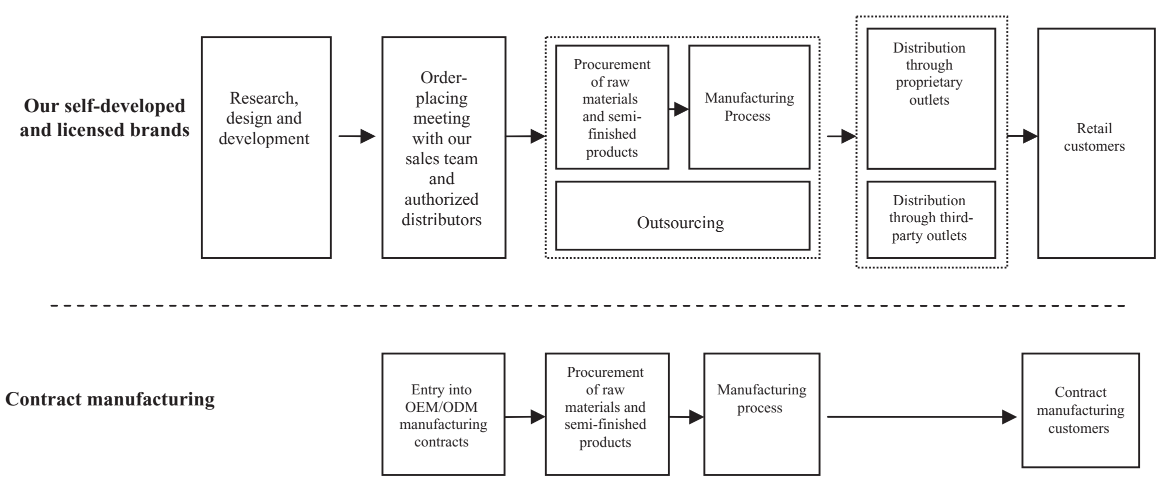
The following discussion and analysis should be read in conjunction with our consolidated financial information together with the accompanying notes set out in the Accountants' Report in Appendix I to this prospectus. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such risks and uncertainties include, without limitations, those discussed in the sections entitled "Forward-Looking Statements," "Risk Factors" and "Business" in this prospectus.

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 brand "C.banner" 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 consists 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 are 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 for our self-developed brands each year and outsource the rest from third-party manufacturers. We typically enter into yearly 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 17.7% from 2008 to 2009 and approximately 12.3% from 2009 to 2010.

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.

BASIS OF PRESENTATION

We have prepared our financial information in accordance with IFRS on historical cost basis except that certain properties are measured at fair value pursuant to IFRS. Historical cost is generally based on the fair value of the consideration given in exchange for assets. We have consistently applied such accounting policies throughout the Track Record Period. In addition, our financial information includes applicable disclosures required by the Listing Rules and the Companies Ordinance.

Our financial information incorporates the financial statements of our Company and entities controlled by our Company. Control is achieved where our Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Such entities consist of our subsidiaries.

The results of subsidiaries acquired or disposed of during the year or period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other entities of our Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Differences Between IFRS Financial Statements and Underlying Financial Information

Our Company was listed on the SGX-ST prior to May 6, 2010. We made regular public disclosures in compliance with the regulatory requirements of the SGX-ST and Singapore laws, including but not limit to, filing annual reports, quarterly reports and announcements of material events. Our consolidated financial information for the years ended and as of December 31, 2008 and 2009 (the "Underlying Financial Information") had been prepared in accordance with Singapore Financial Reporting Standards and audited by our Singapore independent auditors, Deloitte & Touche LLP in accordance with Singapore Standards on Auditing. We prepared our consolidated financial information for the year ended and as of December 31, 2010 and three months ended and as of March 31, 2011 in accordance with IFRS. In contemplation of the Listing, we compiled our financial information during the Track Record Period, including that for the years ended and as of December 31, 2008 and 2009, in accordance with IFRS.

For the purpose of this Global Offering, you should read our discussion and analysis in this prospectus together with the accountants' report set out in Appendix I to this prospectus and should not place any reliance on any of the Underlying Financial Information or any of our other public filings in Singapore. For information about our corporate history as a Singapore-listed company, please refer to the section entitled "History and Development—Delisting of the Company from the SGX-ST."

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Levels of Per Capita Consumer Spending in China

Our results of operations are directly affected by the levels of per capita consumer spending in China, which are driven by per capita disposable income. Per capita disposable income is in turn affected by the economic growth in China. We have benefited from the rapid growth of the PRC economy, which achieved a CAGR in GDP of approximately 14.4% from RMB26,581 billion in 2007 to RMB39,799 billion in 2010. With the rapid economic growth, per capita annual disposable income of urban population in China grew from RMB13,786 in 2007 to RMB17,175 in 2009, representing a CAGR of approximately 11.6%, according to the Euromonitor Report. The per capita annual disposable income of female population has also experienced fast growth in recent years, rising from RMB8,362 in 2007 to RMB10,525 in 2009 representing a CAGR of approximately 12.2%, and is expected to continue to increase to RMB14,217 by 2012, according to the Euromonitor Report. As per capita disposable income of urban population and per capita annual disposable income of female population increase in China, so does the consumer spending, especially the spending on the consumption of branded fashion products such as women's footwear. From 2007 to 2010, the total retail sales of women's footwear in China grew from RMB91.0 billion to RMB119.1 billion, representing a CAGR of approximately 9.4%, according to the Euromonitor Report. We expect that our results of operations will continue to be affected by the levels of per capita consumer spending in China as a result of the changes in the growth of economy and per capita disposable income in China.

Expansion of Our Sales Network

Our performance and growth is affected by our ability to expand our network of proprietary outlets and increase our same-store sales. Our revenue has grown in tandem with the increase of our proprietary outlets during the Track Record Period. As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had 721, 785, 972 and 1,015 proprietary outlets, respectively. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our revenue generated from proprietary outlets was RMB758.5 million, RMB972.1 million, RMB1,214.6 million and RMB367.2 million, respectively. We achieved the same-store sales growth rate of approximately 17.7% from 2008 to 2009 and approximately 12.3% from 2009 to 2010.

We wholesale our products to authorized distributors, who in turn retail such products through their own retail outlets, i.e., third-party outlets, in China. As of December 31, 2008, 2009 and 2010 and March 31, 2011, our authorized distributors had 207, 260, 317 and 344 third-party outlets, respectively. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our revenue generated from our wholesale to authorized distributors were RMB69.4 million, RMB123.7 million, RMB152.4 million and RMB52.3 million, respectively.

Our sales network is crucial to our growth and success. On the one hand, we actively manage our proprietary outlets to increase the revenue per outlet; on the other hand, we closely monitor and evaluate the performance of our authorized distributors and establish long-term relationship with them where appropriate. Our results of operations will continue to be affected by our ability to maintain and expand our sales network through both proprietary outlets and authorized distributors.

Our Business Mix

Our business is organized into two segments: retail and wholesale of branded footwear and contract manufacturing of footwear, which have different gross profit margins. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our retail and wholesale segment had a gross profit margin of 62.4%, 55.2%, 67.7% and 66.4%, respectively. Our retail segment generally has a higher gross profit margin as compared with our contract manufacturing segment because, for the retail segment, we have our self-developed footwear brands except for one licensed brand and a higher level of vertical integration along the industrial chain. We expect the contribution of our retail and wholesale segment to our gross profits will continue to grow and intend to maintain our current scale of contract manufacturing segment. We have launched a new brand, "FABIOLA," in the first half of 2011 and launched another new brand, "SUNDANCE," in August 2011 in order to further strengthen our retail and wholesale business. If our business mix changes, our results of operations will be affected as a result.

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 will be affected by any changes in consumer behavior due to seasonality effects.

Competition in the Women's Footwear Industry

The women's footwear industry in China is highly fragmented and competitive and such competition has been intensifying in the past three years. Some of the footwear manufacturers, similar to us, who also maintain a national distribution network, have chosen to expand their business by raising capital through initial public offerings. As the raw material costs and labor in China for shoe manufacturing is low, many local footwear retailers with better sales distribution have emerged. According to the Euromonitor Report, the top 10 of mid-to-premium women's footwear brands account for 59.4% of the total estimated retail sales in 2010.

We primarily compete in the PRC women's footwear market with footwear retailers with national distribution networks, and some others with local brands. According to the Euromonitor Report, we are the second largest retailer of women's formal and casual footwear in China based on estimated retail sales in 2010, and our brand "C.banner" is ranked the fourth among women's formal and casual footwear brands in China based on estimated retail sales in 2010 in the mid-to-premium segment. As we intend to expand our product portfolio and launch new products to broaden our customer base, we expect that our competition with our competitors will intensify. Our results of operations will continue to be affected by our ability to maintain our competitive advantages and effectively compete with other women's footwear companies in China.

Cost of Raw Materials

It is crucial for us to obtain sufficient amount of raw materials required for our production of women's footwear in a timely manner at competitive prices. The raw materials used in the manufacturing of our women's footwear include leather, fabrics, heels, glue, outsoles, insoles, nails, ornaments and zippers. For the years ended December 31, 2008, 2009, 2010 and the three months ended March 31, 2011, the cost of leather accounted for 36.4%, 45.7%, 43.1% and 30.6% of our total cost of production of footwear manufactured by ourselves, respectively, and our total cost of production of footwear manufactured by ourselves amounted to RMB394.1 million, RMB322.6 million, RMB387.9 million and RMB78.1 million, respectively. The cost of leather refers to the cost of the leather used in manufacturing semi-finished products and finished products during the relevant periods, which excludes (i) the cost of the leather that has already been incorporated into the semi-finished products at the beginning of the relevant periods and (ii) the cost of the leather included in our outsourced semi-finished products. For the years ended December 31, 2008, 2009, 2010 and the three months ended March 31, 2011, our cost of leather amounted to RMB143.3 million, RMB147.5 million, RMB167.0 million and RMB23.9 million, respectively.

We source most of our raw materials from China and import a small portion for contract manufacturing. The prices of our raw materials fluctuate depending on market conditions. In particular, the prices of leather, our main raw material, are subject to seasonal fluctuations and have been increasing in the past three years. Although we try to stock up, or enter into agreements to buy, leather when its price is relatively low during the year, such strategy may not be successful and we are unable to avoid the impact of the overall increase in leather prices. If we are unable to control the cost of our raw materials, our results of operations will be affected accordingly.

Concessionaire and Rental Fees

For our department store outlets, we pay concessionaire fees calculated as a percentage of our total retail sales amount to the department stores for the use of retail space. For our independent store outlets, we pay rentals for lease of the store spaces. Concessionaire and rental fees accounted for 22.0%, 19.6%, 23.2% and 21.8% of our total revenue for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. Any changes in the applicable concessionaire and rental fees in the future will affect our selling and distribution expenses and our profitability. In addition, as we plan to expand our proprietary outlets, we expect that our total concessionaire and rental fees will increase accordingly.

Taxation

Our net profit is affected by the income tax rates and tax exemptions applicable to us. The enterprise income tax generally applicable in China has been changed from 33% to 25% of taxable income since January 1, 2008.

However, our subsidiaries, Nanjing Mayflower and Nanjing Soft, both foreign-invested enterprises in China, were entitled to an exemption from the enterprise income tax for two years starting from their first profit-making year, followed by a 50% tax relief for the following three years. As a result, Nanjing Mayflower enjoyed the first tax exemption year in 2004 and the second in 2005, and a 50% tax relief for the three years ended December 31, 2008. Nanjing Soft enjoyed the first tax exemption year in 2006, and a 50% tax relief for the three years ended December 31, 2010. Our effective income tax rates were 15.8%, 26.4%, 28.2% and 26.5%, for 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. Any changes in the enterprise income tax rate applicable to us may have a significant impact on our net profits.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial information in conformity with IFRS requires us to adopt accounting policies and make estimates and assumptions that affect amounts reported in our financial information. In applying these accounting policies, we make subjective and complex judgments that frequently require estimates and assumption about matters that are inherently uncertain. The following sections discuss certain key accounting policies, estimates and assumptions applied in preparing our financial information.

Revenue Recognition

For the retail of branded footwear through proprietary outlets, revenue is recognized when the goods are sold to the customers in proprietary outlets, which we consider to be the time when the significant risks and rewards of ownership of the goods are transferred to the customers.

For the wholesale of branded footwear to authorized distributors, revenue is recognized when the goods are delivered to the distributors, which we consider to be the time when the significant risks and rewards of ownership of the goods are transferred to the distributors.

For the internet sales through website owned by third parties, revenue is recognized when the goods are delivered and the customer confirms receipt of the goods with the payment for the goods made through the website, which we consider to be the time when the significant risks and rewards of ownership of the goods are transferred to the customers.

Revenue is measured at the fair value of the consideration received or receivable from customers and authorized distributors after deduction of estimated customer returns, rebates, discounts, sales related taxes and other similar allowances.

Sales of goods that result in award credits being granted to customers under our VIP programs, a customer loyalty program, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits that are earned by the customers. The portion allocated to the award credits is deferred and recognized as revenue when the award credits are redeemed and our obligations have been fulfilled. The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for goods, relative to the total number expected to be redeemed. Our VIP programs were first launched in May 2010 with a term of one or two years. As such, no award credits expired or were confirmed to be not redeemed during the Track Record Period. We review the total number of award credits expected to be redeemed at the end of each annual reporting period, taking into account various factors including the number of award credits not redeemed by the customers upon expiration. In view of the short period of operation of our customer loyalty program, and lack of historical information regarding the proportion of award credits that would be redeemed during the valid period of the award credits, our Directors, in determining the total number of award credits expected to be redeemed, estimate that no customer will not redeem the award credits under our customer loyalty program and all of the award credits earned by the customers would be redeemed within one year. The amount of deferred revenue recognized is accordingly classified as current liability at the end of the reporting period. This estimate will be reviewed on an ongoing basis, and revision to the total number of award credits expected to be redeemed will be made if there is significant difference between the actual number of award credits redeemed and the expected number redeemed in the future.

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

We recognize depreciation of property, plant and equipment so as to write off the cost of assets, other than properties under construction, less their residual values over their useful lives, using the straight-line method. Our property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings:	4.5%
Machinery:	9%
Fixtures and equipment:	18%
Motor vehicles:	18%
Leasehold improvements:	18% or over the term of the lease, whichever is shorter.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. During the Track Record Period, we are satisfied that there was no change in the estimated useful lives of our property, plant and equipment from prior years.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Inventories

Inventories comprise raw materials, work in progress and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

For finished goods, our Directors estimate that the net realizable value of finished goods with an aging within one year exceeds the cost, as those inventories are in the season and the gross margin from sale of those inventories is sufficient to cover the cost to make the sale. As such, no provision is made. The net realizable value of finished goods with an aging over one year but within three years is estimated by reference to the estimated selling price of those inventories. For out-of-season inventories, we will offer more discount to customers to promote the sale of those inventories. With reduced selling prices, we will in turn reduce the estimated net realizable value to be lower than the cost. Therefore, such inventories are written down to their estimated net realizable values. For inventories with an aging of over three years, full provision will be made as the Directors estimate that there are no economic benefits expected to generate from these inventories. Work in progress are in relation to the in-the-season products, by reference to the net realizable value of those in-the-season finished goods, the Directors estimate that the provision is not necessary. Raw materials, which mainly consist of leather, are purchased based on the actual production orders, and could be used for production of many kinds of design of our products. Our raw materials with an aging of over one year are mainly those purchased for some specific designs of our products, and could not be used for other products. We will try to sell them to other manufacturers, as those inventories are still in good condition for other manufacturers. The net realizable value of those inventories is estimated based on the estimated selling price to other manufactures, and provision is made accordingly.

We regularly inspect and review our inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and realizable value. The identification of impairment of inventories requires the use of judgment and estimate of expected net realizable value. Where the estimated net realizable value is lower than the cost, a material impairment loss may arise.

When subsequent evaluations show the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, write-downs of inventories previously recognized are reversed.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets to determine whether there is any indication that those assets have sustained an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, we estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset, or a cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or the cash-generating unit, is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

At the end of each reporting period, we review the carrying amounts of our property, plant and equipment and prepaid lease payments to determine whether there is any indication that those assets have sustained an impairment loss. If any such indication exists, we carry out impairment reviews of our property, plant and equipment and prepaid lease payments. In making the judgment, we consider the future cash flows expected to arise from the cash-generating unit and suitable discount rates in order to calculate the present value.

Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash generating unit, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, or cash-generating unit, in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Impairment of Trade and Other Receivables

Trade and other receivables are carried at amortized cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. In making the judgment, we considered the procedures that have been in place to monitor this risk as a significant proportion of our working capital is devoted to trade and other receivables. In determining whether allowance for bad and doubtful debts is required, we take into consideration the aging status and the likelihood of collection. Specific allowance is only made for trade and other receivables that are unlikely to be collected. In this regard, we are satisfied that adequate allowance for doubtful debts has been made in light of our historical records.

SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out our selected financial information 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)
Continuing operations					
Revenue	1,043,959	1,284,924	1,574,963	373,545	465,096
Cost of sales	(479,357)	(633,733)	(602,671)	(164,040)	(176,103)
Gross profit	564,602	651,191	972,292	209,505	288,993
Other income and other gains and losses	7,811	10,787	9,076	2,798	4,174
Distribution and selling expenses	(378,787)	(468,034)	(652,993)	(143,314)	(178,695)
Administrative and general expenses	(55,605)	(64,883)	(84,771)	(25,527)	(20,837)
Finance costs	(613)	(1,015)	(903)	(780)	(185)
Share of losses of joint venture	(10,560)	(4,410)	(2,996)	(1,402)	(436)
Profit before tax	126,848	123,636	239,705	41,280	93,014
Income tax expense	(20,004)	(32,603)	(67,643)	(10,756)	(24,660)
Net profit for the year/period from continuing operations	106,844	91,033	172,062	30,524	68,354
Discontinued operations					
Loss for the year/period from discontinued operations	(419)	(11,402)	(2,207)	(471)	—
Net profit and total comprehensive income for the year/period attributable to owners of the Company	106,425	79,631	169,855	30,053	68,354

CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

Our revenue from continuing operations represents the net value of goods sold, after value-added taxes, estimated customer returns, rebates, discounts, sales-related taxes and other similar allowances, after elimination of intra-group sales. We derive our revenue principally from the retail and wholesale, and contract manufacturing, of women's footwear.

Our retail revenue from continuing operations includes the concessionaire fees we pay to the department stores for our department store outlets, but excludes the amount of credits we grant to our customers pursuant to our VIP program based on the points they have accumulated. We account for such VIP credits as our deferred revenue on our balance sheets and will recognize them in our revenue when our VIP customers use the credits to purchase our goods or when such credits expire under the program. As of March 31, 2011, such deferred revenue was RMB10.7 million. For more details about our VIP program, please see the section entitled "Business—Marketing and Promotion—VIP Member Programs" in this prospectus.

Our wholesale revenue from continuing operations, which primarily includes the revenue received from our authorized distributors, also includes the revenue generated from our internet sales primarily through websites owned by third parties.

Revenue breakdown by sales channels

The table below sets out our revenue from (i) our retail and wholesale segment, and (ii) our contract manufacturing segment, and provides their respective percentage 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										
C.banner	613,701	58.8	749,896	58.4	894,534	56.8	232,861	62.3	262,743	56.5
EBLAN	127,179	12.2	192,984	15.0	276,481	17.6	58,651	15.7	92,252	19.8
Naturalizer	17,577	1.7	29,221	2.3	43,551	2.8	7,962	2.1	12,218	2.6
Subtotal	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

In our retail and wholesale segment, retail of branded footwear is our main sales channel, contributing 72.7%, 75.7%, 77.1% and 79.0% of our total revenue from continuing operations for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. The increase in our revenue from retail segment during the Track Record Period was primarily due to the increase of the number of proprietary outlets and the increase of revenue generated from individual outlets. As of December 31, 2008, 2009, 2010 and the three months ended March 31, 2011, we had 721, 785, 972 and 1,015 proprietary outlets, respectively. We achieved the same-store sales growth rate of approximately 17.7% from 2008 to 2009 and approximately 12.3% from 2009 to 2010.

In our retail and wholesale segment, wholesale of branded footwear contributed 6.6%, 9.6%, 9.7% and 11.2% of our total revenue from continuing operations for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. The increase in our revenue from wholesale segment during the Track Record Period was primarily due to the increase of the number of third-party outlets in connection with our market expansion as well as what we consider the improved market recognition of our self-developed footwear brands. As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had 207, 260, 317 and 344 third-party outlets, respectively.

During the Track Record Period, our revenue from the retail and wholesale segment generally grew in tandem with the expansion of our proprietary outlets and third-party outlets. The table below sets out a breakdown of the number of such outlets as of the dates indicated.

	December 31,			March 31,	
	2008	2009	2010	2010	2011
Proprietary Outlets					
C.banner	494	544	623	556	642
EBLAN	188	210	307	238	326
Naturalizer[(1)]	39	31	42	38	47
Subtotal	721	785	972	832	1,015
Third-party Outlets					
C.banner	160	194	230	209	252
EBLAN	46	65	87	69	92
Naturalizer	1	1	—	—	—
Subtotal	207	260	317	278	344
Total	928	1,045	1,289	1,110	1,359

(1) 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. As of March 31, 2011, we had four "Naturalizer" proprietary outlets in Shanghai. For more information, see the section entitled "—Our Product Portfolio—Our licensed footwear brand" in this prospectus.

The table below sets out the average monthly revenue generated from our individual proprietary outlets for the periods indicated.

	Year ended December 31,			Three months ended March 31, 2011
	2008	2009	2010	
Average monthly revenue per proprietary outlet (RMB'000)[(1)]	97	108	115	123

(1) The revenue does not include value-added tax. Average monthly revenue per proprietary outlet equals the total revenue generated from all the proprietary outlets during the relevant period divided by the average number of proprietary outlets during such period and further divided by the number of months during such period. The average number of proprietary outlets during the relevant period equals the number of proprietary outlets at the beginning of such period plus the number of proprietary outlets at the end of such period divided by two.

Our average monthly wholesale revenue attributable to each third-party outlet is lower than our average monthly retail revenue per proprietary outlet. This is primarily because our average monthly wholesale revenue attributable to each third-party outlet is based on wholesale prices we offer to authorized distributors, which generally have a substantial discount as compared with the retail prices of the same products sold in our proprietary outlets. In addition, as our authorized distributors primarily operate third-party outlets in areas other than first-to-third-tier cities, they tend to purchase more products towards the lower ends of our product offerings, which have relatively lower prices accordingly.

Our contract manufacturing segment contributed 20.7%, 14.7%, 13.2% and 9.8% of our total revenue from continuing operations for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. The decrease as a percentage of our total revenue from contract manufacturing segment during the Track Record Period was primarily due to the faster revenue growth of our retail and wholesale segment. As we maintained the scale of our contract manufacturing segment and did not expand production lines, our revenue generated from contract manufacturing was relatively stable and its percentage of our total revenue decreased during the Track Record Period.

Revenue breakdown by regions

The table below sets out our revenue from continuing operations derived from each of our sales regions, and provides their respective percentage of total revenue from continuing operations for the periods indicated. Our revenue from China was primarily generated from our retail and wholesale segment, while our revenue from the United States and other regions was primarily generated from our contract manufacturing segment.

	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)	%
China	830,114	79.5	1,096,883	85.4	1,367,417	86.8	324,534	86.9	419,507	90.2
United States	114,284	10.9	160,581	12.5	207,546	13.2	49,011	13.1	45,589	9.8
Others	99,561	9.5	27,460	2.1	—	—	—	—	—	—
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

The table below sets out our retail revenue generated from our proprietary outlet by region for the year ended December 31, 2010 and the three months ended March 31, 2011.

Region	Year ended December 31, 2010	Three months ended March 31, 2011
	(RMB'000)	(RMB'000)
Northeastern China	159,066	47,659
Beijing Region	73,339	20,624
Tianjin Region	99,955	30,666
Northwestern China	95,496	30,203
Central China	56,933	16,039
Eastern China	306,096	92,234
Zhejiang Region	117,763	35,263
Shanghai Region	97,231	30,317
Southwestern China	107,743	30,171
Southern China	100,944	34,037
	1,214,566	367,214

For purposes of this prospectus only:

- 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 Yunan provinces, Chongqing, and Tibet autonomous region; and
- Southern China comprises Guangdong, Hainan and Fujian provinces and Guangxi autonomous region.

Cost of Sales

Our cost of sales primarily consists of raw material costs, direct labor costs, production costs, such as utilities, and outsourced products costs. The table below sets out a breakdown of our cost of sales from continuing operations by sales channels and their respective percentage of total cost of sales 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	311,097	64.9	490,614	77.4	441,743	73.3	125,319	76.4	141,024	80.1
Contract manufacturing	168,260	35.1	143,120	22.6	160,927	26.7	38,721	23.6	35,079	19.9
Total cost of sales	479,357	100.0	633,733	100.0	602,671	100.0	164,040	100.0	176,103	100.0

Other Income and Other Gains and Losses

We derive our other income and other gains and losses primarily from interest income on bank deposits, government grants, gain from changes in fair value of investment property, net foreign exchange gains and rental income.

Distribution and Selling Expenses

Our distribution and selling expenses primarily consist of concessionaire and rental fees for proprietary outlets, salaries for sales personnel (including commissions and bonuses), miscellaneous fees charged by department stores, outlet renovation expenses, advertisement fees, rental and property management fees for offices and transportation expenses.

The table below sets out the breakdowns of our distribution and selling expenses for the periods indicated.

	Year ended December 31,			Three months ended March 31, 2011
	2008	2009	2010	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Concessionaire and rental fees for proprietary outlets	229,284	251,722	364,984	101,233
Salaries for sales personnel (including commissions and bonuses)	81,924	103,349	127,224	41,473
Miscellaneous fees charged by department stores	24,012	40,575	46,014	12,986
Outlet renovation expenses	9,603	16,142	34,084	8,174
Advertisement fees	6,938	11,053	19,599	2,482
Rental and property management fees for offices	5,453	11,332	12,912	3,380
Transportation expenses	6,437	8,617	12,344	1,958
Others	15,136	25,244	35,833	7,009
Total	378,787	468,034	652,993	178,695

In particular, during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we paid salaries for sales personnel (including commissions and bonuses) of our retail business in the amount of RMB68.4 million, RMB89.0 million, RMB113.8 million and RMB35.1 million, respectively. The above salaries for sales personnel of our retail business primarily comprise two parts: (i) non-incentive basic salaries, which are not directly related to the sales performance of the relevant personnel or outlets, and (ii) commissions and bonuses, which depend on the sales performance of the relevant personnel or outlets or both as well as local market conditions. We pay the two parts of such salaries together each time we pay our sales personnel. Our sales personnel's commissions generally range from approximately 1.2% to 3.6% of their corresponding sales revenue (including value-added tax).

In order to effectively monitor and control our distribution and selling expenses, our headquarters has set forth the maximum levels of concessionaire fees for different geographical areas and different types of department stores, which are required to be followed by our regional divisions and branch offices during their negotiation with department stores. For the proposed concessionaire fees that exceed such maximum levels, special applications must be made to our headquarters for their approval. In addition, we formulate our standards for the basic salaries and commissions and bonus of our sales personnel at our headquarters level in a centralized way and strictly enforce such standards in order to manage and control such expenses. Moreover, the design, decoration and renovation of our outlets are conducted pursuant to our unified standards and the corresponding expenses are also managed in a centralized manner for better control of such expenses. We manage our other distribution and selling expenses through our yearly and monthly budget and monitor and control their implementations through our internal management procedures.

Administrative and General Expenses

Our administrative and general expenses primarily consist of salaries and bonuses for management and administrative personnel, depreciation and amortization, banking handling fees, auditing and consulting fees, travel expenses and office expenses.

Finance Costs

Our finance costs consist of interest on short-term bank loans.

Share of Losses of Joint Venture

Our share of losses of joint venture consists of our losses resulting from our 49% interest in Hong Kong B&H. For further details, see the section entitled "Business—Our Product Portfolio—Our licensed footwear brand" in this prospectus and Note 20 in the Accountants' Report included in Appendix I attached to this prospectus.

Income Tax Expenses

Our income tax expenses represent corporate income tax for the entities comprising our group, including PRC enterprise income tax, PRC withholding income tax and overseas income tax. Neither our Company nor our overseas subsidiaries have had assessable profits subject to local income tax since their incorporation.

The enterprise income tax generally applicable in China has been changed from 33% to 25% of taxable income since January 1, 2008. However, our subsidiaries Nanjing Mayflower and Nanjing

Soft, being both foreign-invested enterprises in China, were entitled to an exemption from the enterprise income tax for two years starting from their first profit-making year, followed by a 50% tax relief for the following three years. As a result, Nanjing Mayflower enjoyed the first tax exemption year in 2004, and a 50% tax relief for the three years ended December 31, 2008. Nanjing Soft enjoyed the first tax exemption year in 2006, and a 50% tax relief for the three years ended December 31, 2010. The applicable income tax rates for our other PRC subsidiaries have been 25% since January 1, 2008.

PRC withholding income tax is applicable to dividends payable to investors that are non-PRC tax resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within China. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong shall be subject to the withholding tax at 5%.

Loss for the Year/Period from Discontinued Operations

In December 2010, we completed the disposal of a subsidiary, Jiangsu Unity, which carried out all of our retail and wholesale of international and domestic branded apparel operations pursuant to a sale agreement we entered on December 8, 2010. For further details, please refer to the section entitled "Reorganization—Detailed Reorganization Steps—Disposal of Jiangsu Unity" in this prospectus. The table below sets out selected financial information of Jiangsu Unity for the two years ended December 31, 2008 and 2009 and for the period from January 1, 2010 to December 8, 2010.

	Year ended December 31,		Period from January 1 to December 8,
	2008	2009	2010
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	66,779	32,350	18,324
Cost of sales	(52,070)	(28,860)	(15,569)
Gross profit	14,709	3,490	2,755
Other income and other gains and losses	328	74	—
Distribution and selling expenses	(12,194)	(11,787)	(3,617)
Administrative and general expenses	(3,592)	(2,604)	(1,345)
Loss before tax	(749)	(10,827)	(2,207)
Income tax credit (expense)	330	(575)	—
Loss for the year/period	(419)	(11,402)	(2,207)

Dividends

We distributed dividends in the amount of RMB26.8 million, nil, RMB191.6 million and RMB64.4 million for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2011 Compared with Three Months Ended March 31, 2010

Revenue. Our revenue from continuing operations increased by 24.5% to RMB465.1 million in the three months ended March 31, 2011 from RMB373.5 million in the three months ended March 31, 2010. This increase was primarily due to the business expansion of our retail and wholesale of branded footwear as well as the increase of footwear selling prices of our self-developed brands.

Retail. Revenue from our retail sales of footwear increased by 22.6% to RMB367.2 million in the three months ended March 31, 2011 from RMB299.5 million in the three months ended March 31, 2010. This increase was primarily due to the increase of the number of our proprietary outlets, the same-store sales growth of our proprietary outlets and, to a lesser extent, the increase of our retail prices. The number of our proprietary outlets increased by 22.0% from 832 as of March 31, 2010 to 1,015 as of March 31, 2011.

Wholesale. Revenue from our wholesale sales of footwear increased by 108.7% to RMB52.3 million in the three months ended March 31, 2011 from RMB25.1 million in the three months ended March 31, 2010. This increase was primarily due to the increase of our wholesale volume in connection with the expansion of third-party outlets network, and the increase of our wholesale prices. The number of third-party outlets increased by 23.7% from 278 as of March 31, 2010 to 344 as of March 31, 2011.

Contract manufacturing. Revenue from our contract manufacturing sales of footwear decreased by 7.0% to RMB45.6 million in the three months ended March 31, 2011 from RMB49.0 million in the three months ended March 31, 2010. This decrease was primarily due to a decrease in the volume of our contract manufacturing orders during the corresponding periods. However, our gross margin remained stable.

Cost of sales. Our cost of sales increased by 7.4% to RMB176.1 million in the three months ended March 31, 2011 from RMB164.0 million in the three months ended March 31, 2010. This increase was primarily due to an increase in revenue by 24.5% during the corresponding periods, partially offset by (i) a decrease in the cost of sales by 9.4% from RMB38.7 million in the three months ended March 31, 2010 to RMB35.1 million in the three months ended March 31, 2011 for our contract manufacturing segment in line with the decreased revenue in this segment, and (ii) a decrease in cost of sales as a result of the commencement of production at our Suining production facility in March 2010, which increased the proportion of our products manufactured by ourselves. The cost of sales of the footwear we manufacture is generally lower than that of the footwear we purchase from third-party manufacturers.

Gross profit. As a result of the foregoing, our gross profit from continuing operations increased by 37.9% to RMB289.0 million in the three months ended March 31, 2011 from RMB209.5 million in the three months ended March 31, 2010. The gross profit margin of continuing operations for the three months ended March 31, 2011 increased to 62.1% from 56.1% for the three months ended March 31, 2010 primarily due to (i) our higher average unit selling prices in the three months ended March 31, 2011, and (ii) the commencement of production at our new production facility at Suining in March 2010, which increased the proportion of our products manufactured by ourselves and, as a result, lowered our average unit cost of sales in the three months ended March 31, 2011.

Other income and other gains and losses. Our other income and other gains and losses increased by 49.2% to RMB4.2 million in the three months ended March 31, 2011 from RMB2.8 million in the three months ended March 31, 2010. This increase was primarily due to an increase of RMB4.3 million in government grants, partially offset by a decrease of RMB1.4 million in interest income on bank deposits.

Distribution and selling expenses. Our distribution and selling expenses of continuing operations increased by 24.7% to RMB178.7 million in the three months ended March 31, 2011 from RMB143.3 million in the three months ended March 31, 2010. This increase was primarily due to (i) an increase of RMB20.2 million in concessionaire and rental fees, which is generally charged as a percentage of our revenue, as a result of the increase in our revenue, (ii) an increase of RMB11.6 million in staff salaries and benefits as a result of an increase in the number of sales staff in connection with our expansion, an increase in sales commissions and bonuses in line with the increase in our revenue, and an increase in staff salaries.

Administrative and general expenses. Our administrative and general expenses of continuing operations decreased by 18.4% to RMB20.8 million in the three months ended March 31, 2011 from RMB25.5 million in the three months ended March 31, 2010. The decrease was primarily due to the share option expenses in the amount of RMB7.5 million we recognized in the three months ended March 31, 2010. In the three months ended March 31, 2011, we did not incur such share option expenses, but recorded expenses in the amount of RMB4.1 million relating to the Global Offering.

Finance costs. Our finance costs of continuing operations decreased by 76.3% to RMB0.2 million in the three months ended March 31, 2011 from RMB0.8 million in the three months ended March 31, 2010. The decrease was primarily due to the interest incurred on our short-term bank loan in an amount of RMB40.9 million during the three months ended March 31, 2010. We repaid such short-term bank loan in late 2010.

Share of losses of joint venture. Our share of losses of joint venture decreased by 68.9% to RMB0.4 million in the three months ended March 31, 2011 from RMB1.4 million in the three months ended March 31, 2010. This decrease was primarily because the performance and results of operations of the joint venture, Hong Kong B&H, continued to improve in 2010 and the three months ended March 31, 2011.

Income tax expenses. Our income tax expenses of continuing operations increased by 129.3% to RMB24.7 million in the three months ended March 31, 2011 from RMB10.8 million in the three months ended March 31, 2010 in line with the increase of our income before tax. Our effective tax rate was 26.5% in the three months ended March 31, 2011, compared to 26.1% in the three months ended March 31, 2010.

Net profit for the year from continuing operations. As of the cumulative effect of the foregoing, our net profit for the year from continuing operations increased by 123.9% to RMB68.4 million in the three months ended March 31, 2011 from RMB30.5 million in the three months ended March 31, 2010. Our net profit margin of continuing operations increased from 8.2% in the three months ended March 31, 2010 to 14.7% in the three months ended March 31, 2011.

Year Ended December 31, 2010 Compared with Year Ended December 31, 2009

Revenue. Our revenue from continuing operations increased by 22.6% to RMB1,575.0 million in 2010 from RMB1,284.9 million in 2009. This increase was primarily due to the business expansion of our retail and wholesale of branded footwear as well as the increase of footwear selling prices of our self-developed brands.

Retail. Revenue from our retail sales increased by 24.9% to RMB1,214.6 million in 2010 from RMB972.1 million in 2009. This increase was primarily due to the increase of the number of our proprietary outlets, the same-store sales growth of our proprietary outlets and the increase of our retail prices. The number of our proprietary outlets increased by 23.8% from 785 as of December 31, 2009 to 972 as of December 31, 2010. We achieved the same-store growth sales rate of 12.3% from 2009 to 2010.

Wholesale. Revenue from our wholesales increased by 23.1% to RMB152.4 million in 2010 from RMB123.7 million in 2009. This increase was primarily due to the increase of our wholesale volume in connection with the expansion of third-party outlets and the increase of our wholesale prices. The number of third-party outlets increased by 21.9% from 260 as of December 31, 2009 to 317 as of December 31, 2010.

Contract manufacturing. Revenue from our contract manufacturing operations increased by 10.0% to RMB208.0 million in 2010 from RMB189.1 million in 2009. This increase was primarily due to the increase in both contract manufacturing prices and volume.

Cost of sales. Our cost of sales of continuing operations decreased by 4.9% to RMB602.7 million in 2010 from RMB633.7 million in 2009. This decrease was primarily because (i) we took the advantage of the low raw material prices at the end of 2009 and entered into agreements to buy a significant amount of raw materials at the relatively low prices which were delivered and used in 2010, and (ii) our new production facility at Suining commenced production, which increased the proportion of our products manufactured by ourselves. The cost of sales of the footwear we manufacture is generally lower than that of the footwear we purchase from third-party manufacturers.

Gross profit. As a result of the foregoing, our gross profit from continuing operations increased by 49.3% to RMB972.3 million in 2010 from RMB651.2 million in 2009. The gross profit margin of continuing operations for 2010 increased to 61.7% from 50.7% for 2009 primarily due to (i) our higher average unit selling prices in 2010, (ii) the commencement of production at our new production facility at Suining, which increased the proportion of our products manufactured by ourselves and, as a result, lowered our average unit cost of sales in 2010; and (iii) our entry into agreements to buy a significant amount of raw materials at the relatively low prices at the end of 2009, which were delivered and used in 2010.

Other income and other gains and losses. Our other income and other gains and losses from continuing operations decreased by 15.9% to RMB9.1 million in 2010 from RMB10.8 million in 2009. This decrease was primarily due to a decrease of RMB1.2 million in government grants.

Distribution and selling expenses. Our distribution and selling expenses of continuing operations increased by 39.5% to RMB653.0 million in 2010 from RMB468.0 million in 2009. This increase was primarily due to (i) an increase of RMB113.3 million in concessionaire and rental fees, which is generally charged as a percentage of our revenue, as a result of the increase in our revenue and an increase in concessionaire fees charged by department stores, (ii) an increase of RMB23.9 million in staff salaries and benefits as a result of an increase in the number of sales staff, an increase in sales commissions and bonuses, and an increase in staff salaries, (iii) an increase of RMB17.9 million in outlets renovation costs and (iv) an increase of RMB8.5 million in advertisement fees, all in connection with our market expansion.

Administrative and general expenses. Our administrative and general expenses of continuing operations increased by 30.7% to RMB84.8 million in 2010 from RMB64.9 million in 2009. This increase was primarily due to an increase of RMB14.5 million in salaries and bonuses for management and administrative personnel.

Finance costs. Our finance costs of continuing operations decreased by 11.0% to RMB0.9 million in 2010 from RMB1.0 million in 2009. This decrease was primarily due to our repayment of our short-term bank loan in an amount of RMB40.9 million in 2010.

Share of losses of joint venture. Our share of losses of joint venture decreased by 32.1% to RMB3.0 million in 2010 from RMB4.4 million in 2009. This decrease was primarily because the performance and results of operations of the joint venture, Hong Kong B&H, continued to improve in 2010.

Income tax expenses. Our income tax expenses of continuing operations increased by 107.5% to RMB67.6 million in 2010 from RMB32.6 million in 2009 in line with the increase of our income before tax. Our effective tax rate increased from 26.4% in 2009 to 28.2% in 2010. The increase was mainly because the increase of our withholding tax provided for the undistributed profits of our PRC entities from 1.4 million in 2009 to 5.5 million in 2010, which accounted for 1.1% and 2.3% of our income before tax for the year of 2009 and 2010, respectively. Please refer to Note 10 of the Accountants' Report in Appendix I attached to this prospectus for more details.

Net profit for the year from continuing operations. As of the cumulative effect of the foregoing, our net profit for the year from continuing operations increased by 89.0% to RMB172.1 million in 2010 from RMB91.0 million in 2009. Our net profit margin of continuing operations increased from 7.1% in 2009 to 10.9% in 2010.

Loss for the year from discontinued operations. Our loss for the year from discontinued operations decreased by RMB9.2 million to RMB2.2 million in 2010 from RMB11.4 million in 2009 primarily because we had sold a large amount of inventories at discounts from our discontinued retail and wholesale of international and domestic branded apparel operations through Jiangsu Unity and closed a sizable number of retail outlets of the discontinued operations by the end of 2009, which resulted in a substantial decrease of our distribution and selling expenses related to the discontinued operations in 2010 as compared with 2009. In addition, we disposed of Jiangsu Unity on December 8, 2010.

Year Ended December 31, 2009 Compared with Year Ended December 31, 2008

Revenue. Our revenue from continuing operations increased by 23.1% to RMB1,284.9 million in 2009 from RMB1,044.0 million in 2008. This increase was primarily due to the business expansion of our retail and wholesale of branded footwear.

Retail. Revenue from our retail sales increased by 28.2% to RMB972.1 million in 2009 from RMB758.5 million in 2008. This increase was primarily due to the increase of the number of our proprietary outlets and the same-store sales growth of our proprietary outlets. The number of our proprietary outlets increased by 8.9% from 721 as of December 31, 2008 to 785 as of December 31, 2009. We achieved the same-store sales growth rate of 17.7% from 2008 to 2009.

Wholesale. Revenue from our wholesales increased by 78.3% to RMB123.7 million in 2009 from RMB69.4 million in 2008. This increase was primarily due to the increase in our wholesale volume in connection with the expansion of third-party outlets, our wholesale prices and the same-store sales of third-party outlets. The number of third-party outlets increased by 25.6% from 207 as of December 31, 2008 to 260 as of December 31, 2009.

Contract manufacturing. Revenue from our contract manufacturing operations decreased by 12.5% to RMB189.1 million in 2009 from RMB216.1 million in 2008. This decrease was primarily due to a decrease in the overall prices of our contract manufacturing orders. However, our gross margin remained stable.

Cost of sales. Our cost of sales of continuing operations increased by 32.2% to RMB633.7 million in 2009 from RMB479.4 million in 2008. This increase was primarily due to our increase in revenue by 23.1% from 2008 to 2009 and our increase in promotional activities with discounts offered to our customers during 2009 in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. In addition, such increase was in part due to a write-off of inventory in 2009, during which we were unable to sell a considerable portion of the footwear we produced in 2008 given our product mix and the overall economic conditions.

Gross profit. As a result of the foregoing, our gross profit from continuing operations increased by 15.3% to RMB651.2 million in 2009 from RMB564.6 million in 2008. The gross profit margin of continuing operations for 2009 decreased to 50.7% from 54.1% for 2008 primarily due to the decrease of our average unit selling prices in retail business. After the fourth quarter of 2008, when the global financial crisis hit, our Directors decided to increase our balance of cash by lowering our inventory level in 2009 to avoid potential cash flow difficulties in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. Accordingly, we increased our promotional activities in 2009 with deeper and more frequent discounts offered to our customers, which led to the decrease in our gross margin from 2008 to 2009.

Other income and other gains and losses. Our other income and other gains and losses from continuing operations increased by 38.1% to RMB10.8 million in 2009 from RMB7.8 million in 2008. This increase was primarily due to an increase of approximately RMB1.5 million in the changes in fair value of investment property, and an increase of approximately RMB0.9 million in interest income on bank deposits.

Distribution and selling expenses. Our distribution and selling expenses of continuing operations increased by 23.6% to approximately RMB468.0 million in 2009 from approximately RMB378.8 million in 2008. This increase was primarily due to (i) an increase of RMB22.4 million in concessionaire and rental fees, which is generally charged as a percentage of our revenue, as a result of the increase in our revenue, (ii) an increase of RMB21.4 million in staff salaries and benefits as a result of an increase in the number of sales staff, an increase in commissions and bonuses, and an increase in staff salaries, and (iii) an increase of RMB6.5 million in renovation costs, all in connection with our market expansion.

Administrative and general expenses. Our administrative and general expenses of continuing operations increased by 16.7% to RMB64.9 million in 2009 from RMB55.6 million in 2008. This increase was primarily due to an increase of RMB4.9 million in salaries and bonuses for management and administrative personnel.

Finance costs. Our finance costs of continuing operations increased by 65.6% to RMB1.0 million in 2009 from RMB0.6 million in 2008. This increase was primarily due to increased interest in the short-term loans we incurred in October 2008, which remained outstanding in 2009.

Share of losses of joint venture. Our share of losses of joint venture decreased by 58.2% to RMB4.4 million in 2009 from RMB10.6 million in 2008. This decrease was primarily because the performance and results of operations of the joint venture, B&H Hong Kong, improved in 2009 as compared with 2008.

Income tax expenses. Our income tax expenses increased by 63.0% to RMB32.6 million in 2009 from RMB20.0 million in 2008 in line with the increase of our income before tax. Our effective tax rate was 26.4% in 2009, compared to 15.8% in 2008. This increase was primarily due to a decrease in the PRC tax exemptions from RMB19.0 million in 2008 to RMB4.3 million in 2009 as a result of the expiration of a 50% reduction in tax granted to Nanjing Mayflower. The PRC tax exemptions resulted in our lower effective tax rates in 2008 and 2009.

Net profit for the year from continuing operations. As of the cumulative effect of the foregoing, our net profit for the year from continuing operations decreased by 14.8% to RMB91.0 million in 2009 from RMB106.8 million in 2008. Our net profit margin of continuing operations decreased from 10.2% in 2008 to 7.1% in 2009.

Loss for the year from discontinued operations. Our loss for the year from discontinued operations increased by RMB11.0 million to RMB11.4 million in 2009 from RMB0.4 million in 2008 primarily because, in 2009, certain number of key third-party apparel companies terminated their brand licenses to Jiangsu Unity, the entity through which we conducted our discontinued retail and wholesale of international and domestic branded apparel operations. As such brand licenses were crucial to our discontinued operations, our revenue from discontinued operations decreased substantially in 2009. In addition, we had to sell our inventory at reduced price in order to minimize our loss.

The discontinuation of our apparel operations was a result of changes in both our own business strategies and those of the apparel brand licensors. Starting in 2008, we have decided to focus on the development of our women's footwear business and not to further develop licensed apparel brands. Additionally, well-known international apparel brands have since become less attractive to the department stores in China as compared to the time when we initially engaged in the apparel operations. Our previous apparel brand licensors were also inclined to operate the brands by themselves. Accordingly, after our previous licenses expired pursuant to their respective terms, we did not seek licenses of other apparel brands.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital, capital expenditures, dividend payments to our Shareholders and other capital requirements primarily through a combination of equity investments from our Shareholders, our own operating cash inflow and bank borrowings. We expect to continue to fund our future capital expenditures, working capital and other cash requirements from cash generated from our operations, the net proceeds from the Global Offering, and when necessary, bank borrowings.

Cash Flow

The following table presents selected cash flow data from our consolidated cash flow statements for each of 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)**
Net cash generated from operating activities	33,592	200,490	109,341	54,673	35,195
Net cash generated from/(used in) investing activities	(1,990)	(37,487)	6,157	7,943	(4,373)
Net cash generated from/(used in) financing activities	14,172	—	(232,468)	—	—
Net increase/(decrease) in cash and cash equivalents	45,774	163,003	(116,970)	62,616	30,822
Cash and cash equivalents at the beginning of year/period	69,602	115,376	278,379	278,379	161,409
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	115,376	278,379	161,409	340,995	192,231

Cash flows from operating activities

Net cash inflow from operating activities for the three months ended March 31, 2011 was RMB35.2 million while our profit before income tax for the same period was RMB93.0 million. The difference of RMB57.8 million primarily reflected adjustments by income statement items with noncash items and non-operating cash effect of RMB6.0 million, income taxes paid of RMB36.8 million, and a cash outflow of RMB27.0 million due to an increase in working capital balances. The increase in working capital balances was primarily caused by: (i) a decrease of RMB78.0 million in trade payables due to our payment made in the three months ended March 31, 2011 for the raw materials, semi-finished and finished products we purchased during the fourth quarter of 2010, the amount of which was substantially higher than that we purchased during the first quarter of 2011; and (ii) a decrease of RMB16.8 million in other payables due to the payment of bonus for the year 2010 to our Directors in the three months ended March 31, 2011. The above factors were partially offset by (i) a decrease of RMB47.5 million in inventories due to the sale in the three months ended March 31, 2011 of a substantial amount of shoes we stocked at the end of 2010 for winter sales; and (ii) a decrease of RMB21.5 million in trade receivables due to the overall lower prices for the shoes we sold in March 2011, as compared with those for the shoes we sold in December 2010. In general, the shoes we sell in December, such as boots, have higher prices than the shoes we sell in March, such as pumps. Our working capital balances increased in the three months ended March 31, 2011 in connection with our continued expansion and revenue growth.

Net cash inflow from operating activities for the year ended December 31, 2010 was RMB109.3 million while our profit before income tax for the same period was RMB237.5 million. The difference of RMB128.2 million primarily reflected adjustments by income statement items with non-cash items and non-operating cash effect of RMB25.9 million, income taxes paid of RMB38.7 million, and a cash outflow of RMB114.5 million due to an increase in working capital balances. The increase in working capital balances was primarily caused by: (i) an increase of RMB156.0 million in inventories due to the increase in both our revenue and the number of our proprietary outlets and third-party outlets; (ii) an increase of RMB28.1 million in other receivables due to the increase in prepayments for outlets renovation and deposits paid to department stores; and (iii) an increase of RMB7.3 million in trade receivables due to our increased sales. The above factors were partially offset by an increase of RMB65.3 million in trade payables due to the increase in our purchase of raw materials, semi-finished and finished products. Our working capital balances increased in 2010 in connection with our continued expansion and revenue growth.

Net cash inflow from operating activities for the year ended December 31, 2009 was RMB200.5 million while our profit before income tax for the same period was RMB112.8 million. The difference of RMB87.7 million primarily reflected adjustments by income statement items with non-cash items and non-operating cash effect of RMB33.3 million, income taxes paid of RMB25.7 million, and a cash inflow of RMB81.1 million due to a decrease in working capital balances. The decrease in working capital balances was primarily caused by: (i) a decrease of RMB66.6 million in inventories because we reduced our inventory in 2009 in anticipation of the sustained effect of the global financial crisis on the PRC footwear market; (ii) an increase of RMB30.2 million in trade payables due to the increase in our purchase of raw materials, semi-finished and finished products; and (iii) an increase of RMB26.9 million in other payables primarily due to the increase in value-added tax payable and deposits from wholesale customers. The above factors were partially offset by an increase of RMB42.2 million in trade receivables due to increased sales in 2009, especially by the end of 2009. Our working capital balances decreased in 2009 as we reduced our inventory during the year in anticipation of a sustained effect of the global financial crisis on the PRC footwear market.

Net cash inflow from operating activities for the year ended December 31, 2008 was RMB33.6 million while our profit before income tax for the same period was RMB126.1 million. The difference of RMB92.5 million primarily reflected adjustments by income statement items with non-cash items and non-operating cash effect of RMB34.8 million, income taxes paid of RMB21.3 million, and a cash outflow of RMB105.4 million due to an increase in working capital balances. The increase in working capital balances was primarily caused by: (i) an increase of RMB115.0 million in inventories due to the increase in both our revenue and the number of our proprietary outlets and third-party outlets; and (ii) a decrease of RMB14.0 million in trade payables due to the decrease in the delivery of raw materials, semi-finished and finished products we purchased at the end of 2008. The above factors were partially offset by (i) a decrease of RMB24.3 million in other receivables due to the decrease in our advance payments to suppliers; and (ii) a decrease of RMB6.2 million in trade receivables primarily due to the decrease in the sales from our discontinued operations. Our working capital balances increased in 2008 in connection with our continued expansion and revenue growth.

Cash flows from investing activities

Net cash used in investing activities for the three months ended March 31, 2011 was RMB4.4 million, primarily as a result of our payment of RMB6.9 million for acquisition of property, plant and equipment, partially offset by a decrease of RMB2.0 million in pledged bank deposits as we made payments for raw materials, semi-finished and finished products through notes payables. For notes payables, we pledge the deposits in their full amount to the issuing banks as security.

Net cash inflow from investing activities for the year ended December 31, 2010 was RMB6.2 million, primarily as a result of RMB34.4 million received from disposal of a subsidiary, Jiangsu Unity, partially offset by our payment of RMB23.2 million for acquisition of property, plant and equipment and further investment into our joint venture, Hong Kong B&H.

Net cash used in investing activities for the year ended December 31, 2009 was RMB37.5 million, primarily as a result of RMB26.9 million used in acquisition of our subsidiary, Nanjing Ruihe, net of cash acquired, and payments for acquisition of property, plant and equipment of RMB8.8 million, partially offset by proceeds from the disposal of property, plant and equipment of RMB0.9 million.

Net cash used in investing activities for the year ended December 31, 2008 was RMB2.0 million, primarily as a result of payments for acquisition of property, plant and equipment of RMB12.5 million and investment in our joint venture, Hong Kong B&H, of RMB3.4 million.

Cash flows from financing activities

There was no net cash movement in financing activities for the three months ended March 31, 2011, primarily as a result of a short-term bank loan we raised in the amount of RMB64.4 million, offset by our dividend payments in the amount of RMB64.4 million.

Net cash used in financing activities for the year ended December 31, 2010 was RMB232.5 million, primarily as a result of our dividend payments of RMB191.6 million and our repayment of a short-term bank loan of RMB40.9 million.

Net cash used for financing activities for the year ended December 31, 2009 was nil.

Net cash inflow from financing activities for the year ended December 31, 2008 was RMB14.2 million, primarily as a result of a short-term bank loan we raised of RMB41.0 million, partially offset by dividends paid of RMB26.8 million.

Net Current Assets

The following table sets out details of our current assets and liabilities as of the dates indicated:

	December 31,			March 31,	July 31,
	2008	2009	2010	2011	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Current assets					
Inventories	343,805	270,290	410,263	360,386	409,213
Trade receivables	132,925	175,136	179,930	158,473	165,397
Other receivables and prepayments	27,062	29,679	38,360	41,537	34,513
Pledged bank deposits	24,793	29,728	33,784	31,783	15,522
Bank balances and cash	115,376	278,379	161,409	192,231	226,424
	643,961	783,212	823,746	784,410	851,069
Current liabilities					
Trade payables	87,955	132,095	197,161	119,185	125,777
Other payables	66,505	93,426	95,471	82,653	92,582
Income tax liabilities	8,357	15,337	46,435	35,368	13,138
Deferred revenue	—	—	8,581	10,741	13,906
Short-term bank loans	41,008	40,893	—	64,260	64,442
	203,825	281,751	347,648	312,207	309,845
Net current assets	440,136	501,461	476,098	472,203	541,224

Our net current assets decreased by 0.8% to RMB472.2 million as of March 31, 2011 from RMB476.1 million as of December 31, 2010. This decrease was primarily due to a decrease of RMB39.3 million in current assets, partially offset by a decrease of RMB35.4 million in current liabilities. The decrease in current assets mainly included a decrease of RMB49.9 million in inventories and a decrease of RMB21.5 million in trade receivables, partially offset by an increase of RMB30.8 million in bank balances and cash. The decrease in current liabilities mainly included a decrease of RMB78.0 million in trade payables, a decrease of RMB12.8 million in other payables primarily as result of the payment of bonus for 2010 to our Directors in the first quarter of 2011, and a decrease of RMB11.1 million in income tax liabilities, partially offset by an increase of RMB64.3 million in short-term bank loans.

Our net current assets decreased by 5.1% to RMB476.1 million as of December 31, 2010 from RMB501.5 million as of December 31, 2009. This decrease was primarily due to an increase of RMB65.9 million in current liabilities, partially offset by an increase of RMB40.5 million in current assets. The increase in current liabilities mainly included an increase of RMB65.1 million in trade payables, an increase of RMB31.1 million in income tax liabilities due to the increase in our profit before tax and an increase of RMB8.6 million in deferred revenue due to the increase in accumulated credits awarded to customers pursuant to our VIP programs, partially offset by a decrease of RMB40.9 million in short-term bank loans due to our repayment. The increase in current assets mainly included an increase of RMB140.0 million in inventories and an increase of RMB8.7 million in other receivables and prepayments, partially offset by a decrease of RMB117.0 million in bank balances and cash.

Our net current assets increased by 13.9% to RMB501.5 million as of December 31, 2009 from RMB440.1 million as of December 31, 2008. This increase was primarily due to an increase of RMB139.3 million in current assets, partially offset by an increase of RMB77.9 million in current liabilities. The increase in current assets mainly included an increase of RMB163.0 million in bank balances and cash and an increase of 42.2 million in trade receivables, partially offset by a decrease of RMB73.5 million in inventories. The increase in current liabilities mainly included an increase of RMB44.1 million in trade payables and an increase of RMB26.9 million in other payables.

Working Capital

Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations.

INVENTORY ANALYSIS

The following table sets out a summary of our inventory balance as of the respective balance sheet dates below as well as the average inventory turnover days for the periods indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Raw materials	18,567	19,919	27,589	38,320
Work in progress	10,782	6,447	9,575	7,298
Finished goods	337,458	276,511	403,938	347,889
Subtotal	366,807	302,877	441,102	393,507
Write down of inventories to net book value	(23,002)	(32,587)	(30,839)	(33,121)
Total	343,805	270,290	410,263	360,386
Inventory of continuing operations	315,580	249,140	410,263	360,386
Inventory of discontinued operations	28,225	21,150	—	—
Total	343,805	270,290	410,263	360,386

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
Average inventory turnover (days) for continuing operations(1)	199	163	200	199

(1) Average inventory equals inventory of continuing operations at the beginning of the year/period plus inventory of continuing operations at the year/end of the period divided by two. Average inventory turnover (days) for continuing operations equals average inventory divided by cost of sales and multiplied by 365 for a year and 91 days for a three-month period.

Our inventory consists of raw materials, work in progress and finished goods. The largest component is finished goods, which consists primarily of footwear products we manufactured and finished products we outsourced from sub-contractors. Finished goods accounted for a significant portion of our inventories because the nature of our retail business requires us to maintain a relatively high level of finished footwear products for sales and display and to avoid stock shortage. Our finished goods inventory amounted to RMB337.5 million, RMB276.5 million, RMB403.9 million and RMB347.9 million, respectively, as of December 31, 2008, 2009 and 2010 and March 31, 2011. The decrease of approximately 18.1% in finished goods inventory from 2008 to 2009 was primarily because we increased our promotional activities with discounts offered to our customers during 2009 in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. The increase of approximately 46.1% in finished goods inventory from 2009 to 2010 was primarily due to an increase in the number of our proprietary outlets in 2010, as well as the relatively low level of finished goods inventory at the end of 2009 caused by our promotions described above. The decrease of approximately 13.9% in finished goods inventory from December 31, 2010 to March 31, 2011 was primarily due to the difference in the mix of finished goods inventory. At the year end of 2010, our finished goods inventory included a higher proportion of fall and winter footwear than spring and summer footwear as compared with March 31, 2011, and fall and winter footwear generally have higher unit cost than spring and summer footwear.

Our raw materials inventory was RMB18.6 million, RMB19.9 million, RMB27.6 million and RMB38.3 million, respectively, as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively. Our raw materials inventory increased 38.5% from 2009 to 2010 primarily due to the increase of our production capacity as a result of the commencement of operation of our new Suining production facility, which increased the requirement of raw materials during our manufacturing process. Our raw materials inventory increased 38.9% from December 31, 2010 to March 31, 2011 primarily because we stocked a significant amount of raw materials at the end of March 2011 in preparation of the production of fall and winter footwear.

Our work in progress inventory was RMB10.8 million, RMB6.4 million, RMB9.6 million and RMB7.3 million as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively. The fluctuations of our work in progress inventory were primarily a result of (i) the variation of the mix of our spring, summer, fall and winter footwear, which have different value, during the manufacturing process, and (ii) the continuous changes of the production status of our work in process.

The significant decrease in our inventory balance for our continuing operations from RMB315.6 million as of December 31, 2008 to RMB249.1 million as of December 31, 2009 was primarily because we increased our promotional activities to reduce our inventory in 2009 in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. Our inventory balance for continuing operation increased from RMB249.1 million as of December 31, 2009 to RMB410.3 million as of December 31, 2010 primarily due to the increase of our sales attributable to the increase in the number of proprietary outlets and third-party outlets. Our inventory balance for continuing operation decreased from RMB410.3 million as of December 31, 2010 to RMB360.4 million as of March 31, 2011 primarily due to the sale in the three months ended March 31, 2011 of a substantial amount of shoes we stocked at the end of 2010 for winter sales. For the same reasons, our average inventory turnover days for continuing operations decreased to 163 days for 2009 from 199 days for 2008, then increased to 200 days for 2010. Our average inventory turnover for continuing operations remained stable at 199 days for the three months ended March 31, 2011.

Our relatively high inventory turnover days are 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 business, 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 ends 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. For more information about our inventory, including the risks relating to our inventory level, see the sections entitled "Business—Inventory Management," "Financial Information—Inventory Analysis," "Risk Factors—Risks Relating to Our Business—We are subject to inventory risk" and "—We may be unable to obtain adequate funding to implement our growth strategies" in this prospectus.

The table below sets forth our gross inventory by aging, inventory provision by aging and the aging of our inventory net balance at the end of the periods as indicated.

	December 31,									March 31,		
	2008			2009			2010			2011		
	Gross inventory by aging	Provision according to aging	Net balance	Gross inventory by aging	Provision according to aging	Net balance	Gross inventory by aging	Provision according to aging	Net balance	Gross inventory by aging	Provision according to aging	Net balance
Within 1 year (RMB'000)	291,211	—	291,211	207,636	—	207,636	366,709	—	366,709	320,192	—	320,192
1 to 2 years (RMB'000)	63,173	16,138	47,035	68,242	16,869	51,373	41,839	10,450	31,389	36,698	9,121	27,577
2 to 3 years (RMB'000)	11,119	5,560	5,559	22,562	11,281	11,281	24,330	12,165	12,165	24,770	12,153	12,617
Over 3 year (RMB'000)	1,304	1,304	—	4,437	4,437	—	8,224	8,224	—	11,847	11,847	—
Total (RMB'000)	366,807	23,002	343,805	302,877	32,587	270,290	441,102	30,839	410,263	393,507	33,121	360,386

Of the RMB360.4 million of inventories as of March 31, 2011, unaudited amounts of inventory of approximately RMB189.7 million were subsequently used or sold by July 31, 2011.

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. 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 in order to stimulate the sales of such designs. 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. 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. 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. 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 terms of their reasonable amounts, as disclosed in the section entitled "Business—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.

TRADE RECEIVABLES ANALYSIS

Turnover of Trade Receivables

The following table sets out a summary of our trade receivables balance as of the dates indicated as well as the average trade receivables turnover days for continuing operations for the periods indicated.

	December 31,			March 31, 2011
	2008	2009	2010	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total trade receivables	132,925	175,136	179,930	158,473
Trade receivables of continuing operations	122,488	170,474	179,930	158,473
Trade receivables of discontinued operations	10,437	4,662	—	—
Total	132,925	175,136	179,930	158,473

	Year ended December 31,			Three months ended March 31, 2011
	2008	2009	2010	
Average trade receivables turnover (days) for continuing operations(1)	43	42	41	33

(1) Average trade receivables equals trade receivable of continuing operations at the beginning of the year/period plus trade receivables of continuing operations at the end of the year/period divided by two. Average trade receivables turnover (days) for continuing operations equals average trade receivables divided by revenue and multiplied by 365 for a year and 91 days for a three-month period.

Our trade receivables for continuing operations increased by 39.2% from RMB122.5 million as of December 31, 2008 to RMB170.5 million as of December 31, 2009, and further increased by 5.5% to RMB179.9 million in 2010. These increases were primarily due to the increase in our product sales year on year. Our trade receivables for continuing operations decreased by 11.9% from RMB179.9 million as of December 31, 2010 to RMB158.5 million as of March 31, 2011, primarily as a result of the overall lower prices for the shoes we sold in March 2011, as compared with those for the shoes we sold in December 2010. In general, the shoes we sell in December, such as boots, have higher prices than the shoes we sell in March, such as pumps. We generally receive our sales proceeds within 45 to 60 days from the time the sales are made.

The average trade receivables turnover days for continuing operations decreased primarily due to our enhanced management of trade receivables from 2008 to 2010. Our average trade receivables turnover days for continuing operations for the three months ended March 31, 2011 were 33 days, primarily due to (i) the decrease of our trade receivables for continuing operations from December 31, 2010 to March 31, 2011 as explained above, and (ii), to a lesser extent, our enhanced effort in the collection of trade receivables during this period.

Aging Analysis of Trade Receivables

On average, we allow a credit period of 60 days to our trade customers. Trade receivables aged more than 60 days are generally considered past due. The following is an aging analysis of the trade receivables based on invoice dates as indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
0-60 days	125,107	167,353	177,688	153,084
61-180 days	5,868	7,180	1,191	5,348
180 days to 1 year	1,008	293	464	41
Over 1 year	942	310	587	—
Total	132,925	175,136	179,930	158,473

As of December 31, 2008, 2009, 2010 and March 31, 2011, 94.1%, 95.6%, 98.8% and 96.6% of our trade receivables were neither past due nor impaired.

Included in our trade receivables were a total carrying amount of RMB7.8 million, RMB7.8 million, RMB2.2 million and RMB5.4 million as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively, were due over 60 days primarily because the credit terms provided in our agreements with certain department stores exceeded 60 days. We did not provide an impairment loss for them as there had not been a significant change in credit quality and the amounts were still within the credit period.

As of March 31, 2011, the amount of our trade receivables aged up to 60 days, 61 and 180 days, 180 days and one year, and over one year was RMB153.1 million, RMB5.3 million, RMB41,000 and nil, respectively. Of the RMB158.5 million of accounts receivables as of March 31, 2011, unaudited amounts of trade receivables of approximately RMB158.1 million were subsequently settled by July 31, 2011.

TRADE PAYABLES ANALYSIS

Turnover of Trade Payables

The following table sets out our trade payables balance as of the respective balance sheet dates below as well as the average trade payables turnover days for the periods indicated.

	December 31,			March 31, 2011
	2008	2009	2010	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Amount payable from purchases of goods from third party	61,532	99,566	158,904	83,034
Notes payable	24,793	29,728	33,784	31,783
Amounts due to joint venture	1,630	2,801	4,473	4,368
Total	87,955	132,095	197,161	119,185
Trade payables of continuing operations	86,251	131,611	197,161	119,185
Trade payables of continuing discontinued operations	1,704	484	—	—
Total	87,955	132,095	197,161	119,185

	Year ended December 31,			Three months ended March 31, 2011
	2008	2009	2010	
Average trade payables turnover (days) for continuing operations[1]	71	63	100	82

(1) Average trade payables equal trade payables of continuing operations at the beginning of the year/period plus trade payables of continuing operations at the end of the year/period divided by two. Average trade payable turnover (days) for continuing operations equals average trade payables divided by the cost of sales and multiplied by 365 for a year and 91 for a three-month period.

Our trade payables primarily consisted of amount payables from purchases of goods from third parties, notes payable and amounts due to the joint venture.

Our trade payables for continuing operations increased by 52.6% from RMB86.3 million as of December 31, 2008 to RMB131.6 million as of December 31, 2009, and further increased by 49.8% to RMB197.2 million as of December 31, 2010. These increases were primarily due to the increase in our purchase of raw materials and semi-finished and finished products. Our trade payables for continuing operations decreased by 39.5% from RMB197.2 million as of December 31, 2010 to RMB119.2 million as of March 31, 2011, primarily as a result of our payment made in the three months ended March 31, 2011 for the raw materials, semi-finished and finished products we purchased during the fourth quarter of 2010, the amount of which was substantially higher than that we purchased during the first quarter of 2011.

Our average trade payables turnover days for continuing operations decreased from 71 days for 2008 to 63 days for 2009 primarily because our cost of sales for 2009 significant increased in connection with our reduction of inventory in anticipation of a sustained effect of the global financial crisis on the PRC footwear market. The increase of the average trade payables turnover days for continuing operations to 100 days for 2010 was primarily because we increased the use of notes payable with a settlement period of three or six months during 2010. Our average trade payables turnover days for continuing operations for the three months ended March 31, 2011 were 82 days, primarily due to the decrease of our trade payables for continuing operations from December 31, 2010 to March 31, 2011 as explained above.

Aging Analysis of Trade Payables

With reference to the aging analysis below, approximately 92.2% of our trade payables as of December 31, 2010 were aged below 90 days.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
0-90 days	75,487	118,964	181,846	105,792
91-180 days	11,963	12,620	15,040	13,380
181-360 days	226	183	105	11
Over 360 days	279	328	170	2
Total	87,955	132,095	197,161	119,185

As of March 31, 2011, our trade payables aged up to 90 days and over 90 days were RMB105.8 million and RMB13.4 million, respectively. Of the RMB119.2 million of trade payables as of March 31, 2011, trade payables of approximately RMB119.0 million were subsequently settled by July 31, 2011.

ANALYSIS OF OTHER SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Other Receivables and Prepayments

The following table sets out our other receivables and prepayments as of the dates indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Advance payments to suppliers	16,161	4,816	7,189	11,320
Value-added tax receivable	2,742	7,259	2,839	6,747
Prepayments	6,511	15,494	22,500	18,254
Prepayments for listing-related expense	—	—	3,455	2,116
Prepaid lease payments	441	441	441	441
Due from joint venture	33	82	189	—
Others	1,174	1,587	1,747	2,659
Total	27,062	29,679	38,360	41,537

Other receivables and prepayments increased by RMB3.2 million from RMB38.4 million as of December 31, 2010 to RMB41.5 million as of March 31, 2011. This increase was primarily due to (i) an increase of RMB4.1 million in advance payments for purchases to suppliers to ensure stable supply of raw materials and finished products at reasonable costs and (ii) an increase of RMB3.9 million in value-added tax receivable, which was partially offset by a decrease of RMB4.2 million in prepayments as a result of our control over prepayments for our outlet renovation during this period.

Other receivables and prepayments increased by RMB8.7 million from RMB29.7 million in 2009 to RMB38.4 million in 2010. This increase was primarily due to the increase in the number of our proprietary outlets in 2010, which resulted in an increase of RMB7.0 million in the prepayments for outlets renovation, which was partially offset by a decrease of RMB4.4 million in value-added tax receivable.

Other receivables and prepayments increased by RMB2.6 million from RMB27.1 million in 2008 to RMB29.7 million in 2009 primarily because (i) an increase of RMB9.0 million in prepayments for outlet renovation, and (ii) an increase of RMB4.5 million in value-added tax receivable in connection with our contract manufacturing export business, which was substantially offset by a decrease of RMB11.3 million in advance payments to suppliers. Our advance payments to suppliers as of December 31, 2008 were substantially higher than that as of December 31, 2009 mainly as a result of the impact of the global financial crisis that occurred in late 2008 and early 2009 and our suppliers required more advanced payments for purchases during the last quarter of 2008 than 2009.

Other Payables

The following table sets out our other payables as of the dates indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Accruals	3,610	6,240	6,968	6,121
Advances from customers	1,626	9,339	8,851	6,578
Payroll payable	26,339	27,791	37,063	19,240
Other tax liabilities	11,641	22,257	16,408	22,994
Deposit from wholesale customers	17,173	16,910	11,622	10,736
Payable for decoration	1,361	5,426	7,709	6,724
Payable for construction in progress	—	—	—	3,836
Others	4,755	5,463	6,850	6,424
Total	66,505	93,426	95,471	82,653

The significant increase in other payables of RMB26.9 million from RMB66.5 million in 2008 to RMB93.4 million in 2009 was mainly due to (i) an increase of RMB7.7 million in advances from customers as a result of the growth of our wholesale sales, which brought in more advances from our authorized distributors, and (ii) an increase of RMB10.6 million in other tax liabilities, which primarily comprised value-added taxes.

The decrease in other payables of RMB12.8 million from RMB95.5 million as of December 31, 2010 to RMB82.7 million as of March 31, 2011 was mainly due to a decrease of RMB17.8 million in payroll payable primarily as a result of the payment of bonus for 2010 to our Directors in the first quarter of 2011, which was partially offset by (i) an increase of RMB6.6 million in other tax liabilities, which primarily comprised value-added taxes, and (ii) an increase of RMB3.8 million in payable for construction in progress for our warehousing facilities.

INDEBTEDNESS

Short-term Bank Loans

The following table sets out an analysis of our short-term bank loans as of the dates indicated.

	December 31,			March 31,	
	2008	2009	2010	2011	July 31, 2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Secured	—	—	—	64,260	64,442
Unsecured	41,008	40,893	—	—	—
	41,008	40,893	—	64,260	64,442

The following table sets out an effective interest rate analysis of our bank borrowings as of the dates indicated.

	December 31,			March 31,	July 31,
	2008	2009	2010	2011	2011
Weighted average interest rates (per annum) bank loans	5.85%	2.50%	—	4.259%	4.280%

The following table sets out a currency analysis of the carrying amounts of our bank loans as of the dates indicated.

	December 31,			March 31,	July 31,
	2008	2009	2010	2011	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Bank loans denominated in U.S. dollars	41,008	40,893	—	64,260	64,442

Some of our bank facilities are guaranteed by certain of our Directors. Such bank facilities amounted to nil, nil, RMB100.0 million, RMB165.6 million and RMB164.4 million as of December 31, 2008, 2009 and 2010 and March 31 and July 31, 2011, respectively. Such guarantees will be released upon the Listing.

In particular, on March 9, 2011, we entered into the Hongguo Loan Facility with DBS Bank Ltd., Hong Kong Branch, in an aggregate principal amount of up to US$10 million. The Hongguo Loan Facility is guaranteed by, or secured by the assets of, our Controlling Shareholders, Mr. Li Wei, Media Value, Mr. Miao Bingwen and Sure Manage, together with a security interest over our assets. As of July 31, 2011, the balance of our borrowings pursuant to the Hongguo Loan Facility amounted to RMB64.4 million. We plan to use part of the proceeds from the Global Offering to repay part of the outstanding balance of the Hongguo Loan Facility with the remaining amount to be repaid with our internal funds, and all securities and guarantees relating to the Hongguo Loan Facility will be released upon Listing. Please refer to the section entitled "Use of Proceeds" in this prospectus. For other details of the Hongguo Loan Facility, see the section entitled "History and Development—Delisting of the Company from the SGX-ST" in this prospectus.

As of July 31, 2011, we had unutilized secured banking facilities in the total principal amount of RMB100 million.

Except as described above, as of July 31, 2011, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Contingent Liabilities

As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had no contingent liabilities.

CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

We have funded our historical capital expenditures through cash flows generated from operating activities and bank borrowings. The following table sets forth a summary of our capital expenditures during the Track Record Period:

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Purchase of property, plant and equipment				
Production facilities	3,218	709	11,980	3,238
Proprietary outlets	4,671	3,620	8,046	2,408
Head offices and regional offices	4,659	4,472	3,181	5,138
	12,548	8,801	23,207	10,784
Purchase of investment properties	—	43,185	—	—
Purchase of intangible assets	1,061	887	407	59
Total	13,609	52,873	23,614	10,843

Our total capital expenditure increased by 288.5% from RMB13.6 million in 2008 to RMB52.9 million in 2009. This increase was primarily due to our acquisition of certain commercial real property for investment in an amount of RMB43.2 million. As we believed the price of the above commercial real property was relatively low at the time, which is a relatively small amount as compared with our annual revenue, we acquired the property for investment. In the future, we may use this property for our proprietary outlets depending upon circumstances and we have no intention to further enter into material property purchase transactions for investment.

Our total capital expenditure decreased by 55.3% from RMB52.9 million in 2009 to RMB23.6 million in 2010. This was primarily because we did not engage in any real property investment in 2010.

We expect to spend approximately RMB29.2 million, RMB82.5 million and RMB71.2 million on capital expenditures in the years ending December 31, 2011, 2012 and 2013, respectively, as follows:

	Year ending December 31,			
	2011	2012	2013	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Land and production facilities	20,000	64,290	47,000	131,290
Proprietary outlets	4,200	4,200	4,200	12,600
Head office and warehousing facilities	5,000	14,000	20,000	39,000
Total	29,200	82,490	71,200	182,890

Our planned capital expenditures primarily relate to the expansion and maintenance of our production facilities, improvement of our offices and warehousing facilities and expansion of our retail network. In order to increase our production capacity to meet the increase in market demand of our products, we plan to spend approximately RMB20.0 million, RMB64.3 million and RMB47.0 million in the years ending December 31, 2011, 2012 and 2013, respectively, for the expansion of our Suining production facility and the maintenance of Nanjing production facility, including purchase or construction of plants and acquisition of production equipment.

In connection with the expansion of our retail network, we plan to spend approximately RMB4.2 million, RMB4.2 million and RMB4.2 million in the years ending December 31, 2011, 2012 and 2013, respectively, primarily for the purchases of related equipment, including computers, barcode scanners, telephones and other communication equipment. We also intend to improve our head office and warehousing facilities, including the warehousing facilities to be used for our internet sales, with capital expenditures of approximately RMB5.0 million, RMB14.0 million and RMB20.0 million in the years ending December 31, 2011, 2012 and 2013, respectively. We anticipate to finance our capital expenditures with proceeds from the Global Offering, our own funds, and if necessary, bank borrowings. We cannot assure you that any of such capital expenditures will proceed as planned.

In the future, we may need to raise additional funding for capital expenditures. However, our ability to obtain such funding is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, economic, political and other conditions in the jurisdictions in which we operate.

Capital Commitments

The following table sets out our outstanding capital commitments as of the dates indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Construction commitments				
Contracted but not provided for production facilities	—	—	10,085	6,149

Operating Lease Commitment

Operating lease payments represented rentals payable by us for our lease of factory space and retail outlets. Leases and rentals for the factory spaces and retail outlets are negotiated and fixed for terms ranging from 10 to 20 years and one to two years, respectively. The table below sets forth our outstanding commitments in respect of non-cancellable operating leases which fall due at the end of the periods as indicated.

	December 31,			March 31,
	2008	2009	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	5,894	10,293	11,225	14,083
In the second to fifth years inclusive	20,728	21,570	34,138	34,161
After five years	22,134	17,893	61,963	60,780
Total	48,756	49,756	107,326	109,024

The substantial increase of our operating lease commitments as of December 31, 2010 from previous years was primarily because we entered into a long-term lease for our Suining production facility. The long-term lease forms part of the cooperation between us and the Suining local government to establish our production facility in Suining. Pursuant to the investment cooperation agreement entered into by the Management Committee of Jiangsu Suining Economic Development Zone as the lessor, and us on May 24, 2010, we are required to invest US$15.0 million within three years of the agreement date. We currently plan to use approximately RMB118.2 million of the proceeds from the Global Offering for purchase of land use rights and plant and production equipment for our Suining production facility. The lessor is required to construct and lease to us certain production facilities and related properties with a total GFA of approximately 25,000 square meters at an annual rental rate of RMB78 per square meter. We are required to lease such properties for a term of not less than 20 years after the construction of the production facilities are completed. We will be entitled to, after the first year of the lease term, purchase such properties and the land. Under the agreement, we will be entitled to preferential tax treatment from the local government for up to 10 years if our annual value-added tax and enterprise income tax exceed certain threshold.

RELATED PARTY TRANSACTIONS

It is the view of our Directors that each of the related party transactions set out in Note 38 in the Accountants' Report included in Appendix I attached to this prospectus was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties or terms not less favorable than terms available from independent third parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

OFF-BALANCE SHEET TRANSACTIONS

We have not entered into any off-balance sheet transactions.

MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including the following:

Foreign Exchange Risk

The primary economic environment in which we operate is China and our functional currency is Renminbi. However, some of our sales and purchases are denominated in United States dollars, which exposes us to foreign currency risks. See the section entitled "Risk Factors—Risks Relating to China—PRC government restrictions on the convertibility of Renminbi may limit our ability to effectively utilize our revenues and funds and the ability of our PRC subsidiaries to obtain financing" in this prospectus. We have limited transactions which are conducted in Singapore dollars and Hong Kong dollars.

We currently do not have a foreign currency hedging policy, but the management monitors our foreign exchange exposure on an on-going basis and will consider hedging significant foreign currency exposure should the need arise.

The following table sets out our sensitivity to a 5% change in Renminbi against the relevant foreign currencies. The sensitivity rate of 5% represents our management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign-currencies-denominated monetary items and adjusts their translation at the end of reporting periods as indicated for a 5% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit for the year or period where the relevant foreign currencies strengthen 5% against Renminbi. For a 5% weakening of the relevant foreign currency against Renminbi, there would be an equal and opposite impact on the net profit for the periods indicated.

	Year ended December 31,			Three months ended March 31,
	2008	2009	2010	2001
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
U.S. dollar impact	1,705	(23)	1,723	(2,296)
Singapore dollar impact	12	14	138	126
H.K. dollar impact	2	9	708	217

For further information, please see Note 5 to the Accountants' Report included in Appendix I to this prospectus.

Interest Rate Risk

Our fair value interest rate risk relates primarily to our fixed-rate bank deposits and fixed-rate bank borrowings. Our cash flow interest rate risk relates primarily to our variable-rate bank balances which carry prevailing market interest rates. However, such exposure relating to bank balances is minimal as the bank balances are all short term in nature. We have not entered into interest rate swaps to hedge against our exposure to changes in fair values of borrowings. Currently, we do not have an interest rate hedging policy. However, we monitor our interest rate exposure and will consider restructuring our credit facilities should the need arise.

For further information, please see Note 5 to the Accountants' Report included in Appendix I to this prospectus.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to us. We have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Before accepting any new customer, we assess the potential customer's credit quality and define our credit limits for such customer. We use publicly available financial information and our own trading records to rate our major customers. We only transact with customers that have good credit quality. Our exposure and the credit ratings of our counterparties are subject to our continuous monitoring. Credit exposure is controlled by the counterparty limits that are reviewed and approved by our management.

Our credit risk primarily relates to our trade and other receivables, bank balances and cash and pledged bank deposits. There is significant concentration of credit risk as our top five biggest customers account for approximately 24%, 19%, 10% and 9% of the carrying amounts of trade receivables as of December 31, 2008, 2009 and 2010 and March 31, 2011, respectively.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We monitor the utilization of bank borrowings and ensure compliance with loan covenants. For further information, please see Note 5 to the Accountants' Report included in Appendix I to this prospectus.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

We have prepared the following profit forecast for the year ending December 31, 2011 on the bases described in Appendix III to this prospectus. You should read the bases in Appendix III to this prospectus when you analyze our profit forecast for the year ending December 31, 2011.

Unaudited forecast of consolidated profit attributable to equity shareholders of our company for the year ending December 31, 2011(1)	not less than RMB287.2 million (equivalent to approximately HK$341.0 million)
Unaudited pro forma forecast basic earnings per Share(2)	not less than RMB0.143 (equivalent to approximately HK$0.170)

(1) The bases on which the above profit forecast for the year ending December 31, 2011 has been prepared are summarized in Appendix III to this prospectus. The unaudited forecast of consolidated profit attributable to equity shareholders of the Company for the year ending December 31, 2011 has been prepared by the Directors on a basis consistent in all material respects with the accounting policies presently adopted by our group as set out in Note 3 of Section A of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(2) The calculation of the unaudited pro forma forecast basic earnings per Share is based on the unaudited forecast of consolidated profit attributable to equity shareholders of our Company for the year ending December 31, 2011 assuming the Global Offering had been completed on January 1, 2011, and a total of 2,000,000,000 Shares were in issue and outstanding during the entire year.

DIVIDEND POLICY

Subject to our constitutional documents and the Companies Act, we may declare final dividends in any currency through a general meeting, but no dividend may be declared in excess of the amount recommended by the Board. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we paid dividends in the amount of RMB26.8 million, nil, RMB191.6 million and RMB64.4 million, respectively.

Future dividend payments will depend upon the availability of dividends we receive from our operating subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from IFRS. PRC laws also require foreign-invested enterprises, such as our operating subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries have entered into or may enter into in the future.

Subject to the above factors, our expected dividend policy is that not less than approximately 20% of our profits available for distribution will be recommended for distribution in each financial year. The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our Shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests as of July 31, 2011 and is of the opinion that the capital value of our property interests in aggregate amounted to RMB135.4 million as of July 31, 2011. Please refer to the property valuation report in appendix IV to this prospectus for details of our property interests as of July 31, 2011.

The reconciliation of the net book value of our properties as derived from our audited financial statements as of March 31, 2011 to the property valuation report in Appendix IV is set forth below:

	(RMB'000)
Net book value of properties of our group as of March 31, 2011 as set out in the accountants report in Appendix I to this prospectus—Investment properties, buildings, land use right and construction in progress	108,076
Add: Addition during the period from April 1, 2011 to July 31, 2011 (unaudited)	1,830
Less: Disposals during the period from April 1, 2011 to July 31, 2011 (unaudited)	—
Less: Depreciation and amortization of properties during the period from April 1, 2011 to July 31, 2011 (unaudited)	876
Net book value of properties of our group as of July 31, 2011	109,030
Valuation surplus	37,370
Valuation of properties as of July 31, 2011 as set out in the property valuation report in Appendix IV to this prospectus	146,400

DISTRIBUTABLE RESERVES

As of March 31, 2011, our Group had reserves available for distribution to our Shareholders of RMB 513.1 million.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering and the Capitalization Issue on our consolidated net tangible assets as of March 31, 2011 as if they had taken place on March 31, 2011.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of March 31, 2011 or any future date following the Global Offering. It is prepared based on our consolidated net assets as of March 31, 2011 as set out in the accountants' report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of consolidated net tangible assets does not form part of the accountants' report as set out in Appendix I to this prospectus.

	Audited Consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2011(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share(3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on an Offer Price of HK$2.30 per Share	644,217	530,005	1,174,222	0.59	0.70
Based on an Offer Price of HK$3.24 per Share	644,217	758,014	1,402,231	0.70	0.83

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2011 are based on audited consolidated net assets of the Group attributable to owners of the Company as of March 31, 2011 of RMB645,999,000 as set out in Appendix I to this prospectus after deducting intangible assets of the Group of RMB1,782,000.

(2) The estimated net proceeds from the Global Offering are based on 300,000,000 shares to be issued under the Global Offering and the Offer Price of HK$2.30 and HK$3.24 per share, being the lower end and higher end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately RMB5.8 million listing-related expense which has been accounted for prior to March 31, 2011) payable by the Company in connection with the Global Offering. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at the rate of HK$1.00 to RMB0.8423.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 2,000,000,000 shares in issue immediately following the completion of the Global Offering. No consideration has been given to any Shares which may be issued pursuant to the Share Option Scheme. By comparing the valuation of our property interest as set out in Appendix IV to this prospectus, the net valuation surplus is approximately RMB37.4 million as compared to the carrying amounts of the Group's property interest as at July 31, 2011, which has not been included in the above consolidated net tangible assets of the Group attributable to owners of the Company. The valuation surplus of those property interests, which is stated at historical cost less accumulated depreciation or amortization, will not be incorporated in our consolidated financial statements. If the valuation surplus was to be included in our consolidated financial statements, an additional depreciation charge of approximately RMB1.0 million per annum would be incurred.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects of our Company since March 31, 2011.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.