturing products, either we or our customers will carry insurance for the products in transit pursuant to our agreements.

We believe that our insurance coverage is in line with industry practice. During the Track Record Period and through the Latest Practicable Date, we had not made, or been the subject of, any material insurance claims.

GOVERNMENT REGULATIONS

As of the Latest Practicable Date, our business operations in China are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses operating in China. We have obtained all the necessary licenses and permits for our business operations in China, and have complied with all relevant laws and regulations. A summary of the relevant PRC laws and regulations has been set out in Appendix V entitled "Summary of Principal Legal and Regulatory Provisions" to this prospectus.

ENVIRONMENTAL PROTECTION

We are subject to PRC environmental laws and regulations, which govern a broad range of environmental matters, including air pollution, noise, waste water and solid waste. We believe that our manufacturing process does not have any material adverse effect on the environment primarily because the process is labor-intensive and does not consume a large amount of energy or involve hazardous substances. In addition, due to the composition of our products, there is minimal air pollution, noise, waste water or solid waste generated from our manufacturing process.

We have implemented measures in the operation of our business to ensure our compliance with all applicable requirements under the PRC environmental laws and regulations. The general managers, vice general managers and production management of each of our production facilities are familiar with the relevant environmental requirements and are responsible for formulating and implementing our environmental protection measures. Specifically, we discharge waste gas generated from the spraying process during our production and discharge the waste gas using exhaust fans in our factories. The glue and spray paints used in our manufacturing processes comply with local regulatory standards.

In addition, we have implemented external control to ensure all the raw materials we purchase comply with relevant PRC laws and regulations. We have also implemented negative-pressure air fan and ventilation system to purify the air in our workshops, and adopted automatic cementing machines to reduce indoor pollution at our production facilities. The waste water and solid wastes we generate are generally processed by the relevant municipal sewage and waste processing facilities.

We conduct annual environmental inspection to ensure that we comply with all relevant environmental standards. During the years ended December 31, 2008, 2009 and 2010, we incurred compliance costs related to environmental rules and regulations applicable to us of approximately RMB20,000 to RMB30,000 on an annual basis, which were paid to the relevant governmental authorities for environmental monitoring and inspection. We expect to incur a similar amount of annual compliance cost going forward.

Our PRC legal counsel has advised that we complied with all applicable PRC environmental laws and regulations during the Track Record Period up to the Latest Practicable Date.

SAFETY CONTROL

We are subject to the PRC laws and regulations on labor, safety and work-related incidents. In order to ensure that we provide a safe working environment, the design and construction of our production facilities and office buildings take into account smoke and dust removal to make sure the working space is not polluted. All of our employees working in our factories must undertake safety training and pass a safety test before commencing work. Such safety training includes work-related safety training and fire safety training. For certain working positions that are exposed to possible personal injuries, such as positions for cutting, heating or pressing, we provide our relevant employees with special training and protection measures before they commence work, and also purchase accidental injury insurance for them. We conduct safety inspections and hold safety inspection meetings on a monthly basis to eliminate potential safety hazards in our production process.

During the Track Record Period and through the Latest Practicable Date, we had complied with the PRC workplace safety regulatory requirements in all material respects and did not have any incidents or complaints which had materially and adversely affected our operations.

LEGAL PROCEEDINGS

Our Directors have confirmed that we have obtained all permits and licenses required for our business operations as described in this prospectus and, during the Track Record Period, had complied with all applicable laws and regulations in all material respects. In particular, none of our Company and Directors has committed any breach of the listing rules of SGX-ST since the listing of our Company on SGX-ST.

During the Track Record Period, none of our Company and Directors was a party to any litigation or arbitration proceedings which would have any material adverse effect on our financial condition or results of operations. As of the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our business, financial condition or results of operations.