

Active Group Holdings Limited 動感集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1096

Global Offering



Sole Sponsor



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator, Bookrunner and Lead Manager



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

* For identification purpose only

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.

Active Group Holdings Limited

動感集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares offered pursuant to the Global Offering : 300,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares : 30,000,000 Shares (subject to re-allocation)
Number of International Placing Shares : 270,000,000 Shares (subject to re-allocation and the Over-allotment Option)
Maximum Offer Price : HK\$1.83 per Offer Share payable in full on application, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal value : HK\$0.10 each
Stock code : 1096

Sole Sponsor



Guotai Junan Capital Limited

Sole Global Coordinator, Bookrunner and Lead Manager



Guotai Junan Securities (Hong Kong) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around 21 September 2011 and, in any event, not later than 26 September 2011. The Offer Price will be not more than HK\$1.83 and is currently expected to be not less than HK\$1.20 unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.83 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK\$1.83.

The Global Coordinator (for itself and on behalf of the Underwriters), may, with the consent of our Company, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.20 to HK\$1.83 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.activegroup-int.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If, for any reason, the Offer Price is not agreed between the Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering (including the Hong Kong Public Offer) will not proceed.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

* For identification purpose only

Friday, 16 September 2011

EXPECTED TIMETABLE⁽¹⁾

Application lists open⁽²⁾11:45 a.m. on Wednesday, 21 September 2011

Latest time for lodging **WHITE** and **YELLOW**

Application Forms.....12:00 noon on Wednesday, 21 September 2011

Latest time to complete electronic applications under

WHITE Form eIPO service through the designated

website www.eipo.com.hk⁽³⁾11:30 a.m. on Wednesday, 21 September 2011

Latest time to complete payment of **WHITE Form eIPO**

applications by effecting internet banking transfers or

PPS payment transfers12:00 noon on Wednesday, 21 September 2011

Latest time to give **electronic application**

instructions to HKSCC⁽⁴⁾12:00 noon on Wednesday, 21 September 2011

Application lists close⁽²⁾12:00 noon on Wednesday, 21 September 2011

Expected Price Determination Date⁽⁵⁾Wednesday, 21 September 2011

Announcement of:

- the Offer Price,
- the level of applications in the Hong Kong Public Offer,
- the level of indications of interests in the International Placing, and
- the basis of allotment of Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at

www.hkexnews.hk and our Company's website at

www.activegroup-int.com fromTuesday, 27 September 2011

Results of allotments in the Hong Kong Public Offer

(with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as set out in the section headed

"How to apply for the Hong Kong Offer Shares —

Results of allocations" of this prospectus fromTuesday, 27 September 2011

Results of allotments in the Hong Kong Public Offer will

be available at www.iporesults.com.hk with a "Search

by ID" functionTuesday, 27 September 2011

EXPECTED TIMETABLE⁽¹⁾

Despatch of share certificates in respect of wholly or partially successful applications and despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before ⁽⁶⁾ ⁽⁷⁾ ⁽⁸⁾ ⁽⁹⁾Tuesday, 27 September 2011

Dealings in Shares on the Stock Exchange to commence onWednesday, 28 September 2011

Notes:

- (1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 21 September 2011, the application lists will not open or close on that day. Please refer to the section headed “How to apply for the Hong Kong Offer Shares — Effect of bad weather conditions on the opening of the application lists” in this prospectus.
- (3) Applicants will not be permitted to submit their application to the White Form eIPO Service Provider through the designated website www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted their application and obtained an application reference number from the designated website prior to 11:30 a.m., they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. Applicants who apply for Hong Kong Offer Shares by completing White Form eIPO should refer to the section headed “How to apply for the Hong Kong Offer Shares — How to apply through the White Form eIPO service” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for the Hong Kong Offer Shares — How to apply by giving electronic application instructions to HKSCC” in this prospectus.
- (5) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about 21 September 2011 and, in any event, not later than 26 September 2011. If, for any reason, the Offer Price is not agreed between our Company and the Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum offer price of HK\$1.83 per Share, applicants must pay the maximum offer price of HK\$1.83 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.
- (6) Share certificates for the Offer Shares are expected to be issued on 27 September 2011 but will only become valid certificates of title at 8:00 a.m. on 28 September 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Global Offering does not become unconditional or either of the Underwriting Agreements is terminated, our Company will make an announcement as soon as possible.
- (7) e-Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application.

EXPECTED TIMETABLE⁽¹⁾

- (8) Applicants who have applied on **WHITE** Application Forms or **WHITE FORM eIPO** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect any refund cheques and share certificates (as relevant) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, may do so between 9:00 a.m. to 1:00 p.m. on 27 September 2011. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Identification and (where applicable) authorisation documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Hong Kong Offer Shares — How to apply by giving electronic application instructions to HKSCC" in this prospectus for details.

- (9) Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares — If your application for the Hong Kong Offer Shares is successful (in whole or in part)" in this prospectus.

You should read carefully the sections headed "Underwriting," "How to apply for the Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the despatch of share certificates and the refund of application monies.

Share certificates will only become valid if the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date, which is expected to be 28 September 2011. Investors who trade Shares on the basis of publicly available details before the receipt of share certificates and before the share certificates become valid do so entirely at their own risk.

TABLE OF CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Global Coordinator, the Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.

	<i>Page</i>
Expected Timetable	i
Table of Contents	iv
Summary	1
Definitions	18
Risk Factors	27
Waiver from Strict Compliance with the Listing Rules	46
Information about this Prospectus and the Global Offering	48
Directors and Parties Involved in the Global Offering	52
Corporate Information	55
Industry Overview	57
Relevant Regulations and Rules in the PRC	65
History and Development	72
Reorganisation	82
Business	86
Connected Transactions	138
Relationship with our Controlling Shareholders	139
Directors, Senior Management and Staff	143

TABLE OF CONTENTS

	<i>Page</i>
Substantial Shareholders	149
Share Capital	150
Financial Information	153
Future Plans and Use of Proceeds	201
Underwriting	203
Structure of the Global Offering	211
How to apply for the Hong Kong Offer Shares	219
Appendix I Accountants' Report	I-1
Appendix II Unaudited Pro Forma Financial Information	II-1
Appendix III Profit Forecast	III-1
Appendix IV Property Valuation	IV-1
Appendix V Summary of the Constitution of our Company and the Cayman Islands Company Law	V-1
Appendix VI Statutory and General Information	VI-1
Appendix VII Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

OVERVIEW

Business Overview

Our Group is one of the leading men’s casual footwear enterprises and brand operators in the PRC. Over the years, our Group has been focusing on developing and promoting its self-owned and licensed brands for high quality and stylish casual footwear. Our Group has two self-owned brands, namely *Jimaine* and *Bull Titan*, and three licensed brands, namely *Luotuo Brand*, *Camel Active* and *Greiff*, offering a wide range of casual footwear to various segments of middle to upper-middle end consumers. At present, we do not have our own retail sales network. We sell our products on a wholesale basis to our customers, including distributors and department stores, who in turn retail sell our products to the end consumers through retail shops and/or department store counters operated and maintained by our customers.

According to Euromonitor, our Group’s self-owned brands *Jimaine* and *Bull Titan* ranked fifth and sixth, respectively, among the foreign and local brands of men’s casual footwear¹ in the PRC in terms of retail sales revenue in 2010. According to Euromonitor, the men’s casual footwear market of the PRC, which accounted for approximately 48.6% of the men’s overall footwear market of the PRC in 2010 in terms of retail sales revenue, is composed of many international and local casual footwear brands and the casual footwear brand which ranked first accounted for approximately 2.6% of the men’s casual footwear market share of the PRC in terms of retail sales revenue in 2010. The two self-owned brands of our Group, namely *Jimaine* and *Bull Titan*, together accounted for approximately 2.6% of the men’s casual footwear market of the PRC in terms of retail sales revenue in 2010.

Pursuant to our wholesale business model, we do not sell our products directly to consumers but rely on our customers to retail sell our products to end consumers. As a result of our strategy in selecting customers who have footwear retail sales network and are experienced in the management and operations of footwear retail business, during the Track Record Period, our Group’s products were

1. According to Euromonitor, men’s casual footwear refers to shoes which are usually lightweight with flat soles, suiting daily routine like walking, exercising, shopping, travelling, and even general working environment (e.g. business casual shoes), but excludes casual series under sportswear brands and outdoor sports brands which are included in men’s sports footwear segment.

SUMMARY




sold to the end consumers nationwide through retail sales network of our customers. As at 31 May 2011, the retail shops and department store counters operated and maintained by our customers reached an aggregate of 491 for *Jimaire*, 581 for *Bull Titan*, 417 for *Luotuo Brand*, 22 for *Greiff* and 51 for *Camel Active*.

We are also engaged in OEM business on manufacturing casual footwear for a number of overseas footwear brands during the Track Record Period. We maintain well-established and stable relationship with our OEM customers about half of whom have been our customers for over five years. In general, we accept purchase orders from our OEM customers on a case-by-case basis, but do not have any long-term master agreement with them. During the Track Record Period, we produced all of our OEM products in our own production facilities in accordance with the designs provided by our OEM customers.

Brands development and multi-branding strategy

We strategically position each of our self-owned and licensed brands with a specific theme and image targeting different segments of the middle to upper-middle end consumers in the market. Our Directors believe that an effective branding strategy can differentiate our products from those of our competitors.

Our brand portfolio is as follows:

Brand	Product range	Brand image	Target consumers
Our self-owned brands			
<i>Jimaire</i> 	Casual footwear with business classic and practical designs	Passion for life; pursuit for quality and leisure lifestyle	Middle to upper-middle class income group at ages from 30 to 55 years old
<i>Bull Titan</i> 	Trendy and sporty casual footwear	Dynamic city life of freedom, personality and industriousness with the passion for a trendy, quality and casual lifestyle	Young consumers of the age group from 18 to 29 years old
Our licensed brands			
<i>Luotuo Brand</i> (駱駝牌) 	Business classic casual footwear and functional outdoor footwear with special features (hiking shoes and air-breathable shoes)	Classic, fashionable	Affluent consumers of the age group from 25 to 39 years old

SUMMARY

Brand	Product range	Brand image	Target consumers
Greiff 	Casual footwear, casual apparel and accessories, including leather-wares such as suitcases	Old English fashion of elegance, glory and braveness; symbolic representation for high quality life	Affluent consumers of the age group from 25 to 39 years old
Camel Active 	Casual footwear	Challenges, pursuit of an uncommon lifestyle and affection for adventures	Affluent consumers of the age group from 25 to 39 years old

We started to develop our self-owned brand **Jimaine** in 1996. The casual footwear offered under **Jimaine** represents a wide range of casual footwear with business classic and practical designs targeting middle to upper-middle class with a stable income with an age group from 30 to 55 years old. Over the years, **Jimaine** is highly recognised in the men’s casual footwear market in the PRC. Our brand **Jimaine** was recognised as “Fujian Province’s well-known trademark (福建省著名商標)” in 2005. In 2008, the **Jimaine** branded footwear design was awarded as “The Top 10 Star Footwear of 2008 in the PRC (2008年全國十大明星鞋款)”.

Around 1998, we also started to develop our self-owned brand 公牛巨人 **Gong Niu Ju Ren**, which was recognised as “Fujian Province’s well-known trademark (福建省著名商標)” in 2006, to offer a range of trendy and sporty footwear, targeting the youth market. In 2006, we applied for the registration of **Bull Titan** as a replacement of 公牛巨人 **Gong Niu Ju Ren** to market our trendy and sporty casual footwear. 公牛巨人 **Gong Niu Ju Ren** has since then gradually faded out of the market.

It is our strategy to develop our **Jimaine** and **Bull Titan** brands to target different market segments. These two self-owned brands complement each other and allow our Group to capture a wide range of customer group.

Leveraging on our experience in and success of promoting our self-owned brands in the PRC, we further developed our brand portfolio through licensing arrangements in connection with **Luotuo Brand**, **Greiff** and **Camel Active**, which offer diverse styles of footwear targeting different market segments.

To implement a multi-branding strategy, we decided to develop our third brand to offer functional outdoor footwear with special features, in addition to our self-owned brands, **Jimaine** and **Bull Titan**. We first obtained the non-exclusive licence for **Luotuo Brand** in 2003. Our Directors believed that our positioning of **Luotuo Brand** with a specific image targeting a consumer group different from those which our self-owned brands target could enable our Group to expand our customer base and enhance our market position as a brand operator in the men’s casual footwear business in the PRC. We position **Luotuo Brand** to represent a trendy style with special features and outdoor functions, such as air-breathable shoes, targeting consumers from 25 to 39 years old. We are granted the non-exclusive licence to use the **Luotuo Brand** trademark in connection with casual footwear and sport footwear in the PRC (excluding Hong Kong, Macau and Taiwan) up to 28 February

SUMMARY

2013 at an annual royalty fee that started at RMB600,000 for the first year of the license period in 2003 and increased by 15% for each subsequent year. On this basis, the total royalty fees in relation to the use of **Luotuo Brand** trademark amounted to approximately RMB4.5 million for the Track Record Period. For the remaining license period, we have to pay royalty fees of RMB266,002 for the period from 1 June 2011 to 31 July 2011, RMB1,835,413.72 for the period from August 2011 to July 2012 and RMB1,231,256.71 for the period from August 2012 to February 2013. We are not required to meet any sales target in relation to the **Luotuo Brand** products. As advised by Mr. Wan Jingang, the registered owner of **Luotuo Brand**, he also granted four other licensees the licence to use the **Luotuo Brand** on children's footwear, outdoor hiking shoes, sport footwear and formal leather footwear, respectively, as at the Latest Practicable Date. In addition to the display of Shishi Haomai's name as manufacturer on the packaging of our **Luotuo Brand** products as required pursuant to the relevant PRC laws and regulations, our **Luotuo Brand** casual footwear products can also be differentiated from the **Luotuo Brand** footwear products of such other licensees in terms of footwear types and functions. Although we are also granted the licence to use the brand on sport footwear, we have been focusing on developing casual footwear only and have not manufactured any sport footwear under the **Luotuo Brand**. Therefore, we are of the view that no competition exists between our **Luotuo Brand** casual footwear products and the **Luotuo Brand** footwear products of such other licensees. Further details relating to the licence for **Luotuo Brand** granted to such other licensees are set out in the section headed "Risk Factors — There may be competition from the other Independent Third Party licensees of **Luotuo Brand** and our business may be negatively affected by any negative publicity associated with the **Luotuo Brand** branded products of such other licensees" in this prospectus.

To broaden the range of products offered by our Group, we decided to expand our business to cover apparel products. Accordingly, we obtained the licence from our Controlling Shareholder to use **Greiff** in 2009. In addition to casual footwear, we also offer casual apparel and accessories under **Greiff** with the old English grand and elegance style. We are granted a sole and exclusive licence to use the **Greiff** trademark for a term from 10 February 2011 to 27 January 2019 at nil consideration. We are not required to meet any sales target in relation to the **Greiff** products.

Camel Active, originated in Germany in the 1970s, is an international brand for casual wear with sales points in more than 50 countries focusing on markets in Europe and Asia. In view of the well-established market position of **Camel Active**, we decided to further expand our brand portfolio by obtaining the licence to operate **Camel Active** in the PRC. Accordingly, we obtained an exclusive licence to use **Camel Active** in respect of casual footwear in the PRC in 2010. Casual footwear under **Camel Active** represents an image of challenges, the pursuit of an uncommon lifestyle and affection for adventures. The target consumers are from 25 to 39 years old. We are granted an exclusive licence from CMLC Asia Sdn Bhd ("**CMLC Asia**") to use the **Camel Active** trademark in connection with the manufacture, distribution, sale and promotion and advertising of footwear products in the PRC (excluding Hong Kong and Macau) for an initial period from 1 January 2010 to 31 December 2014, which is renewable for a further five years provided that we can agree on the sales targets for such five years by 30 June 2014. We have to pay a royalty fee equivalent to 12% of the sales amount for the licence. Pursuant to the license agreement, we are required to achieve sales target of RMB23 million, RMB49 million, RMB65 million, RMB78 million and RMB91 million for each calendar year during the license period from 1 January 2010 to 31 December 2014, respectively. Should our Group fail to meet the sales target for any year, we have to pay to the licensor the difference in royalty that the licensor would have been entitled to had the sales target for the deficit been met. Originally,

SUMMARY

CMLC Asia was entitled to terminate the license agreement in the event that we fail to achieve the sales targets for any two years during the initial and renewed licensing period. On 10 May 2011, CMLC Asia and we entered into a side letter, pursuant to which the above rights of CMLC Asia to terminate the license agreement were revoked.

The addition of two licensed brands, *Greiff* and *Camel Active*, in 2009 and 2010, respectively, has diversified our brand portfolio, thereby alleviating our reliance on each brand, particularly the *Luotuo Brand* for which we are granted a non-exclusive licence only. The multi-brand strategy of our Group also allows us to segment our target markets with unique brand names that cater for and appeal to different consumer groups of different age groups, income levels and fashion tastes and preferences. We believe that all of our self-owned brands and licensed brands are well-positioned as associated with high quality, innovative and trendy casual footwear.

Brand promotion and marketing

Our Directors are of the view that effective brand promotion and marketing are crucial to creating consumers' recognition and awareness of our brands. During the Track Record Period, we promoted and marketed our brands through various promotional activities and channels. We also strived to have our customers (i.e. the distributors and the department stores) market our brands through various channels such as advertising.

In promoting our brands, we compiled and distributed from time to time new product catalogues to various retail shops and department store counters operated by our customers during the Track Record Period. We also organised promotional activities, such as Forum on the Development of PRC Casual Footwear Brands (中國休閒鞋品牌發展高峰論壇) in 2009 and Fashion Show of Greiff Brand (哥雷夫時裝秀) in 2010. We also distributed our own publications named Bull Dynasty (公牛王朝) providing updates on our Group and our products for our customers, who in turn made available the same for end consumers' collection at their retail shops and department store counters.

Retail sales network

As at the Latest Practicable Date, we did not operate our own retail sales network. All of our products are sold to our customers, who are mainly distributors and department stores in the PRC. Our customers in turn retail sell our products to the end consumers through their own retail shops and/or department store counters.

Despite that the retail sales network is operated and maintained by our customers, during the Track Record Period, our Group strived to have our customers' retail shops and department store counters operate in accordance with the guidelines set by our Group. The guidelines set out the location, decoration, image, layout and staffing for our customers' retail shops and department store counters and the recommended retail price of our products. Generally, our customers will obtain our prior approval before opening a new retail shop or department store counter. We advise and provide guidelines to our customers on general operation of their retail shops and department store counters for the purpose of maintaining a consistent brand image for our products and a standardised store

SUMMARY

layout. We also conduct training seminars from time to time for our customers on the knowledge of our products. In order to ensure that our customers follow the guidelines set out by our Group, our sales staff conduct on-site inspection on randomly selected retail shops and department store counters operated by our customers.

Our Directors are of the view that a nationwide and strategically located retail sales network is important to sustain our growth. Since we have to rely on the retail sales network operated and maintained by our customers, in selecting our customers, we will take into account factors including their retail sales capacity, channels, their retail sales network and development strategy of our Group. Our Directors believe that through the engagement of customers who have strong retail sales capacity and retail sales network in line with our development strategy, we are able to capture the benefit of the retail sales networks of our customers and indirectly enrich the distribution capacity and therefore sales of our products with a minimum management and operational costs.

The retail shops and department store counters operated and maintained by our customers increased during the Track Record Period with a total of 518 sales points in 2008, 782 sales points in 2009, 1,336 sales points in 2010 and 1,562 sales points as at 31 May 2011. The retail shops and department store counters operated and maintained by our customers have a widespread geographical coverage. Please refer to the paragraph headed “Business — Sales and distribution” in this prospectus for details of the retail sales networks operated and maintained by our customers.

Product design, research and development

Our Group’s products are principally designed and developed by our in-house design, research and development team. Our Group will first position a brand with a specific theme and image with a targeted group of end consumers. Our design, research and development team will design, research and develop our products consistent with our designated brand strategy and image.

Our design, research and development team works closely with our sales and marketing team in collecting market information and trends. Both our design, research and development team and sales and marketing team from time to time study the domestic and international casual footwear markets through participations in a number of exhibitions, collect and analyse data on the market trends and understand the latest market development and design new products to fit the changing market demands and tastes.

We have strong design and development capability. Our design, research and development team consists of 14 experienced designers and technicians. Each year, we offer new products on a seasonal basis under our spring/summer and autumn/winter collections. During the Track Record Period, we offered more than 800 new models of casual shoes (including both of our self-owned and licensed brands) each year, among which approximately 40% of the new designs were subsequently used for commercial production.

Production facilities

Our production facilities are located at Shishi City, Fujian Province, the PRC for the production of *Jimaine*, *Bull Titan* and *Luotuo Brand* branded casual footwear products. With our own production facilities, we are in a better position to control our production costs, quality of our products and delivery time as well as to respond to our customers’ demand in a timely manner. Our production facilities currently have nine production lines. Apart from producing products for our self-owned and

SUMMARY

licensed brands, our production facilities are also used for our OEM business. We also outsource the production of some of our branded casual footwear and all apparel and accessories products to third parties manufacturers.

Turnover

We achieved a significant growth during the Track Record Period. For the years ended 31 December 2008, 2009 and 2010, our revenue amounted to approximately RMB161.8 million, RMB231.5 million and RMB412.1 million respectively, representing a growth of 43.0% and 78.1% respectively. For the five months ended 31 May 2011, our revenue amounted to approximately RMB236.6 million, representing an increase of 53.6% as compared to our revenue of approximately RMB154.1 million for the corresponding period in 2010. Our net profit for the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 amounted to approximately RMB4.7 million, RMB31.5 million, RMB71.3 million and RMB37.7 million, respectively. The table below sets out a breakdown of our revenue by brands for the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2008		2009		2010		2010		2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Branded Product Sales										
<i>Jimaire</i>	40,545	25.1	62,009	26.8	120,484	29.2	49,521	32.1	65,719	27.8
<i>Bull Titan</i>	67,883	41.9	92,776	40.1	118,576	28.8	51,520	33.4	57,332	24.2
<i>Luotuo Brand</i>	25,563	15.8	34,111	14.7	68,835	16.7	21,876	14.2	42,971	18.1
<i>Greiff</i>	—	—	804	0.3	16,428	4.0	1,154	0.7	15,335	6.5
<i>Camel Active</i>	—	—	—	—	5,963	1.4	120	0.1	7,835	3.3
Subtotal	133,991	82.8	189,700	81.9	330,286	80.1	124,191	80.5	189,192	79.9
OEM Sales	27,842	17.2	41,761	18.1	81,852	19.9	29,902	19.5	47,448	20.1
Total	<u>161,833</u>	<u>100.0</u>	<u>231,461</u>	<u>100.0</u>	<u>412,138</u>	<u>100.0</u>	<u>154,093</u>	<u>100.0</u>	<u>236,640</u>	<u>100.0</u>

The following table sets out a breakdown of our Group's revenue by product categories during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2008		2009		2010		2010		2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Casual footwear	161,833	100.0	230,435	99.6	400,545	97.2	153,688	99.7	229,708	97.1
Casual apparel	—	—	1,026	0.4	10,786	2.6	320	0.2	6,780	2.8
Accessories	—	—	—	—	807	0.2	85	0.1	152	0.1
Total	<u>161,833</u>	<u>100.0</u>	<u>231,461</u>	<u>100.0</u>	<u>412,138</u>	<u>100.0</u>	<u>154,093</u>	<u>100.0</u>	<u>236,640</u>	<u>100.0</u>

SUMMARY

BUSINESS OBJECTIVES AND STRATEGIES

Our Group's business objectives are to maintain and strengthen our competitive strengths to increase our market share and profitability. To achieve these goals, we plan to implement the following strategies:

- Select customers with a strong retail sales capacity and retail sales network
- Enhance brands awareness and recognition
- Enhance product portfolio and multi-brands
- Expand the coverage of the retail sales network
- Focus on market share expansion within the target casual footwear market in the PRC
- Enhance design, research and development capabilities
- Expand production capacity

COMPETITIVE STRENGTHS

Our Directors believe that our Group's success is attributable to the following competitive strengths:

- Leading and fast-growing position in men's casual footwear market in the PRC
- Multi-brand product offerings
- Strong product design, research and development capabilities
- Sales of our Group's products through the widespread and extensive retail sales network of our customers
- High quality products with high recognition
- We have our own production facilities
- Experienced management team

SUMMARY

SUMMARY OF FINANCIAL INFORMATION

The following tables set out a summary of the consolidated financial information of our Group during the Track Record Period which has been prepared in accordance with IFRSs issued by the International Accounting Standards Board. This summary should be read in conjunction with the Accountants' Report of our Group as set out in Appendix I to this prospectus.

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	161,833	231,461	412,138	154,093	236,640
Cost of sales	<u>(137,326)</u>	<u>(167,336)</u>	<u>(282,984)</u>	<u>(106,472)</u>	<u>(161,135)</u>
Gross profit	24,507	64,125	129,154	47,621	75,505
Other revenue	397	248	267	110	242
Other net loss	(69)	(22)	(613)	(6)	(26)
Selling and distribution expenses	(9,864)	(9,041)	(16,560)	(5,545)	(13,699)
Administrative expenses	<u>(7,566)</u>	<u>(10,223)</u>	<u>(14,482)</u>	<u>(5,826)</u>	<u>(10,273)</u>
Profit from operations	7,405	45,087	97,766	36,354	51,749
Finance costs	<u>(646)</u>	<u>(768)</u>	<u>(1,295)</u>	<u>(438)</u>	<u>(961)</u>
Profit before taxation	6,759	44,319	96,471	35,916	50,788
Income tax	<u>(2,057)</u>	<u>(12,777)</u>	<u>(25,142)</u>	<u>(9,390)</u>	<u>(13,054)</u>
Profit for the year/period	<u>4,702</u>	<u>31,542</u>	<u>71,329</u>	<u>26,526</u>	<u>37,734</u>
Earnings per share					
Basic and diluted (RMB)	<u>0.01</u>	<u>0.04</u>	<u>0.08</u>	<u>0.03</u>	<u>0.04</u>
Profit for the year/period	4,702	31,542	71,329	26,526	37,734
Other comprehensive income for the year/period					
Currency translation differences	<u>—</u>	<u>129</u>	<u>608</u>	<u>59</u>	<u>262</u>
Total comprehensive income for the year/period	<u>4,702</u>	<u>31,671</u>	<u>71,937</u>	<u>26,585</u>	<u>37,996</u>

SUMMARY

	At 31 December			At 31 May
	2008	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	47,777	54,477	50,863	50,639
Lease prepayments	4,794	4,690	4,586	4,542
Non-current prepayments for acquisitions of property, plant and equipment	2,264	—	216	—
Deferred tax assets	305	634	773	861
	<u>55,140</u>	<u>59,801</u>	<u>56,438</u>	<u>56,042</u>
Current assets				
Inventories	19,662	35,124	48,556	52,700
Current portion of lease prepayments	104	104	104	104
Trade and other receivables	77,642	92,232	211,671	265,763
Pledged deposits	8,500	5,450	8,696	18,107
Cash and cash equivalents	3,918	5,724	24,687	13,545
	<u>109,826</u>	<u>138,634</u>	<u>293,714</u>	<u>350,219</u>
Current liabilities				
Trade and other payables	100,623	79,935	137,347	138,908
Bank loans	8,500	20,600	33,500	58,100
Current taxation	995	11,381	22,348	14,300
	<u>110,118</u>	<u>111,916</u>	<u>193,195</u>	<u>211,308</u>
Net current (liabilities)/assets	<u>(292)</u>	<u>26,718</u>	<u>100,519</u>	<u>138,911</u>
Total assets less current liabilities	<u>54,848</u>	<u>86,519</u>	<u>156,957</u>	<u>194,953</u>
NET ASSETS	<u>54,848</u>	<u>86,519</u>	<u>156,957</u>	<u>194,953</u>
CAPITAL AND RESERVES				
Capital	1,509	1,509	10	85
Reserves	53,339	85,010	156,947	194,868
TOTAL EQUITY	<u>54,848</u>	<u>86,519</u>	<u>156,957</u>	<u>194,953</u>

SUMMARY

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

On the bases and assumptions set out in “Appendix III — Profit Forecast” to this prospectus and, in the absence of unforeseen circumstances, certain profit forecast data of our Group for the year ending 31 December 2011 is set out below:

Forecast consolidated profit of our Company
for the year ending 31 December 2011⁽¹⁾ Not less than RMB111.5 million
(approximately HK\$133.7 million)⁽³⁾

Unaudited pro forma forecast earnings per Share
for the year ending 31 December 2011⁽²⁾ Not less than RMB0.09
(approximately HK\$0.11)⁽³⁾

Notes:

- (1) The forecast consolidated profit of our Company for the year ending 31 December 2011 are extracted from the section headed “Financial Information — Profit Forecast for the Year ending 31 December 2011”. The bases and assumptions on which the above profit forecast has been prepared are summarised in “Appendix III — Profit Forecast” to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share for the year ending 31 December 2011 is calculated by dividing the forecast consolidated profit of our Company for the year ending 31 December 2011 by 1,200,000,000 Shares as if such Shares had been in issue since 1 January 2011 and during the entire year. The number of Shares used in this calculation includes the Shares in issue as of the date of this prospectus and the Shares to be issued pursuant to the Global Offering and the Capitalisation Issue but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (3) The forecast consolidated profit of our Company and the unaudited pro forma forecast earnings per Share in RMB have been converted to Hong Kong dollars at the rate of HK\$1.00 to RMB0.83368. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars or vice versa, at that rate.

The forecast consolidated profit of our Company for the year ending 31 December 2011 shown above has been stated after deduction of such portion of the estimated offering expenses, being approximately RMB6 million (approximately HK\$7.2 million), as we expect to be charged to our Company’s consolidated statement of comprehensive income for the year ending 31 December 2011.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out in Appendix II to this prospectus to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 31 May 2011 as if it had taken place on that date.

SUMMARY

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$1.20	Based on an Offer Price of HK\$1.83
Market capitalisation of our Shares ⁽¹⁾	HK\$1,440 million	HK\$2,196 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$0.48	HK\$0.63

Notes:

- (1) The calculation of the market capitalisation of our Shares is based on the assumption that 1,200,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue and the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at after the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis that 1,200,000,000 Shares will be in issue immediately following the completion of the Global Offering and the Capitalisation Issue.

DIVIDENDS POLICY

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

USE OF PROCEEDS

The net proceeds of the Global Offering after deducting the underwriting commissions and estimated expenses in relation to the Global Offering, and assuming an Offer Price of HK\$1.52 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.20 and HK\$1.83 per Offer Share), are estimated to amount to about HK\$428.6 million. Our Directors intend to apply the net proceeds in the following manner:

- 1) approximately HK\$39.0 million, representing about 9.1% of the net proceeds from the Global Offering, will be used for developing and increasing awareness of our Group’s brands through:
 - approximately HK\$26.0 million will be used on media advertising or engaging spokesmen for respective brands;

SUMMARY

- approximately HK\$9.5 million will be used in other promotional activities, including attending/organising annual sales fairs, fashion shows, various footwear exhibitions in the PRC and regional promotional activities;
 - the remaining amount of approximately HK\$3.5 million will be used on general advertising designs and related supporting activities;
- 2) approximately HK\$132.0 million, representing about 30.8% of the net proceeds from the Global Offering, will be used for establishing a new production facility in Jiangsu Province, the PRC for our Group's branded products. The new production facility will include factory buildings, dormitory and the required machinery for five production lines with an annual production capacity of approximately 3 million pieces of footwear and a small portion of apparel. As of the Latest Practicable Date, we did not enter into any binding agreement for any commitment on the construction of these facilities;
 - 3) approximately HK\$8.6 million, representing about 2% of the net proceeds from Global Offering will be used for the expansion of our Group's original production capacity in Fujian Province, the PRC by upgrading seven production lines and increasing the aggregate annual production capacity to approximately 4,557,000 pairs of footwear;
 - 4) approximately HK\$132.0 million, representing about 30.8% of the net proceeds from the Global Offering, will be used for establishing 25 self-owned and operated flagship stores in prime locations in major and fast-growing provinces and cities of the PRC, such as Fujian, Shanghai, Beijing, Jiangsu, Zhejiang, Sichuan and Guangdong. It is estimated that the average budget for opening each flagship store will be approximately RMB4.4 million based on approximately RMB1.4 million for renovation, RMB1.6 million for rental deposit and remaining RMB1.4 million for general working capital for each store. It is currently intended that the first flagship store for each of *Camel Active* and *Greiff* will be opened in 2011, followed by the first flagship store for each of *Jimaine*, *Bull Titan* and *Luotuo Brand* to be opened in 2012. Thereafter, additional four flagship stores for each of our self-owned and licensed brands will be opened in 2013. Please refer to the section headed "Business — Sales and distribution — Establishment of our own retail sales network" of this prospectus for further details;
 - 5) approximately HK\$52.7 million, representing about 12.3% of the net proceeds from the Global Offering, will be used for establishing a new product testing and research and development laboratory in Guangzhou;
 - 6) approximately HK\$10.7 million, representing about 2.5% of the net proceeds from the Global Offering, will be used for the expansion of the product research and development teams with addition of product designers, computer-aided design equipment and new machines on footwear design and prototyping;
 - 7) approximately HK\$10.7 million, representing about 2.5% of the net proceeds from the Global Offering, will be used for the building up of the information technology network connecting with the systems of all sales points operated by our customers as well as our future flagship stores; and

SUMMARY

- 8) the remaining of approximately HK\$42.9 million, representing about 10% of the net proceeds from the Global Offering, will be used towards working capital and other general corporate purposes.

In the event that the Offer Price is determined at the high end of the indicative Offer Price range, being HK\$1.83 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to approximately HK\$519.8 million. In such case, our Directors intend to apply the additional net proceeds to finance items (1), (4) and (8) above on a pro-rata basis.

In the event that the Offer Price is determined at the low end of the indicative Offer Price range, being HK\$1.20 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to approximately HK\$337.4 million. In such case, the amount of net proceeds proposed to be used for items (1), (4) and (8) above will be reduced on a pro rata basis after the full utilisation of our Company's general working capital for the above purposes.

Should the Over-allotment Option be exercised in full, our Company will receive additional net proceeds of approximately HK\$79.5 million (assuming the Offer Price of HK\$1.83 per Share). Our Directors presently intend to apply the additional net proceeds to finance items (1), (4) and (8) above on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC.

RISK FACTORS

Our Directors consider that there are certain risks involved in our Group's businesses and the details of such risks are set out in the section headed "Risk Factors" in this prospectus. The risks can be broadly categorised into: (i) risks relating to our Group; (ii) risks relating to the industry; (iii) risks relating to conducting business in the PRC; (iv) risks relating to the Global Offering; and (v) risks relating to statements made in this prospectus, which are summarised below:

Risks relating to our Group

- We rely on both of our self-owned brands and licensed brands
- The use of brand names of *Luotuo Brand*, *Camel Active* and *Greiff* is subject to the license agreements and such brand names may be adversely affected by acts of the licensors or third parties
- There may be competition from the other Independent Third Party licensees of *Luotuo Brand* and our business may be negatively affected by any negative publicity associated with the *Luotuo Brand* branded products of such other licensees

SUMMARY

- We rely on the retail sales networks of our customers
- Our business may be negatively affected if our customers fail to comply with our retail policies
- Failure to make payment in a timely manner by our customers may affect the financial condition and results of operations of our Group
- Our Group may not be able to monitor the inventory levels of the retail shops and department store counters operated and maintained by our customers
- We experienced net cash outflow from operating activities for the year ended 31 December 2008 and the five months ended 31 May 2011
- Our Group relies on contract manufacturers for production of a portion of products
- Our Group relies on major suppliers for certain raw materials
- We may experience an increase in the costs of raw materials
- We may experience a shortage of labour and an increase in labour costs
- Our Group may fail to implement and manage future rapid growth and expansion
- We will invest a significant portion of the net proceeds from the Global Offering in establishing our own retail sales network in which we do not have prior experience
- Sales of our Group may be affected by seasonality and a number of other factors
- Our Group relies on key personnel
- We may not be able to adequately protect our intellectual property rights
- The use of trademarks that are similar to our trademarks by other parties may have a negative impact on the goodwill, value and images of our brands
- Our Group may be exposed to product liability claims
- Our Company is a holding company that relies heavily on dividend payments from our subsidiaries for funding
- Our operations may be affected by prolonged business interruption
- Our Controlling Shareholders may take actions that are not in, or may conflict with, public Shareholders' best interests

SUMMARY

- Our non-compliances with certain social insurance and housing provident fund contribution laws and regulations in the PRC could lead to the impositions of fines and penalties
- Non-compliance with environmental protection laws and regulations in the past in the PRC may lead to the impositions of fines and penalties
- Title status of our Group's leased properties

Risks relating to the industry

- Our Group faces intense competition
- We may encounter fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC
- Our business may be materially and adversely impacted by recent global financial difficulties and economic conditions

Risks relating to conducting business in the PRC

- Changes in the economic, political and social conditions and government policies in the PRC may have an adverse effect on our Group
- Interpretation of PRC laws and regulations involves uncertainties
- The implementation of the new labour law in the PRC may increase our labour costs
- Restrictions on foreign exchange and payment of dividends may limit the ability of our operating subsidiaries to remit payments to our Company
- Fluctuations in foreign exchange rates may materially and adversely affect the financial condition and results of operations of our Group
- Any change in our Group's tax treatment in the PRC, including an unfavourable change in preferential enterprise income tax rates, may have a negative impact on the financial condition and results of operations of our Group
- We may become subject to PRC income tax on any future worldwide income
- Gains on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes
- It may be difficult to effect service of process upon our Group or our Directors who reside in the PRC or to enforce against our Group or any Director in the PRC any judgments obtained from non-PRC courts

SUMMARY

- A material disruption of the operations of our Group or our customers and/or our customers' retail sales networks from force majeure events may materially and adversely affect results of operations of our Group

Risks relating to the Global Offering

- There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile
- The subscribers of our Shares may experience immediate dilution and may experience further dilution if our Group issues additional Shares in the future

Risks relating to statements made in this prospectus

- Certain facts and statistics included in this prospectus may not be relied upon
- Forward looking statements may be inaccurate
- Investors should read this entire prospectus carefully and should not place any reliance on any information published in the press articles or other media reports without carefully considering the risks and other information contained in this prospectus

PRE-IPO INVESTMENT PRIOR TO THE GLOBAL OFFERING

In view of investing in our Group, from March 2008 to November 2010, the Pre-IPO Investors had made loans in the aggregate principal amount of RMB73,550,000 to Ms. Cai. These loans were repaid by certain percentage of Shares in our Company to the Pre-IPO Investors by Ms. Cai at terms determined at the date of the relevant loans with reference to the financial results of the subsidiaries of our Company as at 31 December 2007 or 2009. On 2 February 2011, Ms. Cai transferred Shares representing an aggregate percentage of 23.92% of the Shares (prior to the completion of the Global Offering and Capitalisation Issue) in issue to the Pre-IPO Investors in settlement of the loans. Details of the pre-IPO investments are set out in the paragraph headed "History and development — Pre-IPO Investments" of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) relating to the Hong Kong Public Offer, or where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 4 September 2011, to become effective upon the Listing, a summary of certain provisions of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Camel California”	American Camel International Invest Enterprise Ltd., a domestic corporation established in the State of California and is wholly-owned by Ms. Wang Huilan, an Independent Third Party
“Capitalisation Issue”	the issue of 899,000,000 Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the Global Offering referred to in the paragraph headed “Resolutions in writing of all the Shareholders passed on 4 September 2011” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“chief executive”	the chief executive (as defined in the SFO) of our Company
“Chuang Wei”	Chuang Wei Limited (創威有限公司), a company incorporated in the BVI on 5 January 2010 and is a direct wholly-owned subsidiary of the Company
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Active Group Holdings Limited (formerly known as Active Group International Limited), a company incorporated in the Cayman Islands with limited liability on 12 February 2010
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means Festive Boom, Ms. Cai and her associates
“Covenantors” or “Indemnifiers”	Ms. Cai, Mr. Zhang and Festive Boom
“Deed of Non-competition”	the deed of non-competition dated 4 September 2011 entered into by the Covenantors in favor of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders — Deed of Non-Competition” in this prospectus
“Director(s)”	the director(s) of our Company
“Euromonitor”	Euromonitor International Plc., an Independent Third Party and a company specialised in the provision of international market intelligence including consumer products, services and lifestyle
“Festive Boom”	Festive Boom Limited (悅興有限公司), a company incorporated in the BVI on 6 January 2010, one of the Controlling Shareholders and is owned as to 100% by Ms. Cai
“Fu Tak Investments”	Fu Tak Investments Group Limited (富德投資集團有限公司), a company incorporated in BVI on 16 September 2009, the entire issued share capital of which is owned by Ms. Huang Binbin

DEFINITIONS

“GDP”	gross domestic product of a country or a territory
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Green application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Greiff (UK)”	UK Greiff Company Ltd, a private company incorporated in England and Wales under the Companies Act 1985 on 8 January 2009 and is wholly-owned by Ms. Cai
“Greiff Xiamen”	哥雷夫(廈門)國際貿易有限公司 (Greiff (Xiamen) International Trading Co., Ltd.), a company established in the PRC on 17 April 2009 with limited liability and is an indirect wholly-owned subsidiary of our Company
“Group”, “our Group”, “our”, “we” or “us”	our Company and its subsidiaries, or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the business operated by such subsidiaries
“Guotai Junan Securities” or “Global Coordinator” or “Bookrunner” or “Lead Manager”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Investments”	Hong Kong Investments Group Limited (香港投資集團有限公司), a company incorporated in the BVI on 3 January 2006, the entire issued share capital of which is owned by Mr. Cheung Chi Mang

DEFINITIONS

“Hong Kong Offer Shares”	the 30,000,000 new Shares initially being offered for subscription under the Hong Kong Public Offer, subject to the re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong (subject to re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions set forth in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 15 September 2011 relating to the Hong Kong Public Offer entered into between, among others, our Company and the Hong Kong Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“IFRSs”	International Financial Reporting Standards promulgated by the International Accounting Standards Board
“Independent Third Parties”	persons or companies which are independent of and not connected with any of the directors, chief executive, Substantial Shareholders of our Company or any of its subsidiaries and their respective associates, and “Independent Third Party” means any of them
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to selected professional, institutional and private investors as set out in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 270,000,000 new Shares initially being offered for subscription under the International Placing, subject to re-allocation and the Over-Allotment Option as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing

DEFINITIONS

“International Underwriting Agreement”	the conditional underwriting agreement relating to the International Placing expected to be entered into on or about the Price Determination Date by, among others, our Company and the International Placing Underwriters
“Issuing Mandate”	the general unconditional mandate given to our Directors by the Shareholders relating to the issue of new Shares, particulars of which are set forth in the paragraph headed “Resolutions in writing of all the Shareholders passed on 4 September 2011” in Appendix VI to this prospectus
“Jinmaiwang Fujian”	福建金邁王鞋服製品有限公司 (Fujian Jinmaiwang Shoes and Garments Products Co., Ltd.), a company established in the PRC on 22 September 2003 with limited liability and is an indirect wholly-owned subsidiary of our Company
“Jinmaiwang Hong Kong”	Jinmaiwang Group Limited (金邁王控股有限公司), a company incorporated in Hong Kong on 5 June 2008 with limited liability and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	9 September 2011, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	the listing of our Shares on the Main Board
“Listing Date”	the date on which dealings of our Shares on the Main Board first commence, which is currently expected to be on 28 September 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luotou Brand”	refers to “駱駝牌”, one of our licensed brands
“Luotuo Quanzhou”	駱駝(泉州)鞋服有限公司 (Luotuo (Quanzhou) Shoes and Garments Co., Ltd.), a company established in the PRC on 22 December 2005 with limited liability and is an indirect wholly-owned subsidiary of our Company
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“men’s casual footwear”	men’s shoes which are usually lightweight with flat soles, suiting daily routine like walking, exercising, shopping, travelling, and even general working environment (e.g. business casual shoes), but excludes casual series under sportswear brands and outdoor sports brands which are included in men’s sports footwear segment
“Mr. Zhang”	Mr. Zhang Wenbin, an executive Director, one of the founders of our Group and the spouse of Ms. Cai
“Ms. Cai”	Ms. Cai Xiuman, an executive Director, one of the founders of our Group and the spouse of Mr. Zhang
“Oceanid Investment”	Oceanid Investment Holdings Limited (海悦投資控股有限公司), a company incorporated in the BVI on 6 May 2010, the entire issued share capital of which is owned by Mr. Ho Ka Chung Kevin
“OEM”	original equipment manufacturer, a business that manufactures goods or equipment for branding and resale by others
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy, and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined in the manner described in the paragraph headed “Structure of the Global Offering — Determination of the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the Global Coordinator (for itself and on behalf of the International Underwriters), exercisable at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 45,000,000 additional new Shares, representing 15% of the initial Offer Shares, at the Offer Price per Share to cover, among other things, over-allocations in the International Placing, if any

DEFINITIONS

“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	Hills & Co., the legal advisers to the Company as to PRC laws
“Pre-IPO Investors”	Fu Tak Investments, Hong Kong Investments, Oceanid Investment, Sea Dragon and Prime Star, all of which are Independent Third Parties
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the Offer Price
“Price Determination Date”	the date on which the Offer Price is fixed for the purpose of the Global Offering, which is expected to be on or around 21 September 2011 and, in any event, not later than 26 September 2011
“Prime Star”	Prime Star International Holdings Limited (超星國際控股有限公司), a company incorporated in the BVI on 12 May 2003, the entire issued share capital of which is owned by Mr. Ngan Chi Heong
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set out in the section headed “Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by the Shareholders, particulars of which are set forth in the paragraph headed “Resolutions in writing of all the Shareholders passed on 4 September 2011” in Appendix VI to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	The State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
“Sea Dragon”	Sea Dragon Investments Limited (海龍投資有限公司), a company incorporated in the BVI on 23 May 2006, the entire issued share capital of which is owned by Mr. Wong Yan Kong
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.10 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 4 September 2011, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus
“Shishi Haomai”	石獅市豪邁鞋業有限公司 (Shishi Haomai Shoes Industrial Co., Ltd.), a company established in the PRC on 24 November 1995 with limited liability and is an indirect wholly-owned subsidiary of our Company
“Sponsor”	Guotai Junan Capital Limited, a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Festive Boom and the Global Coordinator on the Price Determination Date pursuant to which the Global Coordinator may borrow up to 45,000,000 Shares from Festive Boom for the purpose of covering over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company, means Festive Boom and Ms. Cai
“Takeovers Codes”	the Hong Kong Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 December 2010 and the five months ended 31 May 2011
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” and “US cents”	United States dollars and cents, respectively, the lawful currency of the United States of America
“Wan Jingang”	Mr. Wan Jingang, the registered owner of the <i>Luotuo Brand</i> , the spouse of Ms. Wang Huilan and an Independent Third Party
“Wang Huilan”	Ms. Wang Huilan, the spouse of Mr. Wan Jingang and an Independent Third Party
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“sq.ft.”	square feet
“sq.m.”	square metres
“%”	per cent.

Unless the context requires otherwise, amounts denominated in RMB have been converted into HK\$, for the purpose of illustration only, using the exchange rate of RMB0.83368 = HK\$1.00. No representation is made that any amount in RMB or HK\$ could have been or could be converted at the above rate or at any other rates or at all.

For ease of reference, the names of certain PRC entities have been included in this prospectus in both English and Chinese languages. The English names are the unofficial translation of their respective Chinese name, and in the event of any inconsistency, the Chinese version shall prevail.

Unless otherwise specified, all references to any shareholding in our Company assume no exercise of the Over-allotment Option.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, the following risks associated with investing in our Company before making any investment decision in relation to our Company. If any of the possible events described below occurs, our Group's business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly.

RISKS RELATING TO OUR GROUP

We rely on both of our self-owned brands and licensed brands

Brand image is a key factor in consumers' purchasing decisions for footwear products. We develop and manufacture casual footwear under five brands, two of which are our self-owned brands and three of which are licensed brands. We develop and position our brands as high-quality, comfortable and functional casual footwear that is tailor-made for end consumers for different market segments. Our ability to maintain and develop our brands depends, in part, on our ability to meet changing consumer tastes and preferences and the effectiveness of our advertising campaigns. We may misjudge changes in fashion trends or fail to respond to such changes in a timely manner. If we fail to successfully develop and maintain our brands, market perception and consumer acceptance of our brands may be eroded, and the business, financial condition, results of operations and prospects of our Group may be materially and adversely affected.

The current licence granted for the *Luotuo Brand* will expire in February 2013 and the current licence granted for *Camel Active* will expire in December 2014, renewable for a further five years provided that we can agree on the sales targets for such five years by 30 June 2014. There is no assurance that these licences will be renewed upon their expiration. Should we be unable to obtain renewal of the licences for these brands or should the licensing agreements be terminated prior to their expiry dates, our operations and financial condition may be materially and adversely affected.

In addition, as a sub-licensee of *Camel Active*, we are subject to the terms and continuity of the master license agreements. Our initial licence period under the relevant license agreement in relation to *Camel Active* is to expire on 31 December 2014. The registration of the *Camel Active* trademark registered under the registration number 2002509 is to expire on 13 February 2014 and the registration of the *Camel Active* trademark registered under the registration number 3008600 is to expire on 20 January 2013. If these trademarks are not renewed upon their respective expiry dates or the master license agreements are terminated before 31 December 2014 or not renewed, our sub-licence to use *Camel Active* will be affected and become invalid, and this will materially affect our operations.

The use of brand names of *Luotuo Brand*, *Camel Active* and *Greiff* is subject to the license agreements and such brand names may be adversely affected by acts of the licensors or third parties

We use the brand names *Luotuo Brand*, *Camel Active* and *Greiff* pursuant to the relevant license agreements. During the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our turnover from these brands in aggregate accounted for approximately 15.8%, 15.0%, 22.1% and 27.9% of our total turnover, respectively. In the event that there is any negative

RISK FACTORS

publicity in relation to these licensed brands or any litigation claims that may be brought against the relevant licensors or proprietors that are not related to our Group's operations, our image and reputation may be adversely affected. In addition, if the licensors fail to take out effective measures in preventing any infringement of the brand names of these licensed brands or if a third party successfully brings an action to strike off any of these licensed brands from registration with the relevant trademark registration bureau, this will affect our right to continue to use these licensed brands and our operations will be adversely affected.

We may incur litigation expenses and devote management time and effort to enforcing our rights pertaining to brand names of these licensed brands in the event of any infringement of the brand names of these licensed brands by third parties. We may require the assistance and co-operation of the licensors and/or the proprietors for the purpose of bringing or defending a claim related to the brand names of these licensed brands in the event of any infringement of the brand names of these licensed brands by third parties or alleged claim that the use of the brand names of these licensed brands infringes third parties' intellectual property rights. In the event that any of the licensors or proprietors does not cooperate in the conduct of such claims, the business, financial condition and results of operations of our Group may be materially and adversely affected.

There may be competition from the other Independent Third Party licensees of *Luotuo Brand* and our business may be negatively affected by any negative publicity associated with the *Luotuo Brand* branded products of such other licensees

We are granted the non-exclusive licence to use the *Luotuo Brand* in connection with casual footwear and sport footwear in the PRC. For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, the sales of our *Luotuo Brand* branded products accounted for approximately 15.8%, 14.7%, 16.7% and 18.1% of our total revenue, respectively.

As advised by Mr. Wan Jingang, the registered owner of *Luotuo Brand*, he has also granted four other Independent Third Party licensees the licence to use the *Luotuo Brand* on children's footwear, outdoor hiking shoes, sport footwear and/or formal leather footwear in the PRC. Since we have been focusing on developing casual footwear only and have not manufactured any sport footwear under the *Luotuo Brand*, we are of the view that no competition exists between our casual footwear products and the footwear products of such other licensees. However, we cannot assure that Mr. Wan Jingang will not grant such licensees or any other party the licence to use the *Luotuo Brand* on casual footwear which will compete with our *Luotuo Brand* branded products.

In addition, despite different types of footwear manufactured by other licensees and the display of Shishi Haomai's name as the manufacturer on the packaging of our *Luotuo Brand* products, the trademarks we use on our casual footwear products are the same as or similar to the ones used by other licensees on their footwear products. Therefore, if there is any negative publicity associated with the *Luotuo Brand* branded products of the other licensees or any litigation claims that may be brought against these other licensees that are not related to our Group's operations, our business may be negatively affected. With the diversification of our brand portfolio after the addition of two licensed brands, *Greiff* and *Camel Active*, in 2009 and 2010, respectively, it is expected that our reliance on each brand, particularly the *Luotuo Brand* for which we are granted a non-exclusive licence only, can be alleviated.

RISK FACTORS

We rely on the retail sales networks of our customers

We whole-sell our products in the PRC to our customers who are mainly distributors and department stores. These distributors and department stores will in turn retail sell our products to the end consumers through their own retail shops and/or department store counters. We do not operate our own retail sales network. Therefore, the sales performance of our customers and their ability to expand their businesses and retail sales networks are crucial to the future growth of our business. Our Group usually enters into master sales agreements with our customers for a term of one year, which usually include a projected purchase amount as a production reference, rather than as a minimum purchase commitment by our customers. As such, there is no assurance that our customers will place any sales orders with us or we will be able to renew the master sales agreements with our customers on mutually acceptable terms or at all. If we fail to renew the master sales agreements with any of our existing customers or to attract new customers, or if our customers do not place any sales orders with us after entering into the master sales agreements, the business, financial condition, results of operations and prospects of our Group may be materially and adversely affected.

Our business may be negatively affected if our customers fail to comply with our retail policies

Products of our Group are sold to end consumers through retail shops and department store counters operated and maintained by our customers. Our Group provides training to our customers on knowledge of our products, makes recommendations of the retail prices of our products and standards of the retail shops and department store counters operated and maintained by our customers. In addition, we have policies in place that prohibit our customers from wholesaling our products to other third parties for retail sales (the “**Third Party Retailers**”). However, we could not rule out the possibility that our customers may fail to comply with our policies and wholesale our products to the Third Party Retailers. Since we do not have any contractual relationship with such Third Party Retailers, our Group’s control over the Third Party Retailers is limited. If our customers fail to comply with or enforce our retail policies, such as wholesaling our products to Third Party Retailers or not selling our products at the recommended retail prices, we may not be able to effectively manage the sales network operated and maintained by our customers or maintain a uniform brand image, which may result in erosion of goodwill and an unfavourable public perception of our brands. As a result, the business, financial condition, results of operations and prospects of our Group may be materially and adversely affected.

Failure to make payment in a timely manner by our customers may affect the financial condition and results of operations of our Group

We sell a substantial portion of our products to our customers, who are generally granted a credit period between 60 and 90 days from the date of billing. The credit period for each customer is determined based on several factors, including its financial background, credit history and historical sales performance. We also offer revolving credit to our customers. As at 31 December 2008, 2009 and 2010 and 31 May 2011, the average credit limits on monthly sales bases granted to our top five customers were approximately 4.2%, 3.9%, 3.2% and 7.5%, respectively, of the actually aggregate purchase amounts of our customers during the relevant period. Our Group performs ongoing credit evaluations of our customers’ financial condition and, in general, does not require collateral

RISK FACTORS

from them to secure their payment obligations. As sales of our Group increase, the amount of trade receivables from our customers are expected to increase. If our customers do not pay us for their purchases in a timely manner or at all, the financial condition, liquidity, results of operations and prospects of our Group may be materially and adversely affected.

Our Group may not be able to monitor the inventory levels of the retail shops and department store counters operated and maintained by our customers

Our Group's ability to track ultimate retail sales at the retail shops and department store counters operated and maintained by our customers is limited. The inventory levels will provide us with information and data regarding the market acceptance of our products so that end consumers' preferences can be reflected in the design and development of our products for the next season. Apart from tracking the inventory levels, we also conduct on-site inspections at randomly selected retail stores to ascertain inventory levels. However, such measures require the cooperation of our customers to accurately and timely submit the relevant data to us, and we may not be able to ensure the accuracy of the data provided by them or collected by us. Due to the above reasons, we may not be able to accurately monitor the inventory levels at the retail shops and department store counters operated and maintained by our customers. In addition, if our customers are not able to manage inventory levels, their future orders of our products may be reduced, which would materially and adversely affect our future business, financial condition, results of operations and prospects.

We experienced net cash outflow from operating activities for the year ended 31 December 2008 and the five months ended 31 May 2011

We had net cash outflow from our operating activities of approximately RMB20.9 million and RMB7.2 million for the year ended 31 December 2008 and the five months ended 31 May 2011, respectively, primarily due to increase in trade and other receivables. Net cash outflow from operating activities means that our expenses on operating activities are more than our cash generated from operating activities. We cannot assure that we will not continue to experience periods of net cash outflow from operating activities in the future. If we are unable to finance our operations continuously from funds generated from operating activities, our operations and financial position could be materially and adversely affected. Detailed analyses of our cash flow for the Track Record Period are set out in the section headed "Financial Information" in this prospectus.

Our Group relies on contract manufacturers for production of a portion of products

Our Group outsources the production of some of our branded products and all of our apparel and accessories products to contract manufacturers who are all Independent Third Parties. For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, we outsourced approximately nil, 13.8%, 23.4% and 37.4%, respectively, of our footwear production by volume and all of our apparel and accessory production to contract manufacturers. We do not maintain long-term agreements with these contract manufacturers, and prices for such outsourced products may increase due to greater industry demand or a shortage of supplies. The contract manufacturers may experience

RISK FACTORS

a shortage of labour, malfunction of production facilities or encounter any other problems which result in delays or failures in delivery of products or production of poor quality products and we may not be able to engage other contract manufacturers to replace. If such events occur, we may not be able to deliver products to our customers on a timely basis or at all.

Our Group relies on major suppliers for certain raw materials

Our Group purchased raw materials from key suppliers during the Track Record Period. For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our five largest suppliers accounted for approximately 40.5%, 34.7%, 27.9% and 20.3% of our total purchases, respectively. Furthermore, approximately 14.1%, 10.7%, 8.6% and 5.5%, respectively, of our total purchases were made from our largest supplier during the same periods. There is no assurance that we will not encounter any interruption, delay or shortage in supply of raw materials from these major suppliers in the future. Any disruption in supply of raw materials from our suppliers may materially and adversely affect our business, financial condition, results of operations and prospects.

We may experience an increase in the costs of raw materials

The principal raw materials used in the production of our footwear products are leather and soles. We procure all of our required raw materials in the domestic market in the PRC. Our Group procures most of its raw materials on an order-by-order basis and does not have long-term agreement with any suppliers. Therefore, we cannot assure that we will be able to continue to procure the raw materials from our existing suppliers or from alternative sources at prevailing or acceptable costs, in a timely manner, or at all. If we are unable to pass the increased raw material costs to our customers by increasing the suggested retail prices of our products or increasing the sale prices to our customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may experience a shortage of labour and an increase in labour costs

For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, the cost of direct labour accounted for approximately 12.4%, 12.7%, 8.5% and 7.6%, respectively, of our production costs. Labour costs in the PRC have been increasing and may continue to increase in the future. We cannot assure that we will not encounter any shortage of labour or that the cost of labour will not increase in the future. If we encounter a shortage of labour, we may not be able to maintain our production capacity. If we cannot identify and employ other appropriate means to reduce our production costs, or pass on such increase in the labour costs to our customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our Group may fail to implement and manage future rapid growth and expansion

We achieved a significant growth in the past few years. For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our turnover amounted to approximately RMB161.8 million, RMB231.5 million, RMB412.1 million and RMB236.6 million, respectively, representing an annual growth rate of 43.0%, 78.1% and 53.6%, respectively. We intend to expand our business through enhancing our product and brand portfolio in the future. This expansion plan may

RISK FACTORS

place significant strain on our managerial, operational and financial resources. Our growth will depend on our abilities to identify appropriate new brands. We cannot assure that our personnel, procedures and controls will be adequate to implement our expansion plan or support our future growth. There is no assurance that we are able to develop and cultivate new brands successfully nor such new brands will be well-received by the market. Also, if additional financing, when required, is not available, we may need to abandon part or all of our expansion plan, as a result of which our business, financial condition, results of operations and prospects may be materially and adversely affected.

We will invest a significant portion of the net proceeds from the Global Offering in establishing our own retail sales network in which we do not have prior experience

We currently do not operate our own retail sales network. Most of our products are sold to our customers, including distributors and department stores, on a wholesale basis. Our customers in turn retail sell our products to end consumers through their retail shops and/or department store counters. We intend to establish our own retail sales network by utilising approximately HK\$132.0 million, representing approximately 30.8% of the total amount of the net proceeds from the Global Offering based on the mid-point of the indicative Offer Price range, to open 25 flagship stores in prime locations in major and fast-growing provinces and cities of the PRC. As we do not have any prior experience in managing and operating our own retail sales network, this may divert the time and attention of our management from other business activities. We may have difficulties in integrating our own retail sales network into our workflow and work force. We may also encounter difficulties in recruiting qualified and experienced personnel or training our existing staff members to operate and manage our own retail sales network. In addition, given the cost structure of operating our own retail sales network is likely to be different from that of our current business mode, our profit margin may be adversely affected by the maintenance and operation of our own retail sales network. In any of these events, our business and results of operations may be adversely affected, and the significant proportion of the net proceeds from the Global Offering invested in establishing our own retail sales network may not bring in the anticipated benefits to us.

Sales of our Group may be affected by seasonality and a number of other factors

Sales of our footwear products are affected by seasonality. March, August and the fourth quarter are generally the peak seasons for our sales due to the higher consumers' purchasing power during the period immediately before the Labour Day holiday, the National Day holiday and the Lunar New Year holiday. Our sales in January, February and May are usually lower due to the Lunar New Year holiday and the Labour Day holiday. In addition, there are other factors relevant to seasonality which may affect our sales, such as weather conditions, the timing of launch of new products and the timing of delivery of products. Therefore, any comparison of our Group's results of operations between interim and annual results may not be meaningful and the interim results should not be referred to as an indicator of our performance for the whole year.

RISK FACTORS

Our Group relies on key personnel

Our success and ability to expand our operations depend heavily on our ability to attract, retain and motivate qualified key personnel. In particular, our Group relies on the expertise and experience of the senior management, in particular, Ms. Cai and Mr. Zhang, who have been the members of our senior management team since the inception of our Group's business and have taken significant roles in our daily operations and its overall business strategy. However, there is no assurance that we will be able to retain the continued services of the members of the senior management. Any departure of the members of our management team could materially and adversely interrupt our business if we are unable to recruit the replacement personnel with equivalent qualifications timely.

Our success also depends on the continued service of our team of designers. There is intense competition to recruit technically competent personnel with expertise in the footwear industry. We may need to offer more favourable compensation packages to attract and retain these personnel in the future, which may increase the staff expenses of our Group. Therefore, there is no assurance that we will be able to attract and retain competent personnel required to sustain our business growth, or have sufficient resources to meet the staffing needs.

We may not be able to adequately protect our intellectual property rights

Our trademarks and other intellectual property rights are crucial to our success. However, there is no absolute guarantee that third parties will not attempt to infringe our intellectual property rights. In addition, our Group's business is subject to the risk of third parties counterfeiting our products or otherwise infringing our intellectual property rights. We may not be able to protect our intellectual property rights, prevent production and sale of counterfeit products and prevent other infringements of our intellectual property rights. Our Group depends, to a significant extent, on the PRC laws to protect our intellectual property rights including trademarks. There is no assurance that third parties will not infringe our Group's intellectual property rights or that actions taken by us will be adequate to prevent such infringement or product imitation by others. Our efforts to enforce or defend our intellectual property rights may require significant attention from our management and may be costly, and the outcome of any legal actions to protect our intellectual property rights is uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations may be materially and adversely affected.

The use of trademarks that are similar to our trademarks by other parties may have a negative impact on the goodwill, value and images of our brands

The laws of the PRC permit other parties to register trademarks which may be similar to our registered trademarks in different categories of products or services under certain circumstances. Such activities may cause confusion among consumers. Our control over the quality of products provided by third parties who use trademarks similar to those of ours is limited. We may initiate legal proceedings to defend the ownership of our registered trademarks against unlawful infringement by third parties. These legal proceedings may be time-consuming and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome. We can give no assurance that such legal proceedings would be successful. The goodwill and value of our

RISK FACTORS

registered trademarks and public perception of our brands and images may be adversely affected by the inferior quality of the products and services provided by third parties who use trademarks similar to ours. A negative perception of the brands and images of our Group could have a material and adverse effect on the business, financial condition and results of operations of our Group.

Our Group may be exposed to product liability claims

We are not required under the PRC law to maintain, and we do not maintain, general product liability insurance for our products. We may be exposed to product liability claims, and we may, as a result, have to expend significant financial and managerial resources to defend against such claims. Our Group anticipates that such product liability claim risks will increase as legal concepts in product liability claims begin to develop and mature in the PRC and other countries and regions to where our products may be sold. In the event that we are found to be liable for a product liability claim, we may be required to pay substantial monetary damages. Even if we successfully defend ourselves against a product liability claim, we may be forced to spend a substantial amount of money, management time and resources on defending such a claim and our reputation may suffer as a result of the negative publicity associated with it.

Our Company is a holding company that relies heavily on dividend payments from our subsidiaries for funding

Our Company is a holding company incorporated in the Cayman Islands and operates our business primarily through our subsidiaries in the PRC. Therefore, the availability of funds to enable our Company to pay dividends to the Shareholders and to service its indebtedness depends upon dividends received from these subsidiaries. If our subsidiaries incur indebtedness or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to our Company. As a result, our Company's ability to pay dividends and to service its indebtedness will be restricted. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require enterprises incorporated in the PRC to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements or debt instruments that our Company's subsidiaries may enter into or issue in the future may also restrict the ability of these subsidiaries to make contributions to our Company and hence, our Company's ability to receive distributions. Therefore, these restrictions on the availability and usage of our Company's major source of funding may impact its ability to pay dividends to the Shareholders and to service its indebtedness.

Our operations may be affected by prolonged business interruption

Our ability to meet the demands of, and our contractual obligations to, our customers and our ability to grow our business are heavily dependent on efficient, proper and uninterrupted operations at our facilities. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the destruction of buildings, and other facilities due to fire or natural disasters such as hurricanes, severe winter storms, flood, droughts or earthquakes would severely affect our ability to continue operations and may cause significant property damage and personal injuries. As of the Latest

RISK FACTORS

Practicable Date, we did not carry any business interruption insurance and our insurance policies may not be sufficient to compensate our Group for damages of such buildings, equipment and infrastructure. In addition, there are certain types of losses, such as from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, for which our Group cannot obtain insurance at a reasonable cost or at all. Any such events and any losses or liabilities that are not covered by our current insurance policies could have a material adverse effect on the business, financial condition and results of operations of our Group.

Our Controlling Shareholders may take actions that are not in, or may conflict with, public Shareholders' best interests

Immediately after the completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised, our Controlling Shareholders will own approximately 57.06% of the shareholding in our Company. Therefore, our Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to control actions which do not require the approval of independent Shareholders. Our Controlling Shareholders will also be able to control the election of Directors, determine the timing and amount of dividend distributions, if any, and approve or disapprove significant corporate transactions such as mergers and acquisitions. Furthermore, our Controlling Shareholders may cause us to take actions that are not in, or may conflict with, the interests of our Group or other Shareholders, which may place other Shareholders in a disadvantageous position.

Our non-compliances with certain social insurance and housing provident fund contribution laws and regulations in the PRC could lead to the imposition of fines and penalties

Under the relevant PRC laws and regulations, we are required to contribute to a number of employee social welfare schemes in respect of our employees. Such schemes include social insurance contributions (including unemployment insurance, medical insurance, work-related injury insurance, pension insurance and maternity insurance) and housing fund contributions. During the Track Record Period, we did not fully comply with the social insurance and housing fund contribution requirements for our employees because some of the employees are not willing to participate in the social insurance and housing fund schemes. We estimate that the aggregate unpaid amount by our Group to the social insurance authority for the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 would be approximately RMB0.4 million, RMB0.6 million, RMB2.5 million and RMB1.0 million, respectively. We have made the relevant provisions in our Group's consolidated accounts. Our PRC Legal Advisers have consulted with Shishi City Human Resource, Labour and Social Safeguard Bureau (石獅市人事勞動和社會保障局) and Quanzhou City Housing Provident Fund Management Centre, Shishi Department (泉州市住房公積金管理中心石獅管理部) which are the appropriate and competent authorities to consult in respect of our Group's non-compliances with the social insurance and housing fund contribution requirements and have the power to impose penalty in relation to social insurance and housing provident fund issue respectively. According to the results of the PRC Legal Advisers' consultation with Shishi City Human Resource, Labour and Social Safeguard Bureau, enterprises must provide employees with social insurance. As a matter of practice in Shishi City, it is the employees that will make voluntary payments regarding the social insurance contributions. Given the high mobility of employees, and that certain parts of the insurances under social insurance (i.e. medical insurance, pension insurance) require employees to make voluntary

RISK FACTORS

payments, the Shishi City Human Resource, Labour and Social Safeguard Bureau is aware that some employees are unwilling to pay the social insurance. The settlement of unpaid social insurance is generally not allowed. However, the Shishi City Human Resource, Labour and Social Safeguard Bureau normally will not impose penalty on the enterprises involved. According to the results of the PRC Legal Advisers' consultation with Quanzhou City Housing Provident Fund Management Centre, Shishi Department, enterprises are required to apply housing provident fund payment registration for their employees. For employees who have not registered in the past, a re-registration could be applied. However, if an employee expressly indicates his unwillingness to pay the housing provident fund, the enterprises involved will not be subject to government penalties and the Quanzhou City Housing Provident Fund Management Centre, Shishi Department normally will not require the enterprises to settle the unpaid housing provident fund contributions. From the results of the consultation above, we understood that if an enterprise did not pay the social insurance for its employees because such employees are not willing to pay social insurance and housing provident fund, the social insurance authorities in Shishi City normally will not require or accept this enterprise to pay the outstanding social insurance for these employees, the social insurance authorities and the housing provident fund management authorities in Shishi City normally will not require the enterprise to settle the unpaid social insurance and housing provident fund contributions and will not impose penalty on the enterprise.

However, prior to the implementation of the Social Insurance Law of the People's Republic of China, which came into force on 1 July 2011, under the PRC laws, a fine ranging from RMB1,000 to RMB5,000 or in case of material breach, a fine ranging from RMB5,000 to RMB10,000, will be imposed on the management and other persons with direct responsibilities of our Group for non-compliances happened prior to 1 July 2011. The social insurance authorities are also entitled to order us to pay the outstanding social insurance within or without a time limit and impose on us a late charge of 0.05% and a fine ranging from one to three times of the outstanding amount for work-related injury insurance and the late charge of 0.2% for the other four types of social insurance if our Group fails to rectify the breach of social insurance contribution. Since 1 July 2011, for non-compliances happened after 1 July 2011, according to Social Insurance Law of the People's Republic of China, the social insurance authorities are entitled to order us to pay the outstanding social insurance (including pension, medical, work injury, unemployment and maternity insurance), and impose a late charge of 0.05% and a fine ranging from one to three times of the outstanding social insurance.

In respect of housing fund contribution, under the relevant laws and regulations of the PRC, the relevant housing fund authority is entitled to order us to register the aforementioned employees with the housing fund authority within a prescribed time limit. If we fail to do so within such prescribed time limit, a fine in the range of RMB10,000 to RMB50,000 will be imposed on us. The housing fund authority may also order us to pay the outstanding housing fund within a prescribed time limit. If we fail to do so within such prescribed time limit, the housing fund authority may sort an order for payment from the relevant PRC court. Any judgment or decision against our Group in respect of the outstanding social security insurance and/or housing provident fund contributions could have an adverse effect on the Group's reputation, cash flow and results of operations. As at the Latest Practicable Date, no enforcement actions were taken by the relevant PRC authorities against us for the non-compliance as mentioned above. The Indemnifiers have agreed to indemnify us for any losses, liabilities or damages suffered by us as a result of our failure to make social insurance and housing provident fund contributions for our employees prior to the Listing Date. In addition, we are in the

RISK FACTORS

course of applying for both the social insurance registration and the housing provident fund payment registration for those employees who have not been registered in the past and will be able to comply with the social insurance and housing provident fund contribution requirements by the end of September 2011.

Non-compliance with environmental protection laws and regulations in the past in the PRC may lead to the impositions of fines and penalties

Our Group's manufacturing operations are subject to the PRC environmental laws and regulations, including the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例) and the Environmental Impact Assessment Law of the People's Republic of China (中華人民共和國環境影響評價法). These environmental laws and regulations set out the guidelines for discharge of pollutants. We did not pass the completion inspections for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai until 21 March 2011, 21 March 2011 and 7 June 2011 respectively and we did not obtain the Permits to Discharge Pollutant (排放污染物許可證) for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai until 24 March 2011, 24 March 2011 and 9 June 2011 respectively. According to the Environmental Protection Regulation of Fujian Province (福建省環境保護條例), the environmental protection authorities may order us to obtain the Permit to Discharge Pollutant and impose a fine on us of not more than RMB50,000 for such non-compliance. According to the Regulations Concerning the Administration of Environmental Protection of Building Projects (建設項目環境保護管理條例) and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法), we may be ordered by the relevant environmental protection authorities to cease production or use and may be subject to a fine of not more than RMB100,000. Although we have rectified the non-compliance as of the Last Practicable Date, and we have obtained the certificates from Shishi City Environmental Protection Bureau certifying that Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai have never been subject to any administrative penalties by Shishi City Environmental Protection Bureau, if the Shishi City Environmental Protection Bureau imposes the aforesaid penalties on our Group, this will materially affect our operations.

Title status of our Group's leased properties

Our Group's tenancy agreements as referred to in note 8 of property no. 1 and note 3 of property no. 2 as set out in the valuation report in Appendix IV to this prospectus have not been registered with the relevant authorities in the PRC. Based on the enquiries made with the responsible authorities in the PRC, no registration services in respect of leases are currently available in Shishi City, Fujian Province, the PRC. Accordingly, no registration of the aforesaid two tenancy agreements can be carried out. Should registration services in respect of the leases be available in Shishi City, Fujian Province, the PRC, our Directors will procure the registration of the aforesaid tenancy agreements. Should there be a change in the current situation in Shishi City in respect of leases registration or any new policy be adopted which has a retrospective effect, our two leases may be subject to these uncertain future changes and effect.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

Our Group faces intense competition

The footwear industry in the PRC is highly competitive. Participants in the footwear industry in the PRC market include international and domestic brands which compete in, among other things, brand loyalty, product variety, product design, product quality, marketing and promotion, distribution network coverage and price. We may not be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established distribution network. To compete effectively and maintain its market share, we may need to reduce price, provide more sales incentives to the distributors and increase capital expenditures, which may in turn affect our profit margins and results of operations.

In addition, the accession of the PRC to the World Trade Organisation may result in further changes to and developments in the footwear industry, such as the removal of entry barriers for international brands may further intensify the competition in the PRC retail markets. This may have a material adverse impact on the business, financial condition and results of operations of the Group.

We may encounter fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC

We derive a significant portion of turnover from sales of our products in the PRC. The success of our Group's business, therefore, depends on the condition and growth of the PRC consumer market, which, in turn, depends on worldwide economic conditions and individual income levels in the PRC and their impact on levels of consumer spending, which have recently deteriorated significantly in many countries and regions and may remain depressed for the near future. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue or that projected growth rates of the PRC economy and the PRC consumer market, including those described in the section headed "Industry Overview", will be realised. Any future slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect the business and results of operations of our Group.

Our business may be materially and adversely impacted by recent global financial difficulties and economic conditions

Recent global financial difficulties and economic conditions may materially and adversely impact the business, financial condition and results of operations of our Group in a number of ways, including:

- under difficult economic conditions, consumers may seek to reduce discretionary spending by foregoing purchases of our products;

RISK FACTORS

- financing and other sources of liquidity may not be available on reasonable terms or at all; and
- the trading price of our Shares may experience increased volatility.

These risks may be exacerbated in the event of a prolonged economic downturn or financial crisis.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in the economic, political and social conditions and government policies in the PRC may have an adverse effect on our Group

Substantially all of the business operations of our Group are conducted in the PRC, and substantially all of our turnover is derived from sales in the PRC. Therefore, the business, financial condition, results of operations and prospects of our Group are affected significantly by the economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in a number of respects, including structure, degree of government involvement, level of development, growth rate, control of foreign exchange, control of capital reinvestment and allocation of resources.

The PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented measures emphasising market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. Although the PRC government still owns a significant portion of the productive assets in the PRC, economic reform policies have placed much emphasis on creating autonomous enterprises and the utilisation of market mechanisms. Our Directors anticipate that the PRC government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources. As a result, there can be no assurance that our Group may be able to benefit from all, or any, of the measures that are under continuous adjustments. In addition, our Group cannot predict whether changes in the political, economic and social conditions in the PRC or changes in the laws, regulations and policies promulgated by the PRC government will have any adverse effect on our business, financial condition and results of operations.

Interpretation of PRC laws and regulations involves uncertainties

Substantially all of our operations are conducted in the PRC and are governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. These uncertainties relating to the interpretation of PRC laws and regulations can affect the legal remedies and protections that are available to our Group and to our investors.

RISK FACTORS

The implementation of the new labour law in the PRC may increase our labour costs

The PRC government promulgated a new labour law, namely, the Labour Contract Law of the PRC (中華人民共和國勞動合同法) (the “**New Labour Law**”), which became effective on 1 January 2008. The New Labour Law imposes more stringent requirements on employers in relation to fixed term employment contracts, hiring of temporary employees and dismissal of employees. A minimum wages requirement has also been incorporated into the New Labour Law. In addition, under the newly promulgated Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which also became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from five to 15 days, depending on the length of the employees’ years of services. Employees who waive such vacation time at the request of employers shall be compensated for three times their normal daily salaries for each vacation day being waived. Compliance with the relevant laws and regulations may substantially increase our labour costs, as a result of which our historical labour costs may not be indicative of our labour costs going forward. Increase in our costs may materially and adversely affect our financial condition and results of operations.

Restrictions on foreign exchange and payment of dividends may limit the ability of our operating subsidiaries to remit payments to our Company

Most of the turnover of our Group is denominated in Renminbi (RMB). At present, the RMB is not freely convertible to other foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under current PRC laws and regulations, payments of current account items including profit distributions, interest payments and operation-related expenditures may be made in foreign currencies through designated foreign exchange banks within the PRC that are licensed to engage in foreign exchange business without prior approval from SAFE, but subject to various procedural requirements. Strict foreign exchange control applies to capital account transactions, which must be approved by or registered with SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions. Under current structure of our Group, our Company’s source of funds will primarily consist of dividend payments by its subsidiaries in the PRC denominated in RMB. There is no assurance that we will be able to meet all of the foreign currency obligations or to remit profit out of the PRC. If our subsidiaries are unable to obtain SAFE approval to repay loans to our Company or if future changes in relevant regulations were to place restrictions on the ability of our subsidiaries to remit dividend payments to our Company, our Company’s liquidity and ability to satisfy its third party payment obligations and its ability to distribute dividends in respect of the Shares could be materially and adversely affected.

Fluctuations in foreign exchange rates may materially and adversely affect the financial condition and results of operations of our Group

Most of the revenue of our Group is generated from the PRC operating subsidiaries and denominated in RMB. The value of the RMB against other foreign currencies is subject to changes in the PRC government’s policies and international economic and political developments. Since 1994, the conversion of RMB into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the People’s Bank of China, which have generally been stable. However, on 21 July

RISK FACTORS

2005, the PRC government introduced a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. As a result, the RMB appreciated against the Hong Kong and US dollars by approximately 2.0% on the same date. On 23 September 2006, the PRC government widened the daily trading band for RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system.

Recently, the PRC has been facing pressure from foreign countries to adopt a more flexible currency system, which may lead to further appreciation of the RMB. The RMB may be revalued further against the US dollar or other currencies or may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against the US dollar or other currencies. It is uncertain if the exchange rates of Hong Kong and US dollars against RMB will further fluctuate. Any appreciation of the RMB may subject our Group to increased competition from imported footwear products. On the other hand, any depreciation of RMB may materially and adversely affect the financial position and the value of, and any dividends payable on, our Shares in foreign currency terms, as well as our ability to service any of our foreign currency obligations, if any.

Any change in our Group's tax treatment in the PRC, including an unfavourable change in preferential enterprise income tax rates, may have a negative impact on the financial condition and results of operations of our Group

On 16 March 2007, the National People's Congress of the PRC promulgated the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**New Tax Law**"), which came into effect on 1 January 2008 and supersedes both the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) and the Provisional Regulations on Enterprise Income Tax of the PRC (中華人民共和國企業所得稅暫行條例) (the "**Old Tax Regime**"). The New Tax Law consolidates the two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified enterprise income tax rate of 25% for both types of enterprises.

Under the New Tax Law, enterprises that enjoyed a preferential tax rate prior to the promulgation of the New Tax Law are given a five-year grace period from 1 January 2008 to gradually transit to the new tax rate. Enterprises that enjoyed a tax rate of 24% would have their tax rate increased to 25% in 2008. Enterprises which enjoyed a fixed period of tax exemption and reduction prior to the New Tax Law's promulgation would continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment would commence from 1 January 2008.

Under the Old Tax Regime and as approved by the relevant tax authorities, each of Jinmaiwang Fujian and Luotuo Quanzhou was entitled to preferential enterprise income tax rates. Prior to 1 January 2008, each of Jinmaiwang Fujian and Luotuo Quanzhou was entitled to a two-year full exemption followed by a three-year 50% reduction of income tax starting from the first profit-making year. Jinmaiwang Fujian started its tax holiday in 2004 and Luotuo Quanzhou started its tax holiday in 2007. Accordingly, Jinmaiwang Fujian is subject to enterprise income tax at 12.5% for 2008 and 25% from 2009 onwards. Whereas, Luotuo Quanzhou is subject to income tax at 0% for 2008, 12.5% from 2009 to 2011 and 25% from 2012 onwards.

RISK FACTORS

By no later than 2012, each of our subsidiaries in the PRC will be subject to the same corporate income tax rate of 25%. The New Tax Law and the change in the enterprise income tax rate imposed thereby may have a negative impact on the amount of taxes payable by our Group, which in turn may have a material adverse impact on our financial condition and results of operations.

We may become subject to PRC income tax on any future worldwide income

Under the New Tax Law and its implementation rules, an enterprise incorporated outside the PRC with its de facto management bodies located within the PRC may be recognised as a PRC tax resident enterprise and subject to the unified enterprise income tax rate of 25% for its worldwide income. Since most of our Group's management is currently based in the PRC, and may remain in the PRC, members of our Group that are not incorporated in the PRC may in the future be recognised as a PRC tax resident enterprise according to the New Tax Law by the PRC taxation authorities. According to the New Tax Law, dividends received by a qualified PRC tax resident from another PRC tax resident are exempted from enterprise income tax. However, given the limited history of the New Tax Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividends declared and paid by the members of our Group in the PRC to their overseas holding companies will be exempted from enterprise income tax if they are recognised as PRC tax residents. The financial performance of our Group may be materially and adversely affected if our Group is subject to the PRC taxation on our Group's worldwide income.

Gains on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes

Under the New Tax Law and its implementation rules, our Company may in the future be recognised as a PRC tax resident enterprise by the PRC taxation authorities, and capital gains realised by foreign Shareholders from sales of our Shares and dividends on our Shares payable to foreign Shareholders may be regarded as income from "sources within the PRC" and therefore become subject to a 10% withholding income tax. If our Company is required under the New Tax Law to withhold PRC income tax on capital gains on sales of Shares and/or dividends on Shares payable to foreign Shareholders, the value of the foreign Shareholders' investment in our Shares may be materially and adversely affected.

It may be difficult to effect service of process upon our Group or our Directors who reside in the PRC or to enforce against our Group or any Director in the PRC any judgments obtained from non-PRC courts

All of our executive Directors reside within the PRC, and substantially all of our Group's assets and substantially all of the assets of those persons are located within the PRC. It may therefore be difficult for investors to effect service of process upon our Group or those persons in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts within the United States, the United Kingdom or most other Western countries. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against our Group or our Directors in the PRC.

RISK FACTORS

A material disruption of the operations of our Group or our customers and/or our customers' retail sales networks from force majeure events may materially and adversely affect results of operations of our Group

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions and adversely affect the results of operations of our Group. These include war, riot, public disorder, civil commotion, fire, earthquake, flood and other natural calamity, epidemic, outbreak of infectious disease, terrorism, whether locally or nationwide, or incidents such as industrial accidents, equipment failures, malfunction of information systems or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or utilities. Any such disruption of our operations could cause our Group to disrupt, limit or delay our production, prevent our Group from meeting customer orders, increase our costs of production or require us to spend additional capital expenditures, each of which could materially and adversely affect our results of operations. Force majeure events may also materially and adversely affect the operations performance of our customers and/or their retail sales networks and/or the sales and demand of our products in the relevant markets. In such event, the results of operations of our Group may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The initial public offering price range per Share was the result of negotiations among our Company and the Global Coordinator (for itself and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for our Shares following the Global Offering. Our Company has made application to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares on the Stock Exchange. However, there is no guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile and may be affected by the following factors:

- actual or anticipated fluctuations in the results of operations of our Group;
- reduction or restriction of financing means for the footwear industry;
- news regarding recruitment or loss of key personnel by our Group or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in the footwear industry;
- changes in earnings, estimates or recommendations by financial analysts;

RISK FACTORS

- potential litigation or regulatory investigations;
- general market conditions or other developments affecting our Group or the footwear industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our Shareholders.

The securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially adversely affect the market price of the Shares.

The subscribers of our Shares may experience immediate dilution and may experience further dilution if our Group issues additional Shares in the future

The Offer Price is higher than the net tangible assets value per Share immediately prior to the Global Offering. Subscribers of our Shares in the Global Offering may experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets value to approximately HK\$0.63 per Share, based on the maximum Offer Price of HK\$1.83, assuming the Global Coordinator will not exercise the Over-allotment Option.

To expand our business, our Company may offer and issue additional Shares in the future. Our Company may also issue additional Shares pursuant to the Share Option Scheme. Shareholders may be imposed dilution in the net tangible assets value per Share if our Company issues additional Shares in the future at a price lower than the net tangible assets value per Share.

RISK RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon

Certain information and statistics contained in the section headed “Industry Overview” in this prospectus are derived from various official governmental publications and industry reports. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such false or misleading. The information has not been independently verified by us, the Sponsor, the Global Coordinator, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Prospective investors should not place undue reliance on any of such information contained in this prospectus.

Forward looking statements may be inaccurate

The information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words “believe”, “consider”,

RISK FACTORS

“intend”, “may”, “plan”, “estimate”, “expect”, “with a view to” and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions be proved to be incorrect, our financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated or expected.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way as expected, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement. Our Directors have confirmed that any forward-looking statements contained in this prospectus are made after due and careful consideration.

Investors should read this entire prospectus carefully and should not place any reliance on any information published in the press articles or other media reports without carefully considering the risks and other information contained in this prospectus

Prior or subsequent to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorised any such press articles and media reports, and the financial information, projections, valuations and other forward-looking information about us contained in such unauthorised press articles and media reports may not truly reflect what is disclosed in this prospectus. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in such press articles and media reports and we do not accept any responsibility for the accuracy or completeness of such financial information, projections, valuations or other forward-looking information contained therein. To the extent that any of the information in the press articles or other media reports is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should only rely on information included in this prospectus and should not rely on any of the information in such press articles or other media reports in making their investment decisions.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

For the purpose of the Listing, we have sought the following waiver from the Stock Exchange in relation to strict compliance with certain requirements under the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our headquarters is at Shishi City, Fujian Province, the PRC and our operations are all managed and conducted in the PRC. Save that one of our independent non-executive Directors, Mr. Lee Ho Yiu Thomas, who is ordinarily resident in Hong Kong, all our Directors are ordinarily resident in the PRC, and oversee our business and operation in Shishi City, Fujian Province, the PRC. Save for an office established in Hong Kong for liaison purpose, we do not have and do not contemplate in the foreseeable future to have any business and operation located, conducted and managed in Hong Kong and therefore in the foreseeable future, will not have two executive Directors residing in Hong Kong.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules and have been granted a waiver subject to the following conditions:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Chen Yuanjian, an executive Director, and Miss Yau Suk Yan, the company secretary, who shall act as the principal channel of communication with the Stock Exchange and ensure we comply with the Listing Rules at all times. Each of our authorised representatives (and their alternate authorised representatives, if any) will be available to meet with the Stock Exchange in Hong Kong within a reasonable timeframe upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of our authorised representatives is authorised to communicate on our behalf with the Stock Exchange;
- (b) in compliance with Rule 3A.19 of the Listing Rules, we will retain a compliance adviser acceptable by the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules. The compliance adviser will provide us with advice on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines and will act as an additional channel of communication with the Stock Exchange when our authorised representatives (and the alternate representatives, if any) are not available;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) our two authorised representatives have means of contacting all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication with the Stock Exchange, we will implement a policy whereby:
 - (i) each Director (including our independent non-executive Directors) will have to provide his/her phone numbers, fax numbers and email addresses to our authorised representatives;
 - (ii) in the event that a Director expects to travel and be out of office, he/her shall provide to our authorised representatives the valid phone number of the place of his/her accommodation or other means of communications;
 - (iii) our Directors will provide their respective phone numbers, fax numbers and email addresses to the Stock Exchange; and
 - (iv) we will inform the Stock Exchange promptly in respect of any change in our authorised representatives, alternate authorised representatives and/or compliance adviser; and
- (d) all our Directors (including our independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and all our Directors and authorised representatives can meet with the Stock Exchange within a reasonable time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

This prospectus is published solely in connection with the Global Offering which is sponsored by the Sponsor. Subject to the terms of the Underwriting Agreements, the Hong Kong Offer Shares are fully underwritten by the Hong Kong Underwriters and the International Placing Shares are fully underwritten by the International Underwriters. Particulars of the Underwriters and the underwriting arrangements are set forth in the section headed “Underwriting” to this prospectus.

DIRECTORS’ RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applications under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. The International Placing will be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between our Company and the Global Coordinator (for itself and on behalf of the Underwriters). The Global Offering is managed by the Global Coordinator.

If, for any reason, the Offer Price is not agreed between our Company and the Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. Further information about the Underwriters and the underwriting arrangements is set forth in the section headed “Underwriting” in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Global Coordinator, the Underwriters, any of their respective directors, agents, employees or advisers or any other parties involved in the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, any Shares to be issued under the Capitalisation Issue, any Shares which may be issued under the Share Option Scheme). Save as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on the Company's register of members to be maintained in Hong Kong by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. The Company's principal register of members will be maintained in the Cayman Islands by its principal share registrar, Codan Trust Company (Cayman) Limited.

Dealings in our Shares registered on our Company's register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of and dealing in the Offer Shares (or exercising any rights attached to them). None of our Company, the Global Coordinator, the Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of or dealing in the Offer Shares or exercising any rights attached to them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Global Coordinator, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the International Placing, the Global Coordinator may over-allocate up to and not more than an aggregate of 45,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Further details of the stabilisation and the Over-allotment Option are set out in the paragraphs headed “Stabilisation” and “Over-allotment Option” under the section headed “Structure of the Global Offering” in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business date after any trade day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Ms. Cai Xiuman (蔡秀滿)	No. 56-59, District D Zhengda Guangchang Zifang Road Shishi City Fujian Province, PRC	Filipino
Mr. Zhang Wenbin (張文彬)	No. 56-59, District D Zhengda Guangchang Zifang Road Shishi City Fujian Province, PRC	Chinese
Mr. Huang Jianren (黃建仁)	2#802, Jia Hao City Garden Phase 2, Shishi City Fujian Province, PRC	Chinese
Mr. Chen Yuanjian (陳元建)	Flat 18D, Block 5 No. 37, 2nd West Hexiang Road Huaqiao Haijing City Xiamen, Fujian Province, PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wu Xiaoqiu (吳曉球)	9-2-12B Shiyuyuan Haidian District Beijing, PRC	Chinese
Mr. Ye Lin (葉林)	Block 3, 5th District Shiji Cheng Yuandayuan Haidian District Beijing, PRC	Chinese
Mr. Lee Ho Yiu Thomas (李浩堯)	Flat A, 19/F Tower 2, Lyttelton Garden 29 Lyttelton Rd Central Mid-Level Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator, Bookrunner and Lead Manager	Guotai Junan Securities (Hong Kong) Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Legal advisers to the Sponsor and Underwriters	<i>as to Hong Kong law:</i> Stephenson Harwood 35th Floor, Bank of China Tower 1 Garden Road Central Hong Kong <i>as to PRC law:</i> Deheng Law Firm Shenzhen Office Storey 11, Section B Anlian Plaza No. 4018 Jintian Road Fu Tian District Shenzhen Guangdong Province PRC
Legal advisers to the Company	<i>as to Hong Kong law:</i> Sidley Austin Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong <i>as to PRC law:</i> Hills & Co. 11th Floor, Central Tower No. 88 Fu Hua 1st Road Fu Tian Central Business District Shenzhen PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

as to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Auditors and reporting accountants

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

Property valuer

Asset Appraisal Limited
Room 901, 9th Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

Receiving bankers

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street, Central
Hong Kong

Wing Lung Bank Limited
45 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in the PRC	Shoes Industrial Park Baogai Town Shishi City Fujian Province PRC
Principal place of business in Hong Kong	Office C, 21st Floor Legend Tower No.7 Shing Yip Street Kowloon Hong Kong
Company's website	www.activegroup-int.com (information on the website does not form part of this prospectus)
Company secretary	Miss Yau Suk Yan <i>CPA</i>
Authorised representatives	Mr. Chen Yuanjian Flat 18D, Block 5 No. 37, 2nd West Hexiang Road Huaqiao Haijing City Xiamen, Fujian Province, PRC Miss Yau Suk Yan Room 1711, Block G Sui Wo Court Hong Kong
Audit committee	Mr. Lee Ho Yiu Thomas (<i>Chairman</i>) Mr. Wu Xiaoqiu Mr. Ye Lin
Remuneration committee	Mr. Ye Lin (<i>Chairman</i>) Mr. Wu Xiaoqiu Mr. Lee Ho Yiu Thomas

CORPORATE INFORMATION

Nomination committee	Mr. Wu Xiaoqiu (<i>Chairman</i>) Mr. Ye Lin Mr. Lee Ho Yiu Thomas
Principal share registrar and transfer office in the Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Compliance Adviser	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal bankers	Agricultural Bank of China, Shishi Branch No. 348 Jiuer Road Shishi City, Quanzhou Fujian Province, PRC China Construction Bank, Shishi Branch CCB Building No. 1865 Baqi Road, Shishi City Fujian Province, PRC Industrial Bank of China, Shishi Baohu Branch No. A117-122 Lion City Royal Garden Xiangjiang Road, Shishi City Fujian Province, PRC Industrial and Commercial Bank of China, Xiamen Branch Industrial and Commercial Bank Building 17 Hubin Road North Xiamen City Fujian Province, PRC

INDUSTRY OVERVIEW

The information and statistics in this section have been extracted and derived, in part, from various official government publications. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither the Company, the Sponsor, the Global Coordinator or the Underwriters, nor any of their respective affiliates or advisers, nor any party involved in the Global Offering have independently verified such information and statistics derived from official government publications, and such parties do not make any representation as to their correctness, accuracy, completeness or fairness. The information and statistics in this section may not be consistent with other information and statistics compiled within or outside the PRC.

In addition, certain information and data contained in this prospectus are derived from market data provided by Euromonitor. The Company believes that the sources of this information are appropriate sources for such information and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by the Company, the Sponsor, the Global Coordinator, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

INTRODUCTION

The Company operates primarily in the casual footwear industry in the PRC. The performance of the PRC casual footwear is primarily driven by the growth of the PRC economy, in particular, the increase in disposable income in the PRC population as well as a prevalence of leisure life style.

According to Euromonitor, the total retail sales from men's casual footwear market in the PRC increased from approximately RMB30.8 billion in 2006 to approximately RMB41.3 billion in 2010, representing a CAGR of approximately 7.6% during that period. The retail sales revenue of men's casual footwear is projected to grow at a CAGR of approximately 11.6% between 2011 and 2015, which is slightly faster than the projected growth of the men's overall footwear market in the PRC of approximately 11.2% over the same period.

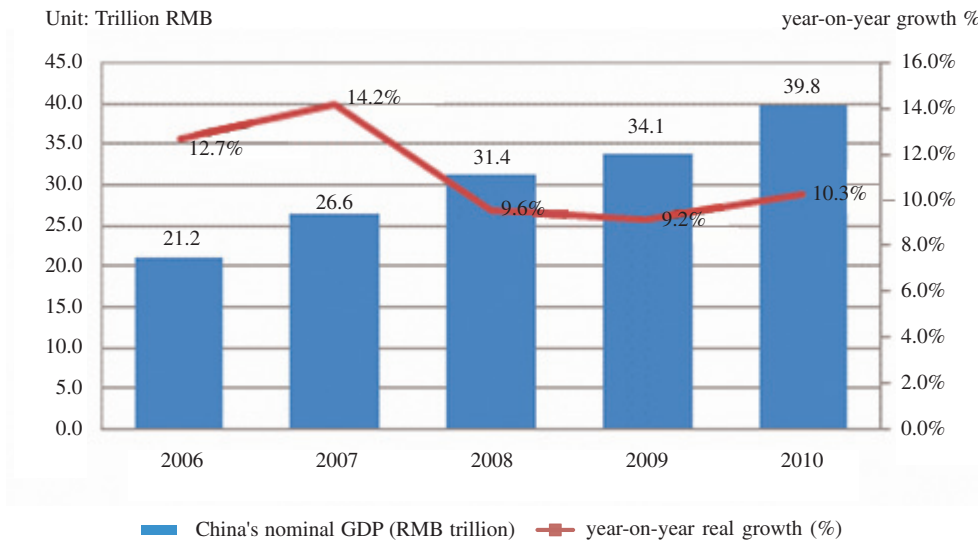
RAPID GROWTH OF PRC ECONOMY, URBANISATION AND RISING DISPOSABLE INCOME

Rapid growth of PRC economy

Attributable to the "reform and market liberalisation" policies launched by the PRC government in the late 1970s, the PRC economy enjoyed significant growth over the past 30 years. According to the National Bureau of Statistics of China, the nominal GDP of the PRC grew from RMB21.2 trillion to RMB39.8 trillion from 2006 to 2010, and the nominal per capita GDP of the PRC grew from RMB16,122.2 to RMB29,695.5 during the same period, representing a CAGR of approximately 17.1% and 16.5%, respectively. The real GDP growth rate was 10.3% in 2010, which is higher than that of 2008 and 2009 when the real GDP growth rate was crippled negatively impacted by the global financial crisis. The following chart sets out the nominal GDP and year-on-year growth of China between 2006 and 2010.

INDUSTRY OVERVIEW

Nominal GDP of the PRC from 2006 to 2010

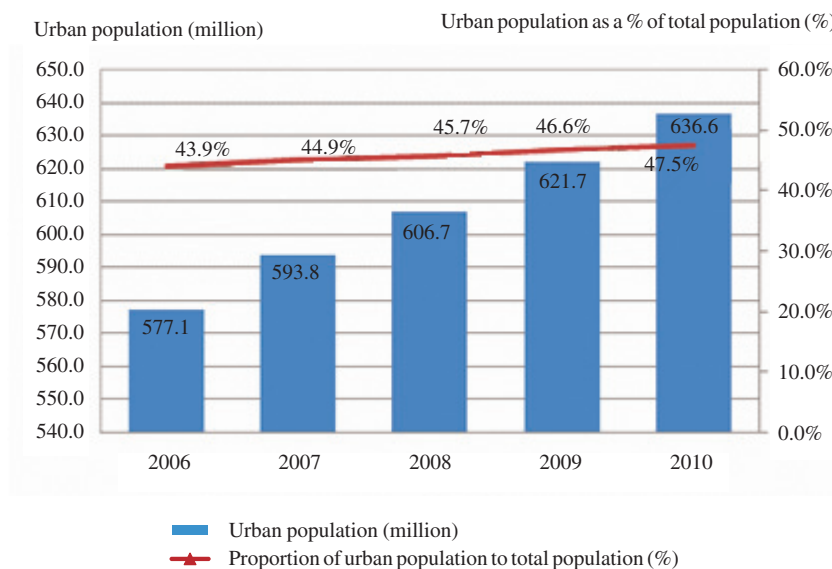


Source: 2010 Statistic Bullet published by National Bureau of Statistics of China

URBANISATION IN THE PRC

With the accelerating industrialisation, the PRC's urbanisation is on the rise. According to the National Bureau of Statistics of China, the urban population in the PRC increased from 577.1 million in 2006, which accounted for approximately 43.9% of the total population, to 636.6 million in 2010, which accounted for approximately 47.5% of the total population. It is expected that populations in urban cities will continue to swell due to the influx of people from rural and less developed areas, attracted by better living environment and more job opportunities.

Urban population and urbanisation rate in the PRC from 2006 to 2010



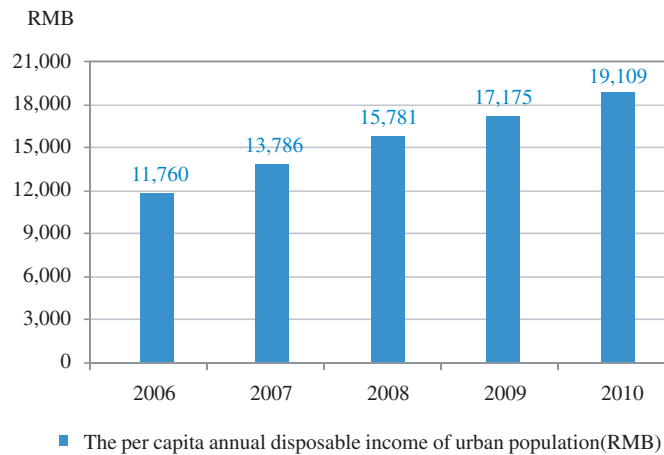
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Rising disposable income

Growth in the economy and an increase in the proportion of urban residents are associated with improvements in living standards and increases in income levels in the PRC. According to the National Bureau of Statistics of China, the per capita annual disposable income of urban households increased from RMB11,760 in 2006 to RMB19,109 in 2010, at a CAGR of 12.9%.

The per capital annual disposable income of urban population in the PRC from 2006 to 2010



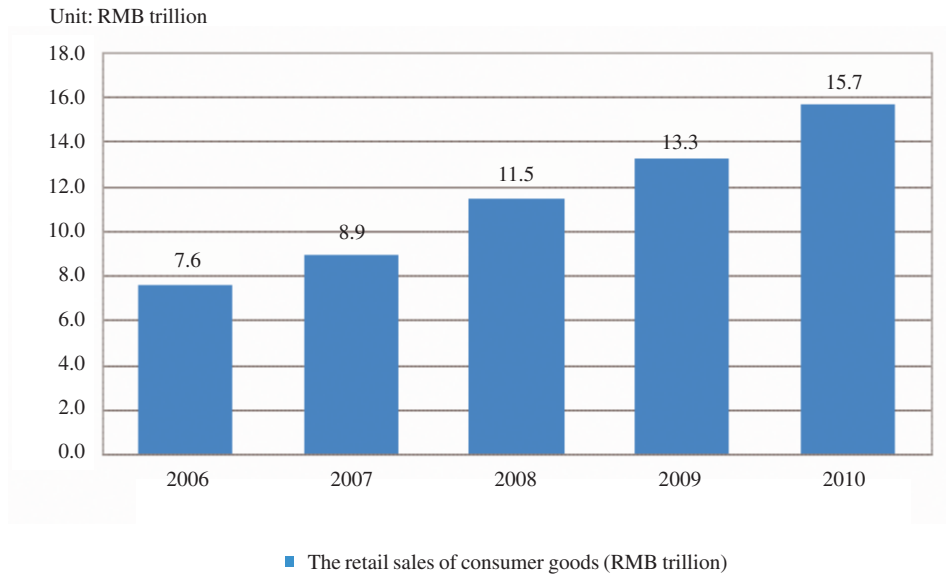
Source: National Bureau of Statistics of China

STRONG RETAIL GROWTH AND CONSUMPTION

As a result of the growing urban population and the increase in disposable income per capita, the retail sales of consumer goods in the PRC expanded rapidly in the past few years. According to the National Bureau of Statistics of China, the retail sales of consumer goods in the PRC grew from RMB7.6 trillion in 2006 to RMB15.7 trillion in 2010, representing a CAGR of 19.9% for the same period. The growth has coincided with the increase in disposable income per capita, suggesting that the consumption power of consumers in the PRC has risen. The retail industry is expected to boost with the continuous improvement in the living standards in the PRC.

INDUSTRY OVERVIEW

The retail sales of consumer goods in the PRC from 2006 to 2010

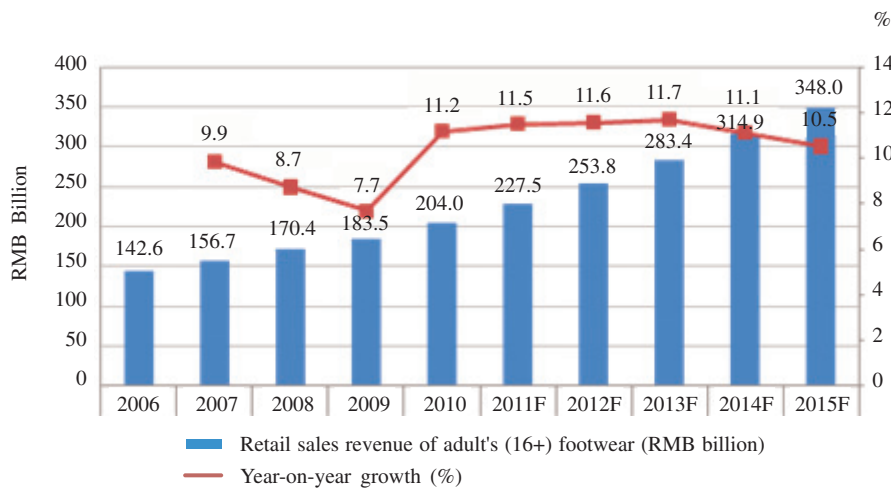


Source: National Bureau of Statistics of China

THE PRC FOOTWEAR MARKET

The adult's footwear market in the PRC has been the second largest over the world following the USA, having a total retail sales revenue of RMB204 billion in 2010. It is projected that the market size of adult's footwear in the PRC will amount to RMB348 billion by 2015, growing at a CAGR of 11.2% from 2011.

Retail sales revenue of the adult's footwear market in the PRC from 2006 to 2010 and the forecast retail sales revenue of the adult's footwear from 2011 to 2015



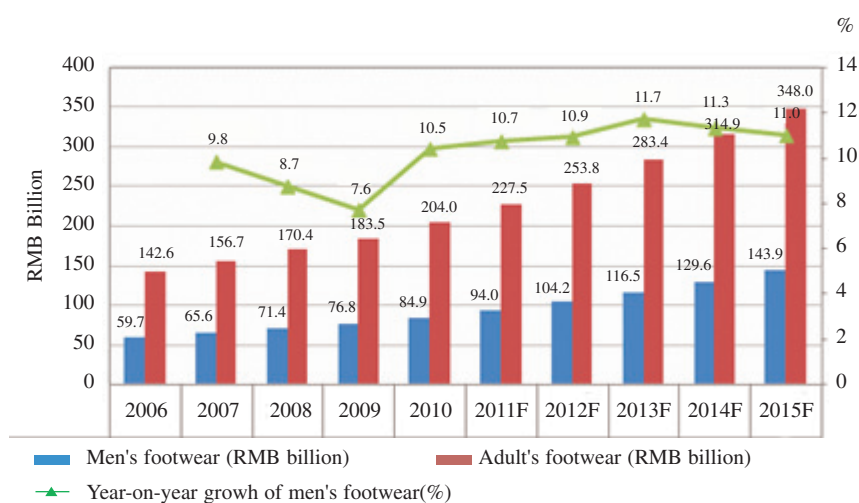
Source: Euromonitor

* Data from 2011 to 2015 are forecasted

INDUSTRY OVERVIEW

In 2010, men's footwear in the PRC demonstrated a retail sales revenue of RMB84.9 billion, growing at a CAGR of 9.2% from 2006, accounting for 41.6% of total adult's footwear. With the domestic economy gradually rebounding and men's increasing awareness on personal appearance, men's footwear is expected to grow faster in the forecast period. Euromonitor's research indicated that men's footwear will grow at a CAGR of 11.2% during the forecast period from 2011 to 2015, amounting to RMB143.9 billion by 2015 and accounting for 41.4% of total adult's footwear sales.

Retail sales revenue of the men's footwear in the PRC from 2006 to 2010 and the forecast retail sales revenue of the men's footwear from 2011 to 2015



Source: Euromonitor

* Data from 2011 to 2015 are forecasted

According to Euromonitor, men's footwear can be classified into three style categories, namely formal footwear, casual footwear¹ and sports footwear. Men's formal footwear refers to footwear worn together with office or business attires, which is suitable for work place or formal events such as wedding, while men's casual footwear emphasises comfort and personal expression over presentation and uniformity, which is usually lightweight with flat soles, suiting daily routine like walking, fitness, shopping, travelling, and even general working environment such as business casual shoes. Men's sports footwear refers to shoes designed for sport, including jogging shoes, tennis shoes, golf shoes, outdoor sports shoes, etc.

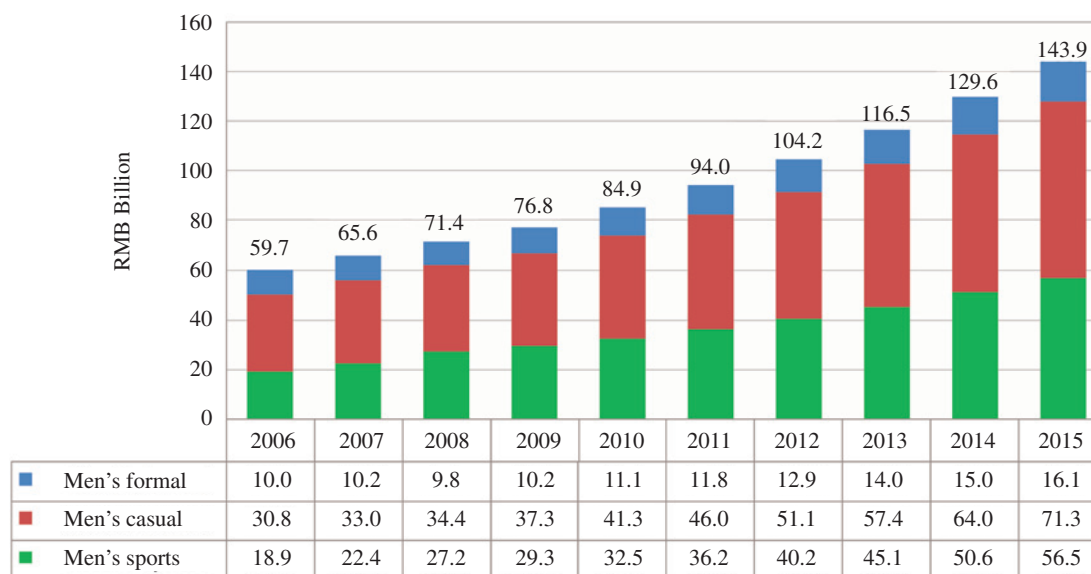
According to Euromonitor, men's casual footwear registered retail sales revenue in the PRC in 2010 was RMB41.3 billion, accounting for 48.6% of the total men's footwear market. Attributable to consumers' pursuit of leisure life and manufacturers' marketing efforts, men's casual footwear is

1. Men's casual footwear refers to shoes which are usually lightweight with flat soles, suiting daily routine like walking, exercising, shopping, travelling, and even general working environment (e.g. business casual shoes), but excludes casual series under sportswear brands and outdoor sports brands which are included in men's sports footwear segment.

INDUSTRY OVERVIEW

expected to grow faster than the men's overall footwear market. Euromonitor's research indicated that the retail sales of men's casual footwear will grow at a CAGR of 11.6% from 2011 to 2015, amounting to RMB71.3 billion by 2015, the growth of which is projected to be faster than that of the overall men's footwear market which is estimated to be 11.2% in the same period.

Retail sales revenue of the men's footwear by type from 2006 to 2010 and
the forecast retail sales revenue of the men's footwear by type from 2011 to 2015



Source: Euromonitor

* Data from 2011 to 2015 are forecasted

KEY DRIVERS OF THE MEN'S CASUAL FOOTWEAR MARKET IN THE PRC

(1) Pursuit of leisure life by consumers

With fast pace of life and the penetration of western culture into the PRC including the culture of leisure dressing, casual wear is in popularity among modern people. Walking, doing exercises, travelling and shopping have been regular means for people to relieve stress. Casual footwear is the necessity for people who seek to relieve stress by the above means. In addition, many companies tend to provide a relaxed working environment for their employees and do not impose strict requirements on staff's dressing. In this regard, 'Casual Fridays' are prevalent in foreign companies and many state-owned companies which used to require staff to dress formal in all weekdays.

(2) Free style of casual footwear makes its popularity among modern consumers

Contemporary consumers are in demand for apparel and footwear that are individualistic in style, a sign to show their individual unique personality among others. As compared with formal footwear, casual footwear can be more liberal in colour use, pattern design, material choose as well as mix & match, hence more favoured by modern people.

INDUSTRY OVERVIEW

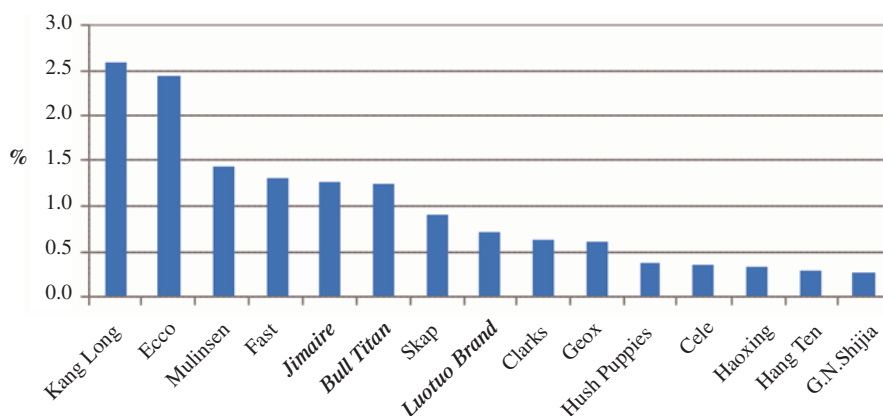
(3) Activeness of leading casual footwear manufacturers promotes the market development

The entering of the PRC market by international casual footwear giants has promoted the development of the PRC casual footwear market. The three world-renowned casual footwear brands, namely Ecco, Geox and Clarks, all of which have tapped in the PRC market for many years, have introduced their fine workmanship and fashionable designs to the PRC consumers and thereby making a casual hit in footwear industry in the PRC. Attracted by the great potential of casual footwear market in the PRC in recent years, more local brands, such as Kang Long, Mulinsen and *Bull Titan*, have emerged in the market and expanded rapidly. The increasing number of brands activated the casual footwear market due to their heavy marketing and promotion activities, promoting the further expansion of this market.

Market Segmentation

The men's casual footwear market in the PRC is quite fragmented due to numerous manufacturers and fierce competition. None of the top 15 brands in this market is able to achieve a market share over 3% in terms of retail sales revenue. The biggest brand only captured 2.6% of the market share in terms of retail sales revenue in 2010. However, the market is expected to further concentrate due to aggressive marketing and remarkable outlet growth of leading brands, especially the local ones. According to Euromonitor, consolidated market share in terms of retail sales revenue of top 15 brands has increased from 11.6% in 2009 to 15.1% in 2010.

Market share by retail sales revenue of top 15 men's casual footwear brands in the PRC in 2010



PRICE TREND OF LEATHER

Leather is the major raw material of our footwear. According to Euromonitor, the price of leather ranges from RMB12.5 to RMB29, RMB12 to RMB28 and RMB15 to RMB35 per sq.ft. during 2008, 2009 and 2010, respectively. The difference in raw material prices of men's casual footwear is mainly due to different quality of leather, since the price of imported leather is definitely higher than

INDUSTRY OVERVIEW

that of the domestic leather. The trend on leather price had slightly decreased by 5% during 2009 and increased by 20% during 2010 due to the economy's recovery after the global financial crisis and the high inflation in 2010.

SOURCES OF INFORMATION

We commissioned Euromonitor, an Independent Third Party, to conduct a market analysis of, and produce the Euromonitor report on the men's casual footwear market in the PRC covering the period from 2006 to 2010 with forecasts for the period from 2011 to 2015. In addition to relying on the market data, forecasts and other relevant information from the research report, we also relied on various data provided by Euromonitor for the preparation of this section of the prospectus including data on the PRC's economy and pattern and the levels of urbanisation and disposal income in the PRC. The fee paid by us for the Euromonitor report was US\$32,500. The payment of such amount was not contingent upon our successful Listing or on any of the results provided within the report. We have not commissioned other customised reports for the purpose of inclusion in this prospectus.

The methodology used by Euromonitor in gathering the relevant market data consists of the following:

- (a) Euromonitor began with an assessment of as much relevant background information publicly available as possible through sources, such as authority statistics, reports and/or databases and trade associations and other semi-official sources.
- (b) Euromonitor would reconcile these sources against any existing information/ knowledge from the client.
- (c) To generate an industry consensus on the market size and growth for men's casual footwear market, Euromonitor conducted trade interviews with multiple organisations through the value chain from suppliers, trade associations and manufacturers to retailers for added perspective and accuracy.
- (d) Euromonitor used multiple secondary and primary sources to validate any data or information collected with no reliance on any single-source. Furthermore, a test of each respondent's information and views against those of others is applied to ensure reliability and to eliminate bias from various sources.

Specifically for ensuring forecasting accuracy, Euromonitor adopted its standard practice of both quantitative as well as qualitative forecast in terms of the market size, growth trends etc, on the basis of a comprehensive and in-depth review over the historical market development, and a cross check with established government/industry figures or trade interviews.

RELEVANT REGULATIONS AND RULES IN THE PRC

Incorporation, operation and management of Wholly-Foreign Owned Enterprise

The incorporation, operation and management of a company in the PRC shall be subject to the Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”) which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993 and become effective on 1 July 1994 and was afterwards amended on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The Company Law has mainly stipulated two kinds of corporations i.e. limited liability company and joint stock limited company. Foreign investment company is also subject to the Company Law, unless it is otherwise provided by the foreign investment laws.

Such matters as the establishment procedures, approval procedures, registered capital requirements, foreign exchange restrictions, accounting, tax, employment and all other relevant matters of wholly foreign-owned enterprise shall be subject to the PRC Law on Wholly Foreign Owned Enterprises (中華人民共和國外資企業法) promulgated by the SCNPC on 12 April 1986 (which was amended on 31 October 2000) and the Implementation Rules of the PRC Law on Wholly Foreign Owned Enterprises (中華人民共和國外資企業法實施細則) promulgated by the State Council on 12 December 1990 and revised on 12 April 2001.

Any investments conducted by the foreign investors and foreign enterprises in the PRC shall be subject to the Guidance Catalogue of Industries for the Foreign Investment (外商投資產業指導目錄) (the “**Guidance Catalogue**”), the latest version of which was promulgated by the Ministry of Commerce of the PRC and the National Development and Reform Commission on 31 October 2007 and came into effect since 1 December 2007. The Guidance Catalogue was divided into the Encouraged Foreign Investment Industries, the Restricted Foreign Investment Industries and the Prohibited Foreign Investment Industries and the industries which are not listed in the Guidance Catalogue shall be classified as the Permitted Foreign Investment Industries.

Employment

We are subject to the PRC Labour Law (中華人民共和國勞動法) (the “**PRC Labour Law**”), the PRC Labour Contract Law (中華人民共和國勞動合同法) (the “**New Labour Law**”) and the Implementations Regulations of the PRC Labour Contract Law (中華人民共和國勞動合同法實施條例) (the “**Implementation of New Labour Law**”), as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for our Group’s operations in the PRC. The New Labour Law which became effective on 1 January 2008, calls for stricter requirements in human resources management in terms of signing labour contracts with employees, stipulating probation and violation penalties, dissolving labour contracts, paying remuneration and economic compensation, as well as social security premiums.

According to the PRC Labour Law and the New Labour Law, enterprises must enter into labour contracts if they are to establish labour relationships with the employees. Enterprises must provide wages, which are no lower than the local minimum wage standards, to such employees and are

RELEVANT REGULATIONS AND RULES IN THE PRC

required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees. Enterprises must also provide the employees with working conditions that meet PRC rules and standards for safety and sanitation and must regularly examine the health of the employees who engaged in hazardous occupations.

Foreign exchange

The foreign exchange control in the PRC is mainly regulated by the Foreign Exchange Control Regulations of the PRC (中華人民共和國外匯管理條例), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008 respectively. According to the aforesaid regulations, the RMB paying under current accounts (such as the foreign exchange transactions in relation to trading and service and the dividends payment) can be exchanged into foreign currency at liberty, but the exchange under capital accounts shall firstly obtain the approval from the foreign exchange administration.

Product Quality and Consumer Rights

The products in the PRC shall be subject to the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “**Product Quality Law**”), the PRC Law on Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) and other relevant laws and regulations.

According to the Product Quality Law, which was promulgated by the SCNPC on 22 February 1993 and amended on 8 July 2000, manufacturers shall be responsible to compensate the damages of the person or property caused by the defect of products. Sellers shall be responsible for compensation if the damages of the property or person are caused by defects resulting from the fault of sellers. Defects mentioned above refer to the irrational dangers existing in the products that threaten the safety of person or property, or the products that fall short of the national standards or industrial standards for the protection on body health and safety of person (if any).

According to the PRC Law on Protection of the Rights and Interests of Consumers, which was promulgated by the SCNPC on 31 October 1993 and became effective since 1 January 1994, unless otherwise provided by this Law, a business operator that provides commodities or services shall, in any of the following circumstances, bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations: (i) where a defect exists in a commodity; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the commodity is sold; (iii) where the commodity standards indicated on a commodity or on the package of such commodity are not met; (iv) where the quality condition indicated by way of commodity description or physical sample, etc. is not met; (v) where commodities pronounced obsolete by formal State decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold commodity is not adequate in quantity; (vii) where the service items and charges are in violation of an agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a commodity, refund of a commodity purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by laws and regulations, are harmed.

RELEVANT REGULATIONS AND RULES IN THE PRC

Intellectual Property

The products in the PRC shall be subject to intellectual property laws, which mainly include the Copyright Law of the PRC (中華人民共和國著作權法), the Patent Law of the PRC (中華人民共和國專利法) and the Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”). According to the Trademark Law, which was promulgated by the SCNPC on 23 August 1982 and amended on 27 October 2001, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a license from the registrant of that trademark; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation; (iv) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and (v) causing other damages to the right to exclusive use of a registered trademark of another person.

Laws and Regulations Relating to PRC Taxation

(i) Enterprise Income Tax

According to 《中華人民共和國企業所得稅法》(the PRC Enterprise Income Tax Law) and 《中華人民共和國企業所得稅法實施條例》(the Implementation Regulations on the PRC Enterprise Income Tax Law) (collectively the “**New Tax Law**”) which came into effect on 1 January 2008, enterprises incorporated in the PRC shall be subject to the rate of 25% on their income from 1 January 2008 onwards.

According to the Circular on Implementing of Transitional Preferential Policies in respect of Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知) (the “**Circular**”) promulgated by the State Council on 26 December 2007, as of 1 January 2008, the enterprises that previously enjoy “2-year exemption and 3-year half deductions”, “5-year exemption and 5-year half deduction” of the enterprise income tax and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the New Tax Law, continue to enjoy the relevant preferential treatments under the preferential measures and the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

RELEVANT REGULATIONS AND RULES IN THE PRC

(ii) Value Added Tax

The Provisional Regulations of the People's Republic of China Concerning Value Added Tax (中華人民共和國增值稅暫行條例) promulgated by the State Council came into effect on 1 January 1994, as amended on 5 November 2008. Under these regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. The value-added tax rates shall be as follows:

- (a) The tax rate for goods sold or imported by taxpayers other than the goods set forth in items (b) and (c) below shall be 17.0%.
- (b) The tax rate for sales or imports of the following goods by taxpayers shall be 13.0% on:
 - (i) grain, edible vegetable oil;
 - (ii) tap water, central heating, air-conditioning, hot water, coal gas, liquid petroleum gas, natural gas methane and coal products for use by residents;
 - (iii) books, newspapers, magazines;
 - (iv) forage, chemical fertiliser, agrochemical, agricultural machinery, agricultures film; and
 - (v) other goods specified by the State Council.
- (c) The tax rate for goods exported by taxpayers shall be zero, except where otherwise determined by the State Council.
- (d) The tax rate for processing and repair and replacement services provided by taxpayers shall be 17.0%.

(iii) Business Tax

According to 《中華人民共和國營業稅暫行條例》 (The Provisional Regulations of the People's Republic of China Concerning Business Tax) came into effect from 1 January 1994 and as amended on 5 November 2008, businesses or individuals that provide services (including entertainment businesses), transfer intangible assets or sell immovable property are tax payers liable to business tax at the rate ranging from 3.0% to 20.0% (three to twenty per cent). The formula for the calculation of the amount of tax payable is $\text{Amount of tax payable} = \text{turnover} \times \text{tax rate}$.

(iv) Tax on dividends from PRC enterprise with foreign investment

According to PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and Implementation Regulations of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例) (which came into effect on 1 January 2008), income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 10% enterprise income tax (also known as "withholding tax"), subject to reduction as provided by any applicable double taxation treaty.

RELEVANT REGULATIONS AND RULES IN THE PRC

According to Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect To Taxes On Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Tax Arrangement Between the PRC and HK**”), the profit derived by a foreign investor residing in Hong Kong from its wholly owned PRC enterprise is subject to the tax rate of 5%.

Environmental Protection

In accordance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) adopted by the SCNPC on 26 December 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The people’s governments of provinces, autonomous regions and municipalities directly under the central government may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate. On 29 November 1998, the State Council of the PRC promulgated the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例) and on 28 October 2002, the SCNPC promulgated the Environmental Impact Assessment Law of the People’s Republic of China (中華人民共和國環境影響評價法).

A company or enterprise which causes environmental pollution and discharges other materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company’s business structure for environmental protection, adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report to and register with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have caused severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time limit will be penalised or have their production and operations ceased. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as compensate for any losses or damages suffered as a result of such environmental pollution.

Social Insurance Regulations

According to Interim Regulations concerning the Levy of Social Insurance (社會保險費征繳暫行條例) effective as of 22 January 1999 and Interim Measures concerning the Management of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective as of 19 March 1999,

RELEVANT REGULATIONS AND RULES IN THE PRC

employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees. According to Regulation on Work-Related Injury Insurance (工傷保險條例) effective as of 1 January 2004, employers shall make contribution to the work-related injury insurance for their employees. The Ministry of Labour issued departmental regulations 《企業職工生育保險試行辦法》 (Trial Implementation Regulation of Maternal Insurance for Enterprise Employees) on 14 December 1994 stated the relevant regulations of maternity insurance.

According to Social Insurance Law of the People's Republic of China taken effect on July 1, 2011. Company should pay for their employees the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

Laws and Regulations Relating to Mergers and Acquisitions

On 8 August 2006, Ministry of Commerce (中華人民共和國商務部) (“MOC”), China Securities Regulatory Commission (中國證券監督管理委員會) (“CSRC”), State Administration of Foreign Exchange (中國國家外匯管理局) (“SAFE”) and three other PRC authorities promulgated Rules on the Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (關於外國投資者并購境內企業的規定) (the “M&A Rules”), which came into effect on 8 September 2006 and revised on 22 June 2009.

Foreign investors should comply with the M&A Rules when they purchase shareholding equities of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign investment enterprise; or when the foreign investors establish a foreign investment enterprise (“FIE”) in PRC and obtain the asset of a domestic company through purchase agreement and operate the asset, or purchase the asset of a domestic company and establish a FIE by use of the asset and operate the asset. According to the M&A Rules, a special-purpose vehicles (the “SPV”) shall mean an offshore company directly or indirectly controlled by an onshore company or individuals for the purpose of listing overseas the equity interests of an onshore company actually owned by such company or individuals, the overseas listing of a SPV shall be subject to approval from CSRC (the “CSRC Approval”) and MOC (the “MOC Approval”).

In view of (1) Luotuo Quanzhou and Jinmaiwang Fujian are foreign investment enterprises directly incorporated before the commencement of M&A Rules, Greiff Xiamen is an investment enterprise within the PRC established by a foreign investment enterprise Jinmaiwang Fujian which belongs to a foreign direct investment that is not involved in M&A Rules, hence M&A rules do not apply. In view of the Group's shareholders are all foreign permanent residents and did not involve SPV as stipulated in M&A Rules, the Group is not subject to the CSRC Approval and MOC Approval for M&A Rules. (2) Shishi Haomai was acquired by Jinmaiwang Fujian in 2010 and it is now an investment enterprise within the PRC established by a foreign investment enterprise, such acquisition is subject to 《關於外商投資企業境內投資的暫行規定》 (the Provisional Regulations on Investment Within China by Foreign Investment Enterprises). According to the aforesaid regulations, foreign investment enterprises to invest in and establish a company in the encouraged or permitted category, they shall submit an application to the company registration authority of the place where the Investee company is to be located. Jinmaiwang Fujian has applied for and obtained the change of business

RELEVANT REGULATIONS AND RULES IN THE PRC

registration from the local industrial and commercial authority in relation to the acquisition of Shishi Haomai which complied with the above law regulations. According to Article 11 of the M&A Rules, in the case where domestic enterprises or individuals use their legally established or controlled offshore entities to merge with their connected entities in China, such transaction shall be submitted to the MOC approval. The enterprise and/or person concerned shall not evade above requirements by domestic investment of the foreign-invested enterprises or by other means. In view of the time of the acquisition, Ms. Cai, the ultimate shareholder of the Jinmaiwang Fujian, was holding Philippines passport that was not ‘domestic companies, enterprises or individuals’ as stated under Article 11, hence the aforementioned acquisition does not subject to Article 11 of the M&A Rules. (3) In accordance with the M&A Rules, An SPV shall mean an offshore company directly or indirectly controlled by an onshore company or individuals for the purpose of listing overseas the equity interests of an onshore company actually owned by such company or individuals, the overseas listing of a SPV shall be subject to approval from CSRC Approval and MOC Approval. Our Group’s shareholders are foreign permanent residents and did not involve the SPV as aforementioned, the Group and the individual shareholders are not subject to CSRC Approval or MOC Approval under M&A Rules.

PRC Regulations Relating to Circular No.75

On 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “Circular No. 75”). According to the Circular No.75, if a domestic resident wants to use an overseas special purpose vehicle (i.e. the overseas enterprise directly established or indirectly controlled by the domestic resident for the purpose of overseas stock financing for the assets or interests held by him in the domestic enterprise) to conduct return investment in the PRC, i.e. direct investment in the PRC, the domestic resident shall, before establishing or controlling an overseas company, bring the prescriptive materials to the local branch of SAFE to apply for going through the procedures for foreign exchange registration of overseas investments. As each of the ultimate individual shareholders of the PRC subsidiary is overseas permanent resident with overseas passport which does not fall within the scope of investment in the PRC by an overseas special purpose vehicle stipulated in the Circular No.75, our PRC Legal Advisers are of the view that the Circular No.75 does not apply to the ultimate individual shareholder of our Group.

HISTORY AND DEVELOPMENT

BUSINESS DEVELOPMENT OF THE GROUP

Introduction

Our Group's history can be traced back to 1995 when Shishi Haomai was established to principally engage in casual footwear manufacturing for other manufacturers in the PRC. Our Group started its brand operating business and developed its self-owned brands *Jimairé* in 1996 and 公牛巨人 *Gong Niu Ju Ren* around 1998 for men's casual footwear. In 2006, we applied for the registration of *Bull Titan* as a replacement of 公牛巨人 *Gong Niu Ju Ren* to market our trendy and sporty casual footwear. 公牛巨人 *Gong Niu Ju Ren* has since then gradually faded out of the market. To strengthen brand operating business, in addition to developing our self-owned brands, we have obtained licences for brands, namely *Luotuo Brand*, *Greiff* and *Camel Active*, for casual footwear. Over the years, under the leadership of Ms. Cai and Mr. Zhang, both have about 20 years of experience in the casual footwear industry in the PRC, our Group has developed into a casual footwear enterprise and brand operator which cultivates and promotes our self-owned brands and licensed brands for high quality and stylish casual footwear in the PRC. According to Euromonitor, our self-owned brands *Jimairé* and *Bull Titan* ranked fifth and sixth, respectively, among the foreign and local brands of men's casual footwear in the PRC in terms of retail sales revenue in 2010.

Business milestones

The following table sets out our business development milestones since establishment:

Years	Business achievements
November 1995	We established Shishi Haomai for casual footwear manufacturing.
1996	We commence to develop our self-owned brand <i>Jimairé</i> for men's casual footwear.
June 1997	We registered the trademark <i>Jimairé</i> in the PRC.
1998	We applied for the registration of 公牛巨人 <i>Gong Niu Ju Ren</i> brand.
January 2003	We established our research and development team.
June 2003	We were first granted a non-exclusive licence to use the <i>Luotuo Brand</i> .
2004	We started to engage in the OEM business for casual footwear.
August 2005	The <i>Jimairé</i> brand was recognised as "Fujian Province's well-known trademark (福建省著名商標)".
April 2006	We (Shishi Haomai) filed application for the trademark <i>Bull Titan</i> in the PRC. Since then, we have focused on marketing our trendy and sporty casual footwear products under the brand name <i>Bull Titan</i> instead of 公牛巨人 <i>Gong Niu Ju Ren</i> .
September 2006	The 公牛巨人 <i>Gong Niu Ju Ren</i> brand was recognised as "Fujian Province's well-known trademark (福建省著名商標)".

HISTORY AND DEVELOPMENT

- 2008 We were awarded “Top 10 Designers of the PRC Footwear Industry (中國鞋業十大設計師)”.
- Our footwear design under the *Jimairé* brand was awarded as “The Top 10 Star Footwear of 2008 in the PRC (2008年全國十大明星鞋款)”.
- We obtained the ISO9001 Quality Management System Certificate and the ISO14001 Environmental Management Certificate for our footwear production process issued by Ever Win Quality Certification Center.
- June 2009 We were granted an exclusive licence to use the *Greiff* brand for a term of 10 years up to 27 January 2019.
- January 2010 We were granted an exclusive licence to use the *Camel Active* brand in connection with footwear products in the PRC (excluding Hong Kong and Macau) for a term till 31 December 2014 renewable for a further five years.
- February 2011 Jinmaiwang Fujian and Shishi Haomai were both awarded “The Star Enterprise of 2010 (2010年度明星企業)” by the Shishi City Government.
- Luotuo Quanzhou was awarded “The Key Enterprise of 2010 (2010年度重點企業)” by the Shishi City Government.

PRE-IPO INVESTMENTS

In view of investing in our Group, each of the Pre-IPO Investors had through the following persons advanced the following loans (the “**Loans**”) to Ms. Cai. Pursuant to the terms of the Loans, such Loans and the related interest would be settled by Ms. Cai transferring Shares to the Pre-IPO Investors.

Dates of loan advanced	Lenders	Borrower	Aggregate amount of loan advanced
26 March 2008, 10 April 2008 and 16 April 2008	Hong Kong Investments	Ms. Cai	RMB18,000,000
30 April 2008, 10 July 2008 and 11 July 2008	Sea Dragon	Ms. Cai	RMB14,000,000
30 April 2008, 22 May 2008, 23 June 2008, 9 July 2008 and 5 August 2008	Huang Binbin	Ms. Cai	RMB11,000,000
16 May 2008	Ho Ka Chung Kevin	Ms. Cai	RMB1,800,000
15 July 2010, 1 November 2010, 4 November 2010	Prime Star	Ms. Cai	RMB28,750,000 (the “ Prime Star Loan ”)

HISTORY AND DEVELOPMENT

Each of the Loans (other than the Prime Star Loan) was unsecured and interest bearing at a rate of 7.5% per annum. The Prime Star Loan was unsecured and interest bearing at a rate of 5.5% per annum. The Loans had no fixed term.

The Loans (other than the Prime Star Loan) were to be settled by certain percentages of Shares in the Company to the lenders by Ms. Cai and such percentages of Shares would be determined between the parties on arms-length basis having made reference to the financial results of the subsidiaries of the Company as at 31 December 2007. Based on the above, the investment cost associated with the Shares transferred to the Pre-IPO Investors (other than Prime Star) was approximately HK\$0.36 per Share, representing a discount of approximately 76.2% to the mid-point of the indicative Offer Price range. The Prime Star Loan was to be settled by certain percentage of Shares to the lender by Ms. Cai and such percentage of Shares would be determined between the parties on arms-length basis having made reference to the financial results of the subsidiaries of our Company as at 31 December 2009. Based on the above, the investment cost associated with the Shares transferred to Prime Star was approximately HK\$0.97 per Share, representing a discount of approximately 36.0% to the mid-point of the indicative Offer Price range. The investment costs paid by the Pre-IPO Investors were determined based on the historical financial results of our Group and there was no guaranteed discount to the Offer Price.

Ms. Huang Binbin and Mr. Ho Ka Chung Kevin assigned their respective loans to Ms. Cai to Fu Tak and Oceanid Investment following their incorporations on 16 September 2009 and 6 May 2010 respectively. Pursuant to the notices of conversion of each of the lenders and the Pre-IPO Investors, on 2 February 2011, Ms. Cai transferred the following Shares to the Pre-IPO Investors for full settlement of the Loans and the related interest. Upon completion of the transfers, the Loans and the related interest were settled in full:

Transferor	Transferee	Number and percentage of Shares transferred (prior to the completion of the Global Offering and the Capitalisation Issue)
Ms. Cai	Hong Kong Investments	80,000 Shares (8.00%)
Ms. Cai	Sea Dragon	62,300 Shares (6.23%)
Ms. Cai	Fu Tak Investments	48,900 Shares (4.89%)
Ms. Cai	Oceanid Investment	8,000 Shares (0.8%)
Ms. Cai	Prime Star	40,000 Shares (4.00%)

The Shares held by Prime Star shall be subject to a lock-up period commencing on the date of this prospectus and ending on the date which is nine months from the Listing Date; while the Shares held by other Pre-IPO Investors shall be subject to a lock-up period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date. In addition, all Shares held by the Pre-IPO Investors will be counted towards the public float after Listing and no special rights have been granted to the Pre-IPO Investors.

HISTORY AND DEVELOPMENT

Hong Kong Investments is a company incorporated in the British Virgin Islands and the entire issued share of which is held by Mr. Cheung Chi Mang. Hong Kong Investments, its ultimate beneficial shareholder and its associates are Independent Third Parties.

Sea Dragon is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by Mr. Wong Yan Kong. Sea Dragon, its ultimate beneficial shareholder and its associates are Independent Third Parties.

Fu Tak Investments is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by Ms. Huang Binbin. Fu Tak Investments, its ultimate beneficial shareholder and its associates are Independent Third Parties.

Oceanid Investment is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by Mr. Ho Ka Chung Kevin. Oceanid Investment, its ultimate beneficial shareholder and its associates are Independent Third Parties.

Prime Star is a company incorporated in the British Virgin Islands and the entire issued share capital of which is held by Mr. Ngan Chi Heong. Prime Star, its ultimate beneficial shareholder and its associates are Independent Third Parties.

To the best of our knowledge, information and belief, the Pre-IPO Investors are principally engaged in investment business and their respective ultimate beneficial shareholders are individual investors. Each of the Pre-IPO Investors (other than their respective pre-IPO investments) are independent from each other and from the Company and its connected persons.

CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of establishment/incorporation. The principal operating entities of the Group are Jinmaiwang Fujian, Luotuo Quanzhou, Greiff Xiamen and Shishi Haomai, all of which are our Company's indirect wholly-owned subsidiaries. We underwent certain reorganisation steps for the purpose of the Global Offering, particulars of which are set out in the section headed "Reorganisation" in this prospectus.

Jinmaiwang Fujian

Jinmaiwang Fujian is a company established in the PRC on 22 September 2003 by an Independent Third Party as its sole shareholder having a registered capital of HK\$8,600,000. On 10 December 2007, Ms. Cai acquired from the Independent Third Party 100% of the equity interests in Jinmaiwang Fujian at a consideration of HK\$8,600,000. On 19 December 2008, Ms. Cai transferred 100% of the equity interests in Jinmaiwang Fujian to Jinmaiwang Hong Kong at a consideration of HK\$8,600,000. Jinmaiwang Fujian is the registered owner of *Jimaire*. As a result of the Reorganisation, Jinmaiwang Fujian became an indirect wholly-owned subsidiary of our Company.

HISTORY AND DEVELOPMENT

Luotuo Quanzhou

Luotuo Quanzhou is a company established in the PRC on 22 December 2005 by Ms. Cai as its sole shareholder having a registered capital of US\$1,000,000. On 19 December 2008, Ms. Cai transferred 100% of the equity interests in Luotuo Quanzhou to Jinmaiwang Hong Kong at a consideration of US\$1,000,000. As a result of the Reorganisation, Luotuo Quanzhou became an indirect wholly-owned subsidiary of our Company.

Greiff Xiamen

Greiff Xiamen is a company established in the PRC on 17 April 2009 by Jinmaiwang Fujian as its sole shareholder having a registered capital of RMB8,000,000. Greiff Xiamen is the licensee of the *Greiff* and *Camel Active* brands. As a result of the Reorganisation, Greiff Xiamen became an indirect wholly-owned subsidiary of our Company.

Shishi Haomai

Shishi Haomai is a company established in the PRC on 24 November 1995 having a registered capital of RMB1,500,000, which was held as to 40% by Mr. Zhang, 20% by Mr. Huang Congming (the elder brother-in-law of Mr. Zhang) on trust for Mr. Zhang, 20% by Mr. Zhang Wenzhi and 20% by Mr. Wu Shulin (the younger brother-in-law of Mr. Zhang). On 4 November 2000, each of Mr. Zhang Wenzhi and Mr. Wu Shulin transferred their respective 20% equity interests in Shishi Haomai to Mr. Zhang at a consideration of RMB300,000 respectively, which is based on the equity interests of the registered capital held by Mr. Zhang Wenzhi and Mr. Wu Shulin in Shishi Haomai.

Due to the requirement under the then PRC companies law, an enterprise must have at least two shareholders. For the purpose of complying with this requirement, Mr. Huang Congming was joined as one of the shareholders of Shishi Haomai. By an entrustment agreement dated 2 August 2010 and entered into by Mr. Zhang and Mr. Huang Congming, Mr. Huang Congming confirmed and declared that he held the 20% equity interests in Shishi Haomai on behalf and for the benefit of Mr. Zhang since the establishment of Shishi Haomai. Mr. Huang Congming, the brother-in-law of Mr. Zhang, and Mr. Zhang did not enter into any written agreement other than the entrustment agreement dated 2 August 2010. On 3 December 2010, Mr. Huang Congming transferred the entrusted 20% equity interests in Shishi Haomai to Jinmaiwang Fujian at a consideration of RMB300,000, which is based on the equity interests of the registered capital held by Mr. Huang Congming in Shishi Haomai. On 3 December 2010, Mr. Zhang transferred the 80% equity interests in Shishi Haomai to Jinmaiwang Fujian at a consideration of RMB1,200,000, which is based on the equity interests of the registered capital held by Mr. Zhang in Shishi Haomai. Both of the above transfers of equity interests on 3 December 2010 have been approved by Shishi City Administration of Industry and Commerce, and the total consideration of RMB1,500,000, including the consideration for the entrusted 20% equity interests of RMB300,000, was paid to Mr. Zhang by Jinmaiwang Fujian. As advised by the PRC Legal Advisers, the entrustment agreement does not violate the prohibitive rules and regulations of the PRC and is legal, valid and enforceable against the parties thereto.

HISTORY AND DEVELOPMENT

In preparation for the Listing, the entire equity interests in Shishi Haomai were acquired by Jinmaiwang Fujian to formalise the legal structure of our Group for reorganisation purpose.

As a result of the Reorganisation, Shishi Haomai, which is the registered owner of *Bull Titan* and the sub-licensee of *Luotuo Brand*, became an indirect wholly-owned subsidiary of our Company.

Jinmaiwang Hong Kong

Jinmaiwang Hong Kong is a company incorporated in Hong Kong on 5 June 2008. Upon incorporation, the authorised share capital of Jinmaiwang Hong Kong was HK\$10,000 divided into 10,000 shares of HK\$1.00 each and all of which were issued and allotted to Ms. Cai at par. The principal business of Jinmaiwang Hong Kong is investment holding. As a result of the Reorganisation, Jinmaiwang Hong Kong became an indirect wholly-owned subsidiary of our Company.

Chuang Wei

Chuang Wei was incorporated on 5 January 2010 in the BVI as a limited company. Upon its incorporation, Chuang Wei had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, and one share was issued and allotted to Ms. Cai on 22 February 2010 at par.

On 2 February 2011, Chuang Wei allotted and issued 9,999 shares to Ms. Cai, credited as fully paid, as consideration for the acquisition of the entire issued share capital of Jinmaiwang Hong Kong from Ms. Cai.

On 2 February 2011, our Company acquired the entire issued share capital of Chuang Wei from Ms. Cai in consideration of the allotment and issue of 990,000 Shares credited as fully paid as to 750,800 Shares to Festive Boom (as directed by Ms. Cai) and 239,200 Shares to Ms. Cai. As a result of the acquisition, Chuang Wei became a wholly-owned subsidiary of our Company.

Common control by Ms. Cai and Mr. Zhang

Our Group has been under the common control of both Ms. Cai and Mr. Zhang before or after the Reorganisation, and will continue to be under their common control after the Listing. Ms. Cai and Mr. Zhang are founders of our Group. Both of them have played a vital role in the control and management of our Group, particularly in the overall strategic development of our business since the respective dates of establishment of our PRC subsidiaries. They have been actively involved in the day-to-day operations of our Group and have been jointly making key financial and operating decisions by controlling the composition of a majority of the board as well as holding senior management positions in our PRC subsidiaries. During the Track Record Period, both Ms. Cai and Mr. Zhang had voted unanimously on all resolutions at the relevant board meetings. As our Group has been under the common control of both Ms. Cai and Mr. Zhang through their control of the relevant board of directors rather than through their shareholding interests in our PRC subsidiaries, no shareholders' meetings were convened to consider any financial and operating decision for our PRC subsidiaries during the Track Record Period.

HISTORY AND DEVELOPMENT

Ms. Cai and Mr. Zhang, together are in a position to control the composition of a majority of the board of our PRC operating subsidiaries in the following manner:

PRC subsidiary	Board composition	Notes
Jinmaiwang Fujian	Three directors comprising Ms. Cai, Mr. Zhang and Mr. Wu Shulin	Mr. Zhang is the chairman and Ms. Cai is the vice-chairman.
Luotuo Quanzhou	Three directors comprising Ms. Cai, Mr. Zhang and Mr. Wu Shulin	Ms. Cai is the vice-chairman.
Shishi Haomai	Mr. Zhang being the sole director	Ms. Cai has, pursuant to the shareholders' resolutions of Shishi Haomai passed on 16 June 2000, been granted an irrevocable management control in Shishi Haomai since June 2000 on matters including but not limited to formulating Shishi Haomai's future development policy, supervising day-to-day operations, appointing directors, supervisors and senior management, determining dividend distributions and approving material contracts of Shishi Haomai. By virtue of her rights to appoint directors of Shishi Haomai, Ms. Cai together with Mr. Zhang, the sole director of Shishi Haomai, are considered to be in a position to control the composition of the board of Shishi Haomai.

HISTORY AND DEVELOPMENT

PRC subsidiary	Board composition	Notes
Greiff Xiamen	Mr. Zhang being the sole director	Greiff Xiamen is a wholly-owned subsidiary of Jinmaiwang Fujian. Thus, Ms. Cai can exert control over Greiff Xiamen through Jinmaiwang Fujian which is under the common control of Ms. Cai and Mr. Zhang.

In addition to their directorships in the above PRC subsidiaries, Ms. Cai and Mr. Zhang also hold other senior management positions in our PRC subsidiaries. Ms. Cai is the deputy general manager of Jinmaiwang Fujian and Luotuo Quanzhou, the general manager of Shishi Haomai and the deputy general manager of Greiff Xiamen. Whereas, Mr. Zhang has been appointed as the legal representative of Jinmaiwang Fujian, Shishi Haomai and Greiff Xiamen. He is also the general manager of Jinmaiwang Fujian, the deputy general manager of Shishi Haomai and the general manager of Greiff Xiamen.

Prior to the Reorganisation, Ms. Cai held the entire equity interests in Jinmaiwang Fujian, Luotuo Quanzhou and Greiff Xiamen, whereas Mr. Zhang was beneficially interested in the entire equity interests in Shishi Haomai. After the Reorganisation, all the above PRC subsidiaries became indirect wholly-owned subsidiaries of our Company, in which Ms. Cai indirectly held approximately 76.08% shareholding interests in the Company as at the Latest Practicable Date. Although Mr. Zhang did not hold shareholding in our Company after the Reorganisation, Mr. Zhang was deemed to be interested in Ms. Cai's shareholding in our Company by virtue of the SFO.

Pursuant to the deed of common control dated 1 March 2011 entered into between Ms. Cai and Mr. Zhang, they confirmed that they have jointly controlled and managed our Group since the respective dates of establishment of the individual companies comprising our Group and agreed that they will continue to jointly control and manage our Group in the future. Pursuant to the deed of common control, Ms. Cai and Mr. Zhang collectively have the power to govern our Group's financial and operating policies, whether before or after the Reorganisation, and matters relating to the management of our Group, including but not limited to the use of capital, financing, declaration of dividends, appointment of management staff, investments, disposal of assets and business development strategies, have to be agreed unanimously by both Ms. Cai and Mr. Zhang before proceeding.

Pursuant to International Financial Reporting Standard ("IFRS") 3, a business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory. A group of individuals is regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities. In respect of the fulfillment of IFRS 3, the facts and circumstances of each case should be considered. Having taken into account that (i) both Ms. Cai and Mr. Zhang are directors and senior management of our Group before and after the Reorganisation; (ii) there was an unanimous voting pattern by both Ms. Cai and

HISTORY AND DEVELOPMENT

Mr. Zhang at the relevant board meetings of our Group held during the Track Record Period; (iii) the grant of an irrevocable management control in Shishi Haomai to Ms. Cai pursuant to the shareholders' resolutions of Shishi Haomai passed on 16 June 2000; (iv) our PRC operating subsidiaries have been managed by the same management team and monitored by both Ms. Cai and Mr. Zhang on a group basis since their respective dates of establishment; and (v) the confirmation and arrangement under the deed of common control, we consider that in view of the substance of the joint management and control structure of the individual companies comprising our Group, Ms. Cai and Mr. Zhang have fulfilled the above criteria under IFRS 3 to work in concert in managing our Group's businesses and our Group's companies are under their common control before and after the Reorganisation. The control is not transitory and, consequently there was a continuation of the risks and benefits to Ms. Cai and Mr. Zhang and, therefore, even though Mr. Zhang does not have any shareholding interest in our Group after the Reorganisation, the Reorganisation is considered as a business combination under common control and merger basis of accounting has been applied as if our Group had always been in existence.

According to the Listing Rules, a controlling shareholder refers to any person or a group of persons who are together entitled to exercise or control the exercise of 30% or more of the voting power of a company or who is or are in a position to control the composition of a majority of the board of directors. As demonstrated above, Ms. Cai and Mr. Zhang together can directly control the composition of the board of Jinmaiwang Fujian, Luotuo Quanzhou and Shishi Haomai, and can indirectly control the composition of the board of Greiff Xiamen through their control over Jinmaiwang Fujian, the holding company of Greiff Xiamen. Also, by virtue of the SFO, Mr. Zhang is deemed to be interested in Ms. Cai's shareholding in the Company. Therefore, even though Ms. Cai and Mr. Zhang did not hold equity interests in each of the PRC subsidiaries together, they were deemed to be interested in the equity interests held by the other. Moreover, Ms. Cai and Mr. Zhang voted unanimously on all resolutions at the relevant board meetings during the Track Record Period; and pursuant to the deed of common control, they confirmed that they have jointly controlled and managed our Group since the respective dates of establishment of the individual companies comprising our Group. Based on the above, we are of the view that our Group has been under common control of Ms. Cai and Mr. Zhang before and after the Reorganisation. In addition, our Group will continue to be under their common control after the Listing pursuant to the deed of common control.

The PRC Legal Advisers are of the view that the deed of common control entered into between Ms. Cai and Mr. Zhang on 1 March 2011 does not violate the prohibitive laws and regulations of the PRC, thus the deed of common control is legal and valid.

On the above basis, our Company considers that our Group has been under the common control of both Ms. Cai and Mr. Zhang before and after the Reorganisation from both the accounting and Listing Rules perspectives.

HISTORY AND DEVELOPMENT

Mr. Zhang does not have any shareholding interests in our Company after the Reorganisation as Mr. Zhang is of the view that there was no difference to him whether he or Ms. Cai is interested in the controlling shareholding interests of our Company as our Group has been and will continue to be under the common control of both Ms. Cai and Mr. Zhang. Accordingly, Ms. Cai and Mr. Zhang considered that it was in the best interests of our Group to effect the transfer of Shishi Haomai from Mr. Zhang to Jinmaiwang Fujian under the Reorganisation in a simple and direct manner by settling the transfer at a cash consideration. Thus, no consideration shares were issued to Mr. Zhang by our Company under the Reorganisation. Although Mr. Zhang does not have any shareholding interests in our Group after the Reorganisation, Mr. Zhang considers that he, in substance, enjoys the rights of a shareholder from the perspective of common control and the deemed shareholding interests by virtue of Ms. Cai's interests in our Company.

REORGANISATION

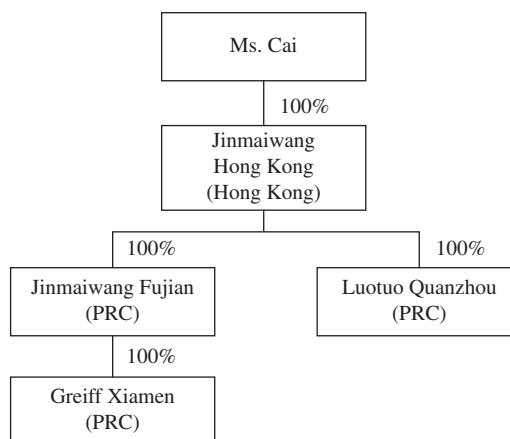
INTRODUCTION

We underwent the Reorganisation to rationalise our structure in preparation for the Listing. After the Reorganisation, our Company became the holding company of the Group. The Reorganisation involves the following principal steps:

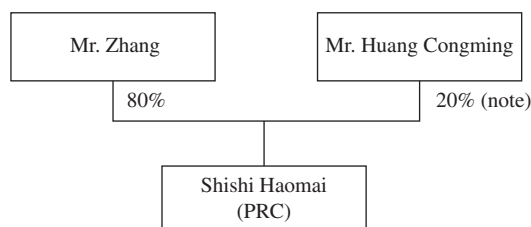
- incorporation of our Company, Chuang Wei and Festive Boom;
- acquisition of 100% equity interest in Shishi Haomai by Jinmaiwang Fujian;
- acquisition of 100% shareholding interest in Jinmaiwang Hong Kong by Chuang Wei;
- acquisition of 100% shareholding interest in Chuang Wei by our Company; and
- transfer of Shares in our Company by Ms. Cai to the Pre-IPO Investors.

The following diagram illustrates the shareholding and corporate structure prior to the Reorganisation:

A.



B.



Note: Mr. Huang Congming holds the 20% interests in Shishi Haomai on trust for Mr. Zhang.

REORGANISATION

DETAILED REORGANISATION STEPS

Incorporation of Festive Boom

On 6 January 2010, Festive Boom was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 22 February 2010, 1 share was allotted and issued for cash at par to Ms. Cai. Festive Boom is the holding company for the interests of Ms. Cai in our Group.

Incorporation of our Company

On 12 February 2010, our Company was incorporated in the Cayman Islands to act as the holding company of the Group. The initial authorised share capital of our Company was HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each. At the time of incorporation, one subscriber Share was allotted and issued to Codan Trust Company (Cayman) Limited at par and such Share was transferred to Ms. Cai on the same date at par value. On the same date, 9,999 Shares were allotted and issued to Ms. Cai at par. On 2 February 2011, all the 10,000 Shares held by Ms. Cai were transferred to Festive Boom at par.

Incorporation of Chuang Wei

On 5 January 2010, Chuang Wei was incorporated to be the intermediate holding company of the Group. On 22 February 2010, 1 share of US\$1.00 each was allotted and issued for cash at par to Ms. Cai.

Acquisition of Shishi Haomai by Jinmaiwang Fujian

On 3 December 2010, Jinmaiwang Fujian acquired the 100% equity interest in Shishi Haomai from Mr. Zhang and Mr. Huang Congming at the consideration of RMB1,500,000, which was based on the equity interests of the registered capital held by Mr. Zhang and Mr. Huang Congming in Shishi Haomai. Mr. Zhang and Mr. Huang were the original shareholders of Shishi Haomai as to 80% and 20%, respectively, in which the 20% equity interest was held by Mr. Huang on trust for Mr. Zhang. The acquisition of 100% equity interest in Shishi Haomai by Jinmaiwang Fujian has been approved and registered by Shishi City Administration of Industry and Commerce during the Reorganisation. Thus, our Group has obtained approval and registration for the acquisition of Shishi Haomai.

The PRC Legal Advisers are of the view that, save for the acquisition of 100% equity interest in Shishi Haomai, permits and approvals from the PRC government are not required for other stages of Reorganisation. For further information in relation to approval requirements from other government authorities, please refer to the sub-section headed “Laws and Regulations Relating to Mergers and Acquisitions” under the section headed “Relevant Regulations and Rules in the PRC” of this prospectus. Upon completion of the acquisition, Shishi Haomai became an indirect wholly-owned subsidiary of Jinmaiwang Hong Kong.

Acquisition of Jinmaiwang Hong Kong by Chuang Wei

On 2 February 2011, Chuang Wei acquired the entire issued share capital of Jinmaiwang Hong Kong from Ms. Cai in consideration of the allotment and issue of 9,999 shares of US\$1.00 each in the capital of Chuang Wei, credited as fully paid, to Ms. Cai.

REORGANISATION

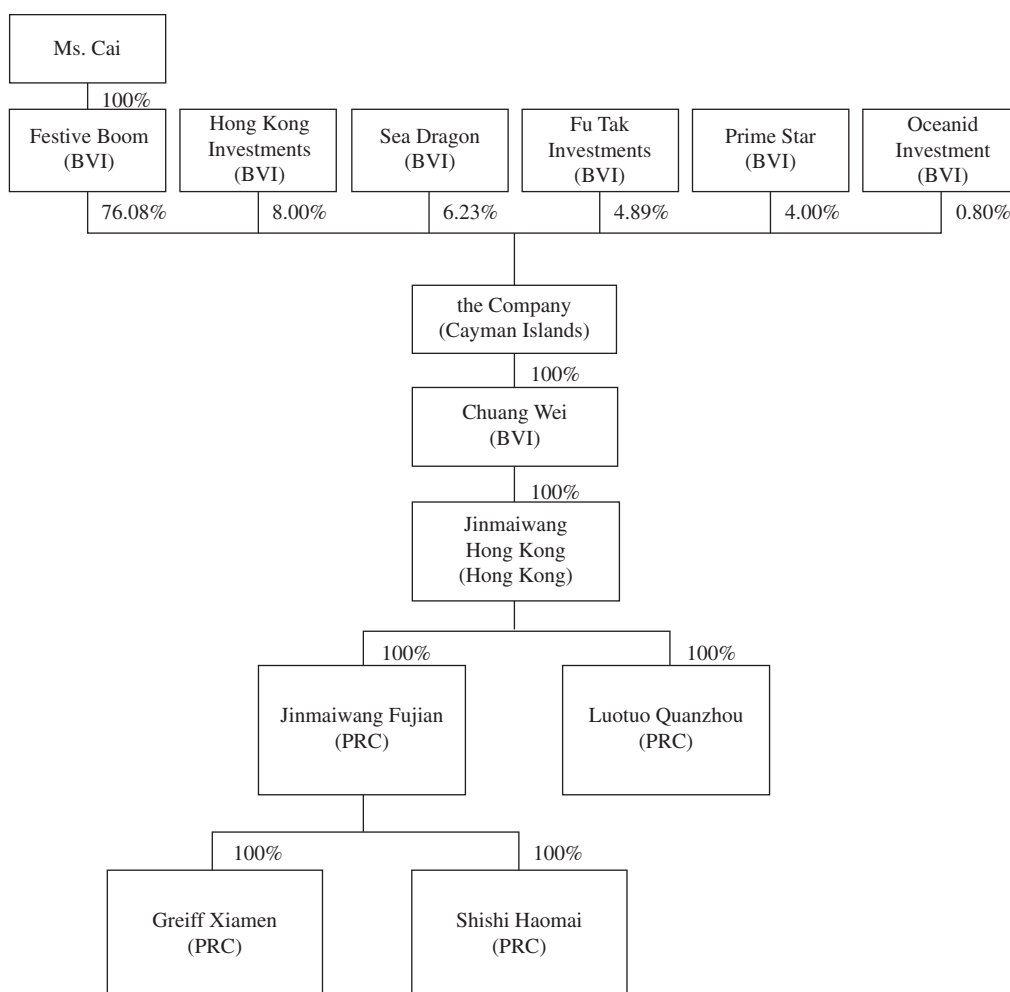
Acquisition of Chuang Wei by our Company

On 2 February 2011, our Company acquired the entire issued share capital in Chuang Wei from Ms. Cai in consideration of the allotment and issue of 990,000 Shares, credited as fully paid, as to 750,800 Shares to Festive Boom (as directed by Ms. Cai) and and 239,200 Shares to Ms. Cai. As a result of the acquisition, our Company became the ultimate holding company of our Group.

Transfer of Shares by Ms. Cai to the Pre-IPO Investors

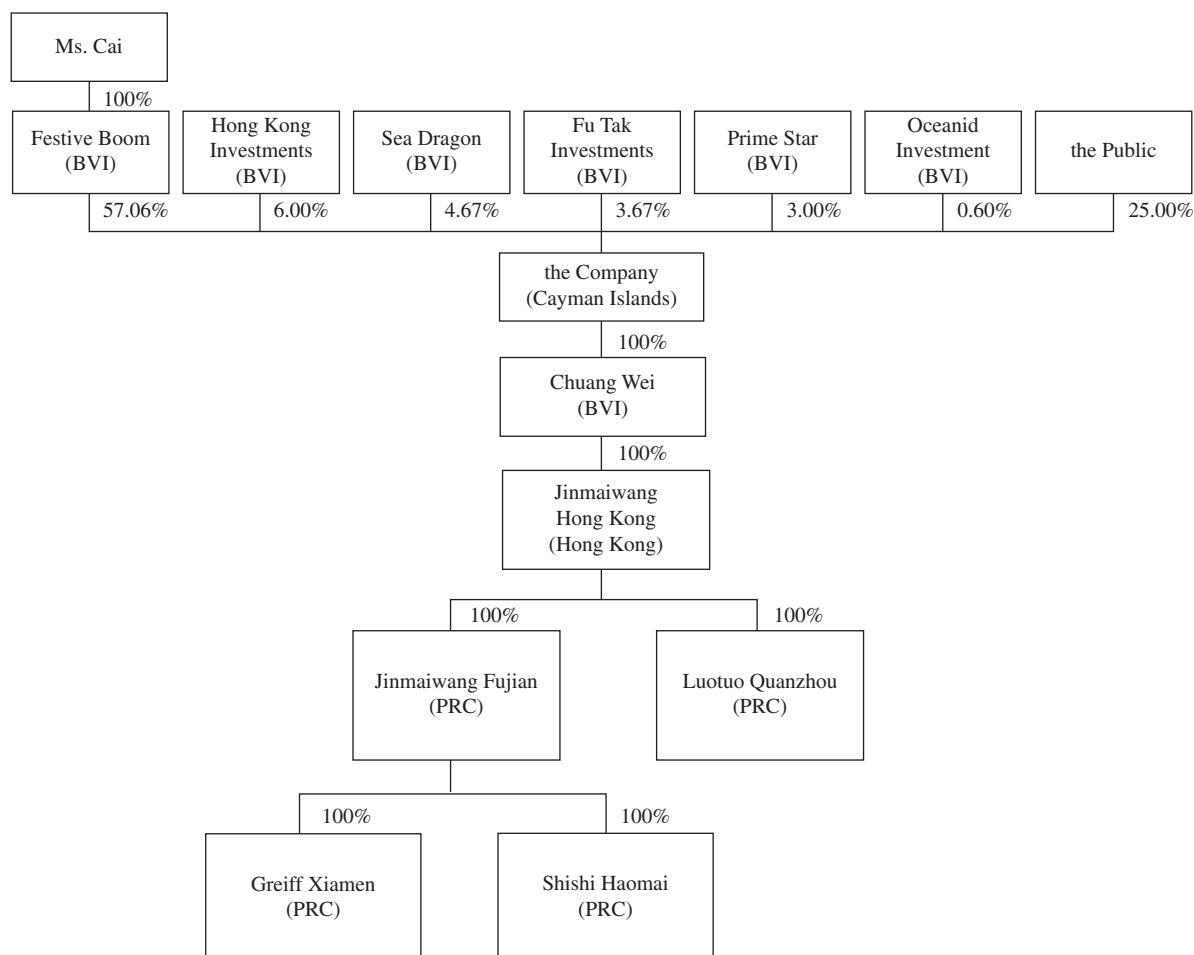
On 2 February 2011, in pursuance of the terms and conditions of the Loans, Ms. Cai transferred a total of 239,200 Shares to the Pre-IPO Investors, as to 80,000 Shares to Hong Kong Investments, 62,300 Shares to Sea Dragon, 48,900 Shares to Fu Tak Investments, 8,000 Shares to Oceanid Investment and 40,000 Shares to Prime Star. Please also refer to the paragraph headed “History and Development — Pre-IPO Investments” of this prospectus for details of the pre-IPO investments.

The following diagram illustrates the shareholding and corporate structure of our Group as at the Latest Practicable Date:



REORGANISATION

The diagram below illustrates the shareholding and corporate structure of our Group following completion of the Global Offering and the Capitalisation Issue, assuming that the Over-allotment Option is not exercised and that no Shares have been issued pursuant to the exercise of the options which may be granted under the Share Option Scheme:



If the Over-allotment Option is exercised in full, the shareholding percentage of the public Shareholders will increase to approximately 27.7% and the shareholding percentage of Festive Boom and the Pre-IPO Investors will decrease to approximately 55.0% and 17.3%, respectively.

BUSINESS

OVERVIEW

Business Overview

Our Group is one of the leading men's casual footwear enterprises and brand operators in the PRC. Over the years, our Group has been focusing on developing and promoting its self-owned and licensed brands for high quality and stylish casual footwear. Our Group has two self-owned brands, namely *Jimaine* and *Bull Titan*, and three licensed brands, namely *Luotuo Brand*, *Camel Active* and *Greiff*, offering a wide range of casual footwear to various segments of the middle to upper-middle end consumers. At present, we do not have our own retail sales network. We sell our products on a wholesale basis to our customers, including distributors and department stores, who in turn retail sell our products to the end consumers through their retail shops and/or department store counters.

According to Euromonitor, our Group's self-owned brands *Jimaine* and *Bull Titan* ranked fifth and sixth, respectively, among the foreign and local brands of men's casual footwear in the PRC in terms of retail sales revenue in 2010. According to Euromonitor, the men's casual footwear market of the PRC, which accounted for approximately 48.6% of the men's overall footwear market of the PRC in 2010 in terms of retail sales revenue, is composed of many international and local casual footwear brands and the casual footwear brand which ranked first accounted for approximately 2.6% of the men's casual footwear market share of the PRC in terms of retail sales revenue in 2010. The two self-owned brands of our Group, namely *Jimaine* and *Bull Titan*, together accounted for approximately 2.6% of the men's casual footwear market of the PRC in terms of retail sales revenue in 2010.

Pursuant to our wholesale business model, we do not sell our products directly to consumers but rely on our customers to retail sell our products to end consumers. As a result of our strategy in selecting customers who have footwear retail sales network and are experienced in the management and operations of footwear retail business, during the Track Record Period, our Group's products were sold to the end consumers nationwide through retail sales network of our customers. As at 31 May 2011, the retail shops and department store counters operated and maintained by our Group's customers reached an aggregate of 491 for *Jimaine*, 581 for *Bull Titan*, 417 for *Luotuo Brand*, 22 for *Greiff* and 51 for *Camel Active*.

We are also engaged in OEM business on manufacturing casual footwear for a number of overseas footwear brands during the Track Record Period.

Brands development and multi-branding strategy

We strategically position each of our self-owned and licensed brands with a specific theme and image targeting different various segments of the middle to upper-middle end consumers in the market. Our Directors believe that our effective branding strategy can differentiate our products from those of our competitors.

BUSINESS

We started to develop our self-owned brand *Jimairé* in 1996. The casual footwear offered under *Jimairé* represents a wide range of casual footwear with business classic and practical designs targeting middle to upper-middle class with a stable income with an age group from 30 to 55 years old. Over the years, *Jimairé* is highly recognised in the men's casual footwear market in the PRC. Our brand *Jimairé* was recognised as “Fujian Province's well-known trademark (福建省著名商標)” in 2005. In 2008, the *Jimairé* branded footwear design was awarded as “The Top 10 Star Footwear of 2008 in the PRC (2008年全國十大明星鞋款)”.

Around 1998, we also started to develop our self-owned brand 公牛巨人 *Gong Niu Ju Ren*, which was recognised as “Fujian Province's well-known trademark (福建省著名商標)” in 2006, to offer a range of trendy and sporty footwear, targeting the youth market. In 2006, we applied for the registration of *Bull Titan* as a replacement of 公牛巨人 *Gong Niu Ju Ren* to market our trendy and sporty casual footwear. 公牛巨人 *Gong Niu Ju Ren* has since then gradually faded out of the market.

Our Group first obtained the non-exclusive licence for the *Luotuo Brand* in 2003. We position *Luotuo Brand* to represent a trendy style with special features and outdoor functions, such as air-breathable shoes, targeting consumers from 25 to 39 years old.

In 2009, our Group obtained the exclusive licence to use *Greiff* from our Controlling Shareholder. In addition to casual footwear, we also offer casual apparel and accessories under the *Greiff* brand with the old English grand and elegance style.

In 2010, our Group obtained the exclusive licence to use the *Camel Active* brand in respect of casual footwear in the PRC. Casual footwear under the *Camel Active* brand represent an image of challenges, the pursuit of an uncommon lifestyle and affection for adventures. The target consumers are from 25 to 39 years old.

The addition of two licensed brands, *Greiff* and *Camel Active*, in 2009 and 2010, respectively, has diversified our brand portfolio, thereby alleviating our reliance on each brand, particularly the *Luotuo Brand* for which we are granted a non-exclusive licence only. The multi-brand strategy of our Group also allows us to segment our target markets with unique brand names that cater for and appeal to different consumer groups of different age groups, income levels and fashion tastes and preferences. We believe that all of our self-owned brands and licensed brands are well-positioned as associated with high quality, innovative and trendy footwear.

Brand promotion and marketing

Our Directors are of the view that effective brand promotion and marketing are crucial to creating consumers' recognition and awareness of our brands. During the Track Record Period, we promoted and marketed our brands through various promotional activities and channels. We also strived to have our customers (i.e. the distributors and the department stores) market our brands through various channels such as advertising.

BUSINESS

In promoting our brands, we compiled and distributed from time to time new product catalogues to various retail shops and department store counters operated by our customers during the Track Record Period. We also organised promotional activities, such as Forum on the Development of PRC Casual Footwear Brands (中國休閒鞋品牌發展高峰論壇) in 2009 and Fashion Show of Greiff Brand (哥雷夫時裝秀) in 2010. We also distributed our own publications named Bull Dynasty (公牛王朝) providing updates on our Group and our products for our customers, who in turn made available the same for the end consumers' collection at their retail shops and department store counters.

Retail sales network

As at the Latest Practicable Date, we did not operate our own retail sales network. Most of our products are sold to our customers, who are mainly distributors and department stores in the PRC. Our customers in turn retail sell our products to end consumers through their own retail shops and/or department store counters.

Despite that the retail sales network is operated and maintained by our customers, during the Track Record Period, our Group strived to have our customers' retail shops and department store counters operate in accordance with the guidelines set by our Group. The guidelines set out the location, decoration, image, layout and staffing for our customers' retail shops and department store counters and the recommended retail price of our products. Our customers will obtain our prior approval before opening a new retail shop or department store counter. We advise and provide guidelines to our customers on general operation of their retail shops and department store counters for the purpose of maintaining a consistent brand image for our products and a standardised store layout. We also conduct training seminars from time to time to our customers on the knowledge of our products. In order to ensure that our customers follow the guidelines set out by our Group, our sales staff conduct on-site inspection on randomly selected retail shops and department store counters operated and maintained by our customers.

Our Directors are of the view that a nationwide and strategically located retail sales network is important to sustain our growth. Since we have to rely on the retail sales networks operated and maintained by our customers, in selecting our customers, we will take into account factors including their retail sales capacity, channels, their retail sales networks and development strategy of our Group. Our Directors believe that through the engagement of customers who have strong retail sales capacity and retail sales network in line with our development strategy, we are able to capture the benefit of the retail sales networks of our customers and indirectly enrich the distribution capacity and therefore sales of our products with a minimum management and operational costs.

The retail shops and department store counters operated and maintained by our customers increased during the Track Record Period with a total of 518 sales points in 2008, 782 sales points in 2009, 1,336 sales points in 2010 and 1,562 sales points as at 31 May 2011. These retail shops and department store counters operated and maintained by our customers have a widespread geographical coverage. Please refer to the paragraph headed "Business — Sales and distribution" of this prospectus for details of the retail sales networks operated and maintained by our customers.

BUSINESS

Product design, research and development

Our Group's products are principally designed and developed by our in-house design, research and development team. Our Group will first position a brand with a specific theme and image with a targeted group of end consumers. Our design, research and development team will then design, research and develop our products consistent with our designated brand strategy and image.

Our design, research and development team works closely with our sales and marketing team in collecting market information and trends. Both our design, research and development team and sales and marketing team from time to time study the domestic and international casual footwear markets through participations in a number of exhibitions, collect and analyse data on the market trends and understand the latest market development and design new products to fit the changing market demands and tastes.

We have strong design and development capability. Our design, research and development team consists of 14 experienced designers and technicians. Each year, we offer new products on a seasonal basis under our spring/summer and autumn/winter collections. During the Track Record Period, we offered more than 800 new models of casual shoes (including both of our self-owned and licensed brands) each year, among which approximately 40% of the new designs were subsequently used for commercial production.

Production facilities

Our production facilities are located at Shishi City, Fujian Province, the PRC for the production of *Jimaire*, *Bull Titan* and *Luotuo Brand* branded casual footwear products. With our own production facilities, we are in a better position to control our production costs, quality of our products and delivery time as well as to respond to our customers' demand in a timely manner. Our production facilities currently have nine production lines. Apart from producing products for our self-owned and licensed brands, our production facilities are also used for our OEM business. We also outsource the production of some of our branded casual footwear and all apparel and accessories products to third parties manufacturers.

Turnover

We achieved a significant growth during the Track Record Period. For the years ended 31 December 2008, 2009 and 2010, our revenue amounted to approximately RMB161.8 million, RMB231.5 million and RMB412.1 million, respectively, representing a growth of 43.0% and 78.1% respectively. For the five months ended 31 May 2011, our revenue amounted to approximately RMB236.6 million, representing an increase of 53.6% as compared to our revenue of RMB154.1 million for the corresponding period in 2010. Our net profit for the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 amounted to approximately RMB4.7 million, RMB31.5 million, RMB71.3 million and RMB37.7 million, respectively. The table below sets out a breakdown of our revenue by brands for the Track Record Period:

BUSINESS

	For the year ended 31 December						For the five months ended 31 May			
	2008		2009		2010		2010		2011	
	<i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	%
Branded Product Sales										
<i>Jimairé</i>	40,545	25.1	62,009	26.8	120,484	29.2	49,521	32.1	65,719	27.8
<i>Bull Titan</i>	67,883	41.9	92,776	40.1	118,576	28.8	51,520	33.4	57,332	24.2
<i>Luotuo Brand</i>	25,563	15.8	34,111	14.7	68,835	16.7	21,876	14.2	42,971	18.1
<i>Greiff</i>	—	—	804	0.3	16,428	4.0	1,154	0.7	15,335	6.5
<i>Camel Active</i>	—	—	—	—	5,963	1.4	120	0.1	7,835	3.3
Subtotal	133,991	82.8	189,700	81.9	330,286	80.1	124,191	80.5	189,192	79.9
OEM Sales	27,842	17.2	41,761	18.1	81,852	19.9	29,902	19.5	47,448	20.1
Total	<u>161,833</u>	<u>100.0</u>	<u>231,461</u>	<u>100.0</u>	<u>412,138</u>	<u>100.0</u>	<u>154,093</u>	<u>100.0</u>	<u>236,640</u>	<u>100.0</u>

The following table sets out a breakdown of our Group's revenue by product categories during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2008		2009		2010		2010		2011	
	<i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	% <i>RMB'000</i>	%
Casual footwear	161,833	100.0	230,435	99.6	400,545	97.2	153,688	99.7	229,708	97.1
Casual apparel	—	—	1,026	0.4	10,786	2.6	320	0.2	6,780	2.8
Accessories	—	—	—	—	807	0.2	85	0.1	152	0.1
Total	<u>161,833</u>	<u>100.0</u>	<u>231,461</u>	<u>100.0</u>	<u>412,138</u>	<u>100.0</u>	<u>154,093</u>	<u>100.0</u>	<u>236,640</u>	<u>100.0</u>

BUSINESS

COMPETITIVE STRENGTHS

Our Directors believe that our Group's success is attributable to the following competitive strengths:

Leading and fast-growing position in men's casual footwear market in the PRC

We are one of the leading and fast-growing men's casual footwear enterprises and brand operators in the PRC. According to Euromonitor, our self-owned brands *Jimaine* and *Bull Titan* ranked fifth and sixth, respectively, among the men's casual footwear brands in the PRC in 2010 in terms of retail sales revenue. According to Euromonitor, the men's casual footwear market of the PRC is composed of many international and local casual footwear brands; and the casual footwear brand which ranked first accounted for approximately 2.6% of the men's casual footwear market share of the PRC in terms of retail sales revenue for the year of 2010. The two self-owned brands of our Group, namely *Jimaine* and *Bull Titan*, together accounted for approximately 2.6% of the men's casual footwear in terms of retail sales revenue in 2010.

We have experienced significant growth during the Track Record Period. Our turnover increased from approximately RMB161.8 million in 2008 to RMB231.5 million in 2009 and further to RMB412.1 million in 2010, representing a CAGR of approximately 59.6%. We believe that our significant growth is primarily attributable to our positioning in the men's casual footwear market in the PRC and our multi-brand strategy. Leveraging on the growth and experience of our Group, we believe that we will further increase our market share and enhance our brand recognition in the men's casual footwear market in the PRC.

Multi-brand product offerings

Leveraging on our multi-brand strategy, we manage five brands, two of which are self-owned brands (*Jimaine* and *Bull Titan*) and three of which are licensed brands (*Luotuo Brand*, *Camel Active* and *Greiff*). Each of the brands has its own market position, brand style and target end consumer group covering casual footwear market for consumers of different age groups.

Our comprehensive brand portfolio offers consumers a diverse range of footwear styles and functions, such as fashionable, business, formal and sporty. For each product category, our Group's different branded products aim to target different consumer segments in the PRC.

The multi-brand strategy of our Group allows us to segment our target markets with unique brand names that cater for and appeal to different customer groups of different age groups, income levels and fashion tastes and preferences. We believe that all of our self-owned brands and licensed brands are well-positioned as associated with high quality, innovative and trendy footwear.

BUSINESS

Strong product design, research and development capabilities

Our design, research and development team has a proven track record in identifying and responding to market fashion trends as well as applying new technologies and materials to enhance the functions and utility of its casual footwear. Each of our brands has its own dedicated in-house design team. As at the Latest Practicable Date, our design, research and development team comprised an aggregate of 14 designers and technicians. We use computer-aided design software to design our casual footwear with different designs, colors and functionality. During the Track Record Period, we designed and developed more than 800 casual footwear designs (including both of our self-owned and licensed brands) each year, among which approximately 40% of the new designs were subsequently used for commercial production. In order to enhance the quality and improve the functionality of our casual footwear, our design, research and development team applies new technologies and materials sourced from overseas to the casual footwear to customise the requirements and needs of consumers for different occasions.

Sales of our Group's products through the widespread and extensive retail sales network of our customers

Our products are sold to end consumers through the retail sales networks operated and maintained by our customers including distributors and department stores. During the Track Record Period, the retail sales networks of our customers have been expanded rapidly. The number of retail shops and department store counters operated and maintained by our customers increased from 518 in 2008 to 782 in 2009 and further to 1,336 in 2010. As at 31 May 2011, the retail shops and department store counters operated and maintained by our customers reached an aggregate of 491 for *Jimaire*, 581 for *Bull Titan*, 417 for *Luotuo Brand*, 22 for *Greiff* and 51 for *Camel Active*. Leveraging on the extensive retail sales networks of our customers, during the Track Record Period, our products were able to retail sell to end consumers nationwide.

The retail shops and department store counters operated and maintained by our customers have a widespread geographical coverage. Please refer to the paragraph headed "Business — Sales and distribution" of this prospectus for details of the retail sales networks operated and maintained by our customers.

Although we do not directly engage in the retail sales nor do we operate our own retail sales network, we place vital importance in the retail sales networks of our customers. The retail sales capacity and geographical coverage are key factors taken into account in selecting our customers. By adopting this policy, we are able to indirectly achieve a widespread and extensive retail sales network for our products through our customers.

High quality products with high recognition

Our Directors are of the view that high quality is the most crucial factor and direct means in promoting our Group's brands and products. Over the years, our Group has been placing emphasis on the quality of our products aiming at providing comfortable casual footwear to the consumers.

BUSINESS

Over the past years, our Group has been focusing on developing our brands to associate with high quality and fashionable footwear. Our Group's branded products receive a high recognition in the market.

We also adopt stringent quality control policies to ensure that our products are of high quality. We have a comprehensive quality control system that covers each stage of the production process from the procurement of raw materials to the processing and inspection of finished products, including products manufactured by the third-party contractors. Our quality control team conducts inspection on each stage of our production process on a regular basis to ensure that the quality of our products meet both the applicable international and industry standards. Our Group obtained ISO9001 quality control certification and ISO14001 environmental management certification for our footwear production process in 2008. Our *Jimairé* and 公牛巨人 *Gong Niu Ju Ren* brands were recognised as “Fujian Province's well-known trademark (福建省著名商標)” in 2005 and 2006, respectively.

We have our own production facilities

Our production facilities are located in Shishi City, Fujian Province, the PRC. As at the Latest Practicable Date, our own production facilities had nine production lines for production of casual footwear for our self-owned and licensed brands *Jimairé*, *Bull Titan* and *Luotuo Brand* and our OEM business. With our own production facilities, our Group is in a better position in controlling our production costs, quality of the products and delivery time as well as to respond to our customers' demand in a timely manner. Having our own production facilities will minimise our risk of failure to secure any outsourcing manufacturers in a timely basis.

Experienced management team

We have a professional and experienced management team, which has extensive knowledge and in-depth experience in the PRC footwear industry. The management of our Group is led by Ms. Cai and Mr. Zhang both have over 20 years of experience in the footwear industry and have been responsible for overall strategic direction, management and operations of our Group since our inception. The extensive knowledge and experience of our management team have been crucial to the growth of our Group in recent years and will be critical in implementing our key strategies in the future.

STRATEGIES

We intend to continue to maintain and strengthen our competitive strengths to increase our market share and profitability. To achieve these goals, we plan to implement the following strategies:

Select customers with a strong retail sales capacity and retail sales network

At present, our Group does not operate our own retail sales networks. Our products are sold to the end consumers through the retail sales networks operated and maintained by our customers. Since we have to rely on the retail sales networks operated and maintained by our customers, in selecting our customers, we will take into account factors including their retail sales capacity, channels, their retail sales networks and development strategy of our Group.

BUSINESS

Though our Group does not have any direct contractual relationship with respect to the operation of the retail sales networks of our customers, during the Track Record Period, our Group in practice generally strived to have our customers' retail shops and department store counters operate in accordance with the guidelines set by our Group. The guidelines set out the location, decoration, image, layout, location and staffing of our customers' retail shops and department store counters and the recommended retail price of our products. Our customers will obtain our prior approval before opening a new retail shop or department store counter. Our Group advises and provides guidelines to our customers on general operation of their retail shops and department store counters for the purpose of maintaining a consistent brand image for our products and a standardised store layout. In order to ensure that our customers follow the guidelines set out by our Group, our sales staff conduct on-site inspection on randomly selected retail shops and department store counters operated by our customers. We also conduct training seminars from time to time to our customers on the knowledge of our products.

We will continue our present distribution model and will continue to strategically select our future customers principally based on the criteria including the customer's retail sales network and capacity and ability to develop and expand the coverage of the retail network of our products in accordance with our strategies.

Enhance brands awareness and recognition

Our Directors are of the view that brand image is crucial to the development of our Group. We will continue to focus resources and effort on promoting the brands our Group owns and under licences to use as brands associated with high quality and stylish casual footwear with multi functions and designs.

We plan to further enhance the awareness and recognition of our five brands, in particular, to strengthen the recognition of our brands as high-quality, comfortable and functional casual footwear that are tailor-made for end consumers for different occasions, ranging from outdoor sport, fashionable to business and formal. We intend to enhance our brand awareness and recognition through expanding our sales and marketing center in Fujian Province and advertising on national and regional newspapers, magazines, media and billboard displays. We also intend to participate in local and international footwear exhibitions and conferences to increase our market presence. We believe that our marketing and promotion activities will further enable us to capture the business opportunities in the casual footwear market in the PRC.

Enhance product portfolio and multi-brands

Apart from promoting our brands, we will continue to extend our product portfolio to increase our coverage of the casual footwear market in the PRC. In particular, we intend to continue to develop and introduce functional casual shoes with special features such as air-breathable shoes.

We will continue to develop and market each of our existing brands as a distinct and unique brand targeting different consumer segments. In addition, we intend to widen our brand portfolio by introducing new brands that are targeted towards different consumer segments and to expand our existing range of styles in each target consumer segment.

BUSINESS

Leveraging on our well-established position in the footwear market, we will also strive to capture market share in the apparel market through the development and management of our licensed brand, *Greiff*.

Expand the coverage of the retail sales network

We will continue to work closely with our customers to expand and optimise the distribution network of each of our branded products. In particular, we plan to expand our distribution network for our branded products through the retail sales networks of our customers to cover the third and fourth tier cities in the PRC with a high growth rate in the consumption capacity and convenient transportation networks, and those cities in the proximity of the high speed rail networks in the regions where we do not currently have any business presence.

In order to ensure the quality of the customers, we will continue to adopt our stringent policy in our selection process of customers. We will closely supervise and monitor our customers and to provide guidance and trainings to our distributors to improve their service and product knowledge so as to enhance brand image. We will continue to work closely with our customers to identify suitable locations for the establishment of new retail stores for the expansion of our distribution network.

In addition, we intend to establish our own network by setting up 25 self-owned and operated flagship stores in prime locations in major and fast-growing provinces and cities of the PRC, such as Fujian, Beijing, Shanghai, Jiangsu, Zhejiang, Sichuan and Guangdong. According to our current plan, we intend to open the first flagship store for each of *Camel Active* and *Greiff* in 2011, followed by the first flagship store for each of *Jimaine*, *Bull Titan* and *Luotuo Brand* in 2012. Thereafter, additional four flagship stores for each of our self-owned and licensed brands will be opened in 2013. It is estimated that the average budget for opening each flagship store will be approximately RMB4.4 million. We believe that having our own flagship stores not only enables us to enhance our brand awareness and recognition, but also enables us to closely monitor end consumer preferences, thereby allowing us to quickly respond to changing market trends. Please refer to the section headed “Business — Sales and distribution — Establishment of our own retail sales network” of this prospectus for further details.

Focus on market share expansion within the target casual footwear market in the PRC

In light of the enhanced functionality, diverse designs and the increased popularity of casual footwear, we expect demand for casual footwear will continue to grow. Leveraging on our expertise and experience in casual footwear, we intend to continue to focus on the casual footwear market in the PRC. It is our strategy to retain our existing customers and as well to widen our customers’ base by introducing more diversified product portfolio to attract end consumers who used to wear sports footwear or formal business footwear to switch to casual footwear. Taking the advantage of our leading position in the casual footwear market in the PRC, we strive to capture the market potential in the PRC casual footwear market and to increase our market share.

BUSINESS

Enhance design, research and development capabilities

Our design, research and development team is dedicated to developing new products. We will continue to devote our efforts to enhancing product quality. We seek to enhance our product quality and variety through new production technologies and applying new materials in our footwear production to enhance the comfort level and functionality of our products, such as lighter weight, more shock absorbing, breathable materials, water-proof and slip-resistance.

We intend to set up a product testing and research and development laboratory in Guangzhou, the PRC in the second half year of 2011 and to recruit designers and researchers globally for the design, research and development of casual footwear products to add international perspective to our products. Our Directors believe that the establishment of a product testing and research and development laboratory in Guangzhou, the PRC will allow our Group the access to updated industry information in a timely and efficient way.

Expand production capacity

Our Directors believe that high quality products will enhance brand recognition. Over the years, our Group has placed emphasis on maintaining a production facility and capacity to ensure a stable supply of high quality products. As at the Latest Practicable Date, we operated nine production lines with an aggregate annual production capacity of approximately 3,984,300 pairs of casual footwear. To meet the increasing demand for our products and support the growth of our sales network, we intend to upgrade our existing seven production lines to increase our annual production capacity to approximately 4,557,000 pairs of casual footwear by the end of 2011 and to establish new production facilities in Jiangsu Province, which will include factory buildings, dormitory and the required machinery for five production lines with an annual production capacity of approximately 3 million pairs of casual footwear and a small portion of apparel products. The new production facilities in Jiangsu are expected to commence operation in 2012 and the total capital expenditure is estimated to be approximately HK\$132 million.

BUSINESS


OUR BRANDS

Since 1996, we have been focusing on developing and promoting our self-owned brands and licensed brands for casual footwear in the PRC, targeting at building each of our self-owned brands and licensed brands to associate with high quality casual footwear having a peculiar image, style, taste, functions, targeted consumers and market position.

When developing a brand, we will first collect and analyse the market data on casual footwear, study the market demand and trends, the preferences of various age groups and the coverage of the market segments. Based on these information and our business strategies, we strategically position each of our self-owned and licensed brands with a specific theme and image targeting different segments of the middle to upper-middle end consumers in the market. Our Directors believe that an effective branding strategy will differentiate our products among themselves and those of our competitors.

Below set out our brand portfolio:

1. Our self-owned brands

Brand	Description of brand	Number and geographical coverage of retail shops and department store counters operated and maintained by our customers as at 31 May 2011
<i>Jimaire</i>	First launched in 1996	491 sales points across the PRC
	<p>Product range Casual footwear with business classic and practical designs</p> <p>Brand image Passion for life; pursuit for quality and leisure lifestyle</p> <p>Target consumers Middle to upper-middle class income group at ages from 30 to 55 years old</p> <p>Recommended retail price range RMB450-1,100</p> <p>Ranking Ranked fifth in 2010 among the men's casual footwear brands in the PRC in terms of retail sales revenue</p>	

BUSINESS

Number and geographical coverage of retail shops and department store counters operated and maintained by our customers as at 31 May 2011

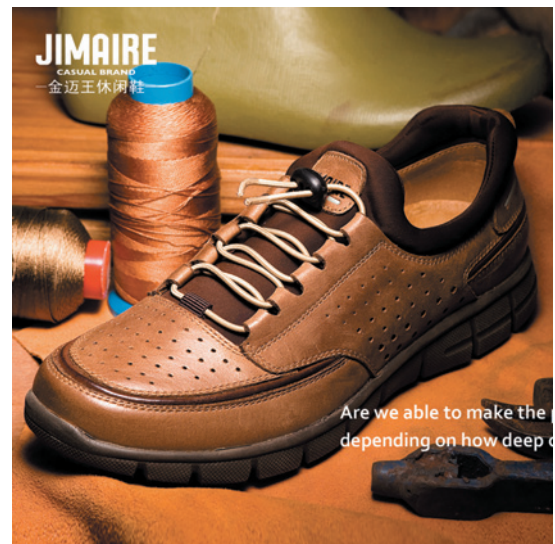
Brand **Description of brand**

Awards


2005 - “Fujian Province’s well-known trademark (福建省著名商標)”

2008 - “The Top 10 Star Footwear of 2008 in the PRC (2008年全國十大明星鞋款)”

Below are some examples of the *Jimaire* branded footwear:



BUSINESS

Brand	Description of brand	Number and geographical coverage of retail shops and department store counters operated and maintained by our customers as at 31 May 2011
Bull Titan 	<p>First launched in 1998 under brand name 公牛巨人 <i>Gong Niu Ju Ren</i> and formally replaced by the brand name Bull Titan in 2006</p> <p>Product range Trendy and sporty casual footwear</p> <p>Brand image Dynamic city life of freedom, personality and industriousness with the passion for a trendy, quality and casual lifestyle</p> <p>Target consumers Young consumers of the age group from 18 to 29 years old</p> <p>Recommended retail price range RMB250-1,000</p> <p>Ranking Ranked sixth in 2010 among the men's casual footwear brands in the PRC in terms of retail sales revenue</p> <p>Award 2006 — “Fujian Province’s well-known trademark (福建省著名商標)”</p>	581 sales points across the PRC

Below are some examples of the **Bull Titan** branded footwear:




BUSINESS

It is our strategy to develop our *Jimairé* and *Bull Titan* brands to target different market segments. These two self-owned brands complement each other and allow our Group to capture a wide range of customer group.

Leveraging on our experience in and success of promoting our self-owned brands in the PRC, we further developed our brand portfolio through licensing arrangements in connection with *Luotuo Brand*, *Greiff* and *Camel Active*, which offer diverse styles of footwear targeting different market segments.


2. Our licensed brands

Brand	Description of brand	Number and geographical coverage of retail shops and department store counters operated and maintained by our customers as at 31 May 2011
<p>Luotuo Brand (駱駝牌)</p> 	<p>Non-exclusive licence first granted in 2003</p> <p>Product range Business classic casual footwear and functional outdoor footwear with special features (hiking shoes and air-breathable shoes)</p> <p>Brand image Classic, fashionable</p> <p>Target consumers Affluent consumers of the age group from 25 to 39 years old</p> <p>Recommended retail price range RMB400-700</p>	<p>417 sales points across the PRC</p>

Below are some examples of the *Luotuo Brand* branded footwear:



BUSINESS


Brand	Description of brand	Number and geographical coverage of retail shops and department store counters operated and maintained by our customers as at 31 May 2011
<i>Greiff</i> ✱ 	<p data-bbox="475 443 884 510">Exclusive licence first granted in 2009</p> <p data-bbox="475 555 922 734">To broaden the range of products offered by our Group, we expanded our business to cover apparel products through our licensed brand <i>Greiff</i></p> <p data-bbox="475 779 655 808"><i>Product range</i></p> <p data-bbox="475 815 922 920">Casual footwear, casual apparel and accessories, including leather-wares such as suitcases</p> <p data-bbox="475 965 639 994"><i>Brand image</i></p> <p data-bbox="475 1001 906 1106">Old English fashion of elegance, glory and braveness; symbolic representation for high quality life</p> <p data-bbox="475 1151 699 1180"><i>Target consumers</i></p> <p data-bbox="475 1187 922 1252">Affluent consumers of the age group from 25 to 39 years old</p> <p data-bbox="475 1296 884 1326"><i>Recommended retail price range</i></p> <p data-bbox="475 1332 639 1361">RMB450-500</p>	22 sales points in the Eastern Region, the Northern Region and the Southern Region

BUSINESS

Below are some examples of the *Greiff* branded products:



BUSINESS

Brand	Description of brand	Number and geographical coverage of retail shops and department store counters operated and maintained by our customers as at 31 May 2011
Camel Active 	<p>Exclusive licence first granted in 2010</p> <p>The brand, originated in Germany in the 1970s, has been developed as an international brand for casual wear with over 11,000 sales points in more than 50 countries. The <i>Camel Active</i> brand has been registered in various countries, including the PRC.</p> <p>Product range Casual footwear</p> <p>Brand image Challenges, pursuit of an uncommon lifestyle and affection for adventures</p> <p>Target consumers Affluent consumers of the age group from 25 to 39 years old</p> <p>Recommended retail price range RMB400-600</p>	51 sales points across the PRC

Below are some examples of the *Camel Active* branded footwear:

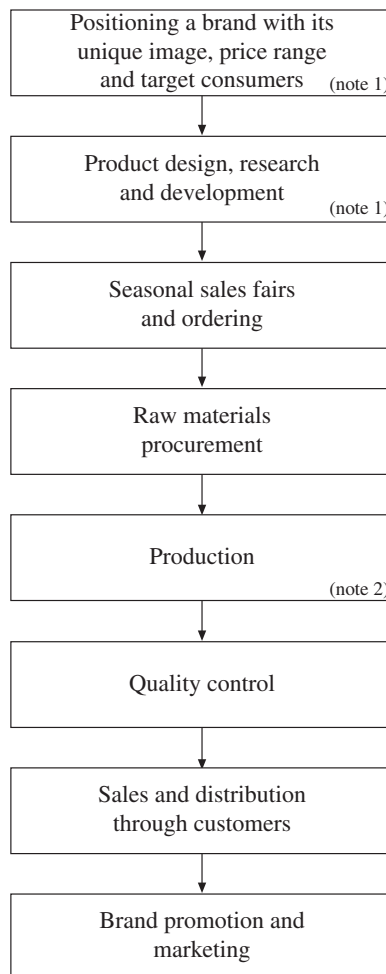


BUSINESS

Our multi-brand strategy allows our Group to segment our target markets with unique brand names that cater for and appeal to different customer groups of different age groups, income levels and fashion tastes and preferences. We believe that all of our self-owned brands and licensed brands are well-positioned as associated with high quality, innovative and trendy footwear.

BUSINESS MODEL

The following diagram illustrates the business model for our self-owned and licensed brands casual footwear:



Notes:

1. The image of *Camel Active* branded casual footwear is positioned by the licensor and our Group designs, researches and develops *Camel Active* branded casual footwear in accordance with the brand image set by the licensor.
2. Production of *Greiff* and *Camel Active* branded products are all outsourced to Independent Third Party manufacturers.

BUSINESS

POSITIONING A BRAND WITH ITS UNIQUE IMAGE, PRICE RANGE AND TARGET CONSUMERS

In order to capture consumers from various segments of the market, differentiate our products among themselves and those of our competitors, we will position each of our self-owned and licensed brands (other than the *Camel Active* brand) to associate with a unique style, tastes and price ranges targeting different types of consumers. The image of *Camel Active* branded casual footwear is positioned by the licensor and our Group designs, researches and develops *Camel Active* branded casual footwear in accordance with the brand image set by the licensor.

PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

We appreciate the importance of novel design and innovative technology to branding a footwear. We emphasised on our design, research and development capabilities to develop fashionable and functional casual footwear with high quality.

We have our own dedicated in-house design team for each of our self-owned and licensed brands. As at the 31 May 2011, there were a total of 14 designers and technician staff in our design, research and development team, all of which are designers with over 10 years of relevant experience. Each of our design, research and development team will design products in different styles and functions which match with the image of each of our brands and the tastes and preferences of the target consumers' segments. Our design, research and development team formulates new designs for our casual footwear based on their market research results, analysis on the latest market trend and customers' feedback. The designers of our Group, with the aid of computer design software, will then apply different colors, materials and accessories on their designs. A prototype of each of the designs will be produced to be showcased to distributors and third-party retailers in the sales fairs of our Group. During the Track Record Period, our design, research and development team designed and developed over 800 casual footwear designs (including both of our self-owned and licensed brands) each year, among which approximately 40% of the new designs were subsequently used for commercial production. Our *Jimaire* and 公牛巨人 *Gong Niu Ju Ren* brands were recognised as "Fujian Province's well-known trademark (福建省著名商標)" in 2005 and 2006, respectively. In 2008, we were awarded "Top 10 Designers of the PRC Footwear Industry (中國鞋業十大設計師)" and our *Jimaire* branded casual footwear design was awarded as "The Top 10 Star Footwear of 2008 in the PRC (2008年全國十大明星鞋款)".

To enable our designers to keep abreast of the latest fashion trends and market information, we delegate our designers to attend various domestic and international trade fairs and exhibitions. Our design, research and development team also works closely with our sales and marketing team to understand the latest market needs and consumers' tastes. Our design, research and development team formulates new design concept by analysing market trends, past sales performance, customers' feedback, consumers' tastes and preferences and market conditions. The designers will then produce two-dimensional or three-dimensional sketches of shoe designs and with the aid of computer design software, the designers will apply different colors, accessories and materials on their designs. Thereafter, a prototype of each of the designs will be produced and to be showcased to potential customers in the sales fairs of our Group.

BUSINESS

With a view to offering high quality and comfortable casual footwear to end consumers, samples of casual footwear will be produced based on the designs made by our design, research and development team, and staff of our Group will be invited to wear these samples on a trial basis. We will collect information, such as comfortableness and other comments, from these staff members who are selected for the “trial wearing”. Based on these information collected, our design, research and development team will analyse and improve the design of the relevant casual footwear.

In respect of *Camel Active* branded products, the licensor provides us with guidelines on the brand image and footwear style to be produced for each year. Then our design, research and development team designs and develops the *Camel Active* branded products in accordance with the guidelines. Occasionally, we have meetings with the licensor to present our *Camel Active* branded product designs to them for comments. The licensor confirms that we have been following the guidelines since we obtained the licence.

Our dedicated design, research and development team is committed to producing fashionable and functional casual footwear with high quality. They focus on the development on different designs and styles of casual footwear with different production technologies and functionality. Significant resources have been incurred on the research and development in connection with the latest technologies, designs, materials and raw materials to ensure our products achieve the intended functions and application with high quality.

Our total expenses for research and development of casual footwear amounted to approximately RMB0.29 million, RMB0.53 million, RMB0.98 million and RMB0.56 million, representing 0.18%, 0.23%, 0.24% and 0.24% of our total revenue for the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, respectively.

SEASONAL SALES FAIRS AND ORDERING

Seasonal sales fairs are the principal marketing and promotional events of our Group and serve as the major means for our customers to place orders with our Group. We organise two large scale sales fairs each year in the fall of Spring/Summer and Autumn/Winter and in between these two sales fairs, we also organise two smaller scale sales fairs to showcase our new seasonal casual footwear, apparel and accessories products. In these sales fairs, our new products will be introduced to our customers who can place orders for our products. The sales fairs are generally held two to six months prior to the launch of new season’s products to end consumers. Existing and potential customers of our Group are invited to participate in our sales fairs. In order to attract existing and targeted customers from different cities and regions in the PRC to attend the sales fairs, we strategically organise sales fairs in different areas in the PRC and we are responsible for the reasonable travelling and accommodation expenses of the participants of the sales fairs. In the previous years, we organised seasonal sales fairs in various cities in the PRC, such as Wuyishan, Emeishan, Guilin and Shishi.

During the seasonal sales fairs, we display the prototypes of our new designs. Customers may place orders with our Group at the sales fairs. Our Group and customers generally will enter into a legally binding master sales agreement in respect of the projected purchases for the coming one year. Actual sales and the specific terms and conditions of such sales will be set out in subsequent sales orders. Generally, no cancellation or alterations of the confirmed orders is allowed. Apart from the sales fairs, our customers can place orders with us from time to time over the year.

BUSINESS

RAW MATERIALS PROCUREMENT

Upon confirmation of the sales orders with our customers, our purchase team will determine the quantity of raw materials and product parts required for the production and procure such raw materials and product parts from the suppliers. We adopt stringent quality control policy on the procurement of raw materials.

The principal raw materials used in the production of our footwear are leather and soles. To enhance the quality of our footwear products, cow leather known for its strength and durability is mainly used as shoe upper leather for most of our footwear products. Our Group does not itself manufacture any of the raw materials and components required for our production of footwear. Our Group purchases most of the required raw materials in the domestic market in the PRC for our branded casual footwear. Our Group enjoys the geographic proximity and cost effectiveness by procuring the majority of the raw materials from suppliers in Fujian Province.

We have set out certain criteria for the selection of our suppliers which include, product quality, price, reliability and reputation and required delivery time. During the Track Record Period, we did not enter into any long-term supply agreement with our suppliers. However, we have established stable relationship for more than five years with our major suppliers. Our Group maintains a list of approved suppliers for the principal raw materials. To ensure there is stable and sufficient supply of raw materials for our production, there are generally three to five suppliers available for each material. During the Track Record Period, we did not encounter any disruption to our business as a result of shortage of raw materials supply or any raw material inventory obsolescence.

During the Track Record Period, we did not experience any substantial fluctuation in the cost of raw materials. The average purchase cost of leather was RMB15.62 per sq.ft., RMB14.58 per sq.ft., RMB14.61 per sq.ft. and RMB14.93 per sq.ft. for the years ended 31 December 2008, 2009 and 2010 and for the five months ended 31 May 2011, respectively. Whereas, the average purchase cost of soles increased from RMB10.49 per pair in 2008 to RMB11.03 per pair in 2010 and further to RMB11.37 per pair for the five months ended 31 May 2011. The following table sets forth the total amount of our principal raw materials consumed during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2008		2009		2010		2010		2011	
	<i>RMB'000</i>	<i>% of the total cost of raw materials</i>	<i>RMB'000</i>	<i>% of the total cost of raw materials</i>	<i>RMB'000</i>	<i>% of the total cost of raw materials</i>	<i>RMB'000</i>	<i>% of the total cost of raw materials</i>	<i>RMB'000</i>	<i>% of the total cost of raw materials</i>
Leather	84,264	72.9	77,294	65.3	120,659	66.5	57,174	74.0	63,659	67.8
Soles	14,990	13.0	25,883	21.9	35,020	19.3	13,501	17.5	15,349	16.3
Others	16,329	14.1	15,214	12.8	25,704	14.2	6,627	8.5	14,946	15.9
Total	<u>115,583</u>	<u>100.0</u>	<u>118,391</u>	<u>100.0</u>	<u>181,383</u>	<u>100.0</u>	<u>77,302</u>	<u>100.0</u>	<u>93,954</u>	<u>100.0</u>

BUSINESS

We adopt stringent quality control policies on the procurement of raw materials. We conduct inspection and strict examination on the quality of the raw materials prior to the acceptance of any procurement order. During the production process, in the event that we discover any defects on the raw materials, we will return such defected raw materials to our suppliers and request for exchange or remedies. During the Track Record Period, we did not encounter any major problem on the quality of the raw materials.

Generally, we are granted a credit term of an average of 60 to 90 days by our suppliers. As at the Latest Practicable Date, we had approximately 100 suppliers for our raw materials. For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our five largest suppliers accounted for approximately 40.5%, 34.7%, 27.9% and 20.3% of our total purchases, respectively, and the largest supplier accounted for 14.1%, 10.7%, 8.6% and 5.5% of our total purchases for the same periods, respectively.

None of our Directors, the chief executive of our Company or any person who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company or any of our subsidiaries, or their respective associates, had any interest in any of our top five suppliers during the Track Record Period.

PRODUCTION

During the Track Record Period, we produced our self-owned and licensed branded casual footwear in our own production facilities, and in the peak seasons, outsourced to third party manufacturers the production of a portion of our products. We also outsourced the production of the products under *Greiff*, including apparel and accessories products, and the products under *Camel Active* to third party manufacturers. As we do not have production facilities for apparel, we currently outsource the production of apparel to third party manufacturers in the PRC.

Production facilities

We have our own production facilities, which enable us to control our product quality effectively and to respond to consumer demand in a timely manner. We manufacture the majority of our footwear products at our production facilities located in Shishi, Fujian Province. The production facilities was established in June 2007. It occupies a site area of approximately 21,117.64 sq.m. and a total gross floor area of approximately 44,446.29 sq.m..

As at the Latest Practicable Date, our production facilities had nine production lines with a production capacity of approximately 3,984,300 pairs of footwear per annum.

BUSINESS

The following table illustrates the estimated production capacity, the actual production amount and utilisation rate of our production facilities for casual footwear during the Track Record Period.

	For the year ended 31 December									For the five months ended 31 May		
	2008			2009			2010			2011		
	Actual production volume (in 1,000 pairs)	Estimated production capacity (in 1,000 pairs)	Utilisation rate (%)	Actual production volume (in 1,000 pairs)	Estimated production capacity (in 1,000 pairs)	Utilisation rate (%)	Actual production volume (in 1,000 pairs)	Estimated production capacity (in 1,000 pairs)	Utilisation rate (%)	Actual production volume (in 1,000 pairs)	Estimated production capacity (in 1,000 pairs)	Utilisation rate (%)
<i>Jimaire</i>	729	1,674	43.5	1,002	1,674	59.9	1,782	1,782	100.0	929	1,058	87.8
<i>Bull Titan</i>	600	744	80.6	770	744	103.5	615	744	82.7	193	240	80.4
<i>Luotuo Brand</i>	212	372	57.0	217	372	58.3	376	372	101.1	185	189	97.9
Total	1,541	2,790	55.2	1,989	2,790	71.3	2,773	2,898	95.7	1,307	1,487	87.9

Notes:

- The estimated production capacity for the years ended 31 December 2008, 2009 and 2010 is calculated on the basis that there are (i) four production lines for *Jimaire* products, two of which are much mechanised and two of which are less mechanised and require more skilled workforce; (ii) two less mechanised production lines for *Bull Titan* products; and (iii) one less mechanised production line for *Luotuo Brand* products. Owing to the expansion of our production capacity by establishing two additional production lines for *Jimaire* products in early 2011 and upgrading the production line for *Luotuo Brand* products in January 2011, the estimated production capacity for the five months ended 31 May 2011 is calculated on the basis that there are (i) six production lines for *Jimaire* products, comprising four mechanised production lines and two less mechanised production lines; (ii) two less mechanised production lines for *Bull Titan* products; and (iii) one mechanised production line for *Luotuo Brand* products. It is assumed that a total of 500 pairs and 400 pairs of footwear can be produced by each of the mechanised production line and less mechanised production line, respectively, for each work shift. The calculation of the estimated production capacity is based on a further assumption that (i) each production line is operated in three shifts per working day; and (ii) there are 310 working days for each of the years ended 31 December 2008, 2009 and 2010, except for the estimated production capacity for *Jimaire* products in 2010 which is based on the assumption that there are 330 working days in 2010; and for the five months ended 31 May 2011, there are 126 working days for *Jimaire* and *Luotuo Brand* products and only 100 working days for *Bull Titan* products due to relocation of production facilities.
- For the production lines with utilisation rate greater than 100%, it is due to overtime work arranged to meet specific sales order.
- The production lines used for *Jimaire* branded footwear are also used for the OEM business.
- During the Track Record Period, production of *Greiff* and *Camel Active* branded products were outsourced to Independent Third Party manufacturers.

Production expansion plan

As at the Latest Practicable Date, we operated nine production lines with an aggregate annual production capacity of approximately 3,984,300 pairs of casual footwear. To meet the increasing demand for our products and to support the growth of our sales network, we intend to upgrade our existing seven production lines to increase our annual production capacity to approximately 4,557,000 pairs of casual footwear by the end of 2011.

BUSINESS

In addition, we intend to obtain the land use rights for a piece of land of approximately 200 acres located in Suining, Jiangsu Province, the PRC for the establishment of new production facilities with five production lines with an annual production capacity of approximately 3 million pairs of casual footwear and a small portion of apparel products and other ancillary facilities including staff quarter. The total capital expenditure for establishing the new production facilities, which is estimated to be approximately RMB110.1 million (equivalent to approximately HK\$132.0 million), will be funded by the net proceeds of the Global Offering. The new production facilities are expected to commence operation in 2012. Many casual footwear manufacturers have established production facilities in Suining, Jiangsu, the PRC where a large number of skilled labours reside. Our Directors are of the view that by locating the new production facilities in Jiangsu, the PRC, our Group will benefit from proximity and information exchange with other casual footwear manufacturers and the relatively lower labour cost than along the coastal areas.

As at the Latest Practicable Date, no binding land use right transfer agreements have been entered into by our Group in respect of the above.

Product outsourcing

During the production peak seasons, our Group outsources a portion of the production of our self-owned brands *Jimaine* and *Bull Titan* and the licensed brand *Luotuo Brand* to third party manufacturers. All of the products under the *Greiff* and *Camel Active* brands are currently outsourced to third party manufacturers.

As at 31 May 2011, we engaged approximately 91 Independent Third-Party manufacturers in the PRC to manufacture a portion of our branded footwear products. Such outsourced manufacturing accounted for approximately 37.8% of our total branded footwear sales for the five months ended 31 May 2011.

We carefully select our contract manufacturers. Prior to the engagement of any contract manufacturer, we evaluate the contract manufacturer's overall track record, financial strength, experience, reputation, ability to produce high-quality products and quality control effectiveness. To ensure high quality and low-cost raw materials are used, we provide the Independent Third-Party manufacturers with the design and specification of the outsourced products and the principal raw materials to be used. We conduct site visits and inspections on the Independent Third-Party manufacturers' production facilities to ensure the quality of the products meet our quality control standards.

Apparel products are offered under the *Greiff* brand. Since our Group does not have any garment production facilities at present, we outsource the production of all of our apparel products to Independent Third-Party manufacturers. We provide the Independent Third-Party manufacturers with the design and specification of our apparel and accessory products. As at 31 May 2011, we engaged approximately 17 Independent Third-Party manufacturers in the PRC to manufacture our apparel products.

BUSINESS

The following table illustrates the percentages of the products that we outsourced to the Independent Third-Party manufacturers in terms of sales volume during the Track Record Period:

	For the year ended		For the five	
	2008	2009	2010	2011
Footwear	—	16.9%	28.0%	37.8%
Apparel and accessories	N/A	100%	100%	100%

None of our Directors, the chief executive of our Company or any person who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company or any of our subsidiaries, or their respective associates, had any interest in any of our outsourced contract manufacturers during the Track Record Period.

QUALITY CONTROL

For production carried on in our own production facilities, we have a quality control team now consisting of 21 staff who will inspect the casual footwear produced by our Group at various stages of the production process, including (a) inspecting raw materials before they are accepted for production; (b) examining the products at each crucial production process; and (c) checking the finished products for consistency and quality.

In respect of production outsourced to third party manufacturers, we will carefully select these manufacturers based on criteria including their ability to produce high quality products which are up to the requirements and standards of our Group. Our Group will provide the specifications of relevant raw materials to these third party manufacturers for producing our products. To monitor the quality of the products, we conduct site visits and inspections on these manufacturers' production facilities to ensure that they meet our Group's quality control standards.

During the Track Record Period, we did not experience any material defects or refund or remedies in respect of our products which materially and adversely affected our financial condition.

SALES AND DISTRIBUTION

Customers

Generally, we sell all of our branded products on a wholesale and non-return basis (except for such products which do not coincide with the products specifications, styles or quality requirements as stipulated in the sale orders) to our customers. Our customers include distributors and department stores who will in turn retail sell our products to the end consumers through their own retail shops and department store counters. Our customers place wholesale orders for our products at our Group's quarterly sales fairs and from time to time in the year. The risk and title of the products pass to these distributors upon delivery of the products by our Group. Despite that our Group has no direct control over the retail sales networks operated and maintained by our customers, our Group in practice

BUSINESS

generally strives to have our customers' retail shops and department store counters operate in accordance with the guidelines set by our Group. The guidelines set out the location, decoration, image, layout and staffing of our customers' retail shops and department store counters and the recommended retail price of our products. Generally, our customers will obtain our Group's prior approval before opening a new retail shop or department store counter. We advise and provide guidelines for our customers on general operation of their retail shop or department store counter for the purpose of maintaining a consistent brand image for our products and a standardised store layout. We also conduct training seminars from time to time for our customers on the knowledge of our products. To ensure an extensive coverage of retail sales network for our products, in selecting our customers, we will take into account the retail capacity and network of our customers. Our Directors are of the view that our Group's existing sales model to our customers benefits our Group by leveraging the retail sales networks of the distributors without allocating our resources and expenses in operating and maintaining our own retail sales networks, thereby allowing us to allocate more resources to product design and brand management.

The table below sets out the sales contribution from the department stores and distributors during the Track Record Period:

	For the year ended			For the five
	31 December			months ended
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Distributors	46,179	74,658	182,113	110,081
Department stores	<u>86,790</u>	<u>114,484</u>	<u>144,849</u>	<u>77,383</u>
Total	<u>132,969</u>	<u>189,142</u>	<u>326,962</u>	<u>187,464</u>

Retail sales networks operated and maintained by customers

At present, we do not have our own retail sales network. Our products are sold to the end consumers through the retail shops and department store counters operated and maintained by our customers including department stores and distributors. There were 264, 390, 495 and 504 department stores and 63, 76, 93 and 88 distributors, who are all Independent Third Parties, selling our products to end consumers as at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively. During the Track Record Period, the department stores were managing one to four sales points, and the distributors were managing one to 57 sales points which comprised both specialty stores and counters at department stores. There were a total of 518, 782, 1,336 and 1,562 retail shops and department store counters operated by our customers (including the department stores and distributors) as at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively. All of these department stores and distributors are companies established in the PRC. We have business relationship with most of our top ten customers for more than three years.

BUSINESS

The table below sets out the total number and the respective movements of the department stores and the distributors who were our customers and the retail shops and department store counters operated by them during the Track Record Period:

	As at	As at			As at			As at			As at		
	1 January 2008	31 December 2008			31 December 2009			31 December 2010			31 May 2011		
		Addition	Termination	Total	Addition	Termination	Total	Addition	Termination	Total	Addition	Termination	Total
Department stores	210	54	—	264	126	—	390	105	—	495	13	(4)	504
Distributors	41	24	(2)	63	26	(13)	76	22	(5)	93	12	(17)	88

	As at	As at			As at			As at			As at		
	1 January 2008	31 December 2008			31 December 2009			31 December 2010			31 May 2011		
		Opening	Closure	Total	Opening	Closure	Total	Opening	Closure	Total	Opening	Closure	Total
Sales points operated by:													
- Department stores	229	61	—	290	144	(4)	430	131	—	561	13	(4)	570
- Distributors	201	32	(5)	228	166	(42)	352	477	(54)	775	268	(51)	992

The changes of the number of our customers and the retail shops and department store counters operated by our customers during the Track Record Period were primarily due to (i) the rapid expansion of the retail sales network of our products; (ii) the replacement of our customers upon expiration of the relevant master sales agreements; and (iii) the opening and closure of retail shops and department store counters according to our sales and marketing strategies.

BUSINESS

The table below set out the geographical coverage of the retail shops and department store counters operated and maintained by our customers during the Track Record Period:

	Number of retail shops and department store counters operated and maintained by our customers																			
	<i>Jimaire</i>				<i>Bull Titan</i>				<i>Luotuo Brand</i>				<i>Greiff</i>				<i>Camel Active</i>			
	As at 31 December 2008	2009	2010	2011	As at 31 December 2008	2009	2010	2011	As at 31 December 2008	2009	2010	2011	As at 31 December 2008	2009	2010	2011	As at 31 December 2008	2011		
Northern Region (1)	22	41	68	60	27	37	45	80	29	37	63	71	—	—	—	10	—	—	5	14
Northeastern Region (2)	15	26	31	46	21	27	38	78	22	28	39	43	—	—	—	—	—	—	1	2
Northwestern Region (3)	14	24	43	45	16	24	47	37	6	7	17	49	—	—	—	—	—	—	2	4
Eastern Region (4)	55	90	136	195	76	114	190	191	42	58	100	168	—	3	13	10	—	—	12	16
Southern Region (5)	16	28	39	40	10	22	52	31	4	6	23	23	—	—	—	2	—	—	1	12
Southwestern Region (6)	10	17	37	29	53	75	117	99	11	13	23	42	—	—	3	—	—	—	—	2
Central Region (7)	33	46	72	76	32	50	81	65	4	9	37	21	—	—	—	—	—	—	1	1
Total:	165	272	426	491	235	349	570	581	118	158	302	417	—	3	16	22	—	—	22	51

Notes:

- (1) Northern Region includes Beijing, Tianjin, Shanxi, Hebei and Inner Mongolia.
- (2) Northeastern Region includes Heilongjiang, Liaoning and Jilin.
- (3) Northwestern Region includes Gansu, Shaanxi, Qinghai, Xinjiang and Ningxia.
- (4) Eastern Region includes Fujian, Shandong, Zhejiang, Jiangxi, Jiangsu, Anhui and Shanghai.
- (5) Southern Region includes Guangdong, Guangxi and Hainan.
- (6) Southwestern Region includes Sichuan, Yunnan, Guizhou, Chongqing and Xizang.
- (7) Central Region includes Henan, Hubei and Hunan.

BUSINESS

The map below sets out the geographical coverage of the retail shops and department store counters operated and maintained by our customers as at 31 May 2011:



Criteria for selection of customers

We strategically select our customers principally based on the following criteria:

- relevant experience in the management and operation of footwear retail stores;
- sales channels, recognition and reputation in the footwear industry and social resources;
- creditworthiness;
- capital resources; and
- ability to develop and operate sales network in the designated sales regions.

BUSINESS

Master sales agreements

In general, we enter into legally binding master sales agreements with our customers including department stores and distributors. Actual sales and specific terms and conditions of such sales are set out in subsequent sales orders provided by our customers from time to time. Our master sales agreements typically with a term of one year contain the following provisions:

- Projected purchase amount — to facilitate our preparation of production plan for the forthcoming year, the master sales agreements generally include the projected purchase amount that our customers intend to purchase during the year, as a production reference rather than as a minimum purchase commitment by our customers. As such, there is no assurance that our customers will place any sales order with us. Besides, there is no penalty clause in respect of our customers' failure in achieving the projected purchase amount in the master sales agreements. Our Directors have confirmed that most of our customers achieved the projected purchase amount stated in the respective master sales agreements during the Track Record Period.
- Suggested retail price — our customers are required to follow the suggested retail price that we adopt from time to time for each product.
- Brand image — the store layout of the retail shops and department store counters of our customers should be conformed to our guidelines; and our customers have to obtain our prior approval for conducting any promotions and marketing activities of our products.

In order to ensure that our customers will comply with our retail stores guidelines such as following the pricing policies and applying the standardised store layout design and promotional materials, which we believe is crucial to our brand building and recognition, our sales team strictly monitors the performance of our customers and their retail shops and department store counters.

The following measures are taken by our Group:

- our Group conducts on-site inspections on randomly selected retail stores on a monthly basis and inspection reports will be prepared to ensure our Group's customers comply with the terms and conditions of the master sales agreement and that the third-party retailers comply with our Group's guidelines on retail stores;
- our Group works closely with the customers to choose retail store locations which match our Group's network expansion plan;
- our Group organises management training programmes to our customers;
- our Group organises training programmes for our customers regularly on customer's services and products knowledge; and

BUSINESS

- Our Group conducts on-site inspections on randomly selected retail stores and requires distributors to provide monthly inventory report to ascertain inventory level. Such reporting system and regular inspections facilitate our Group to obtain latest information on sales performance and inventory information on the retail stores level. Based on the information available to us through this reporting and monitoring system, our Directors confirmed that to the best of their knowledge, information and belief, there was no material accumulation of stocks at the distributors' level during the Track Record Period and up to the Latest Practicable Date.

Other than the one-year master sales agreements entered into with most of our customers, we do not have any contractual relationship or direct control over the retail shops and department store counters operated and maintained by our customers. We heavily rely on our customers to implement and enforce our retail guidelines, policy and procedures on the retail sales of our Group's products. As such, we only have limited control over the retail sales networks of our customers. Regular inspections are conducted on our customers' retail shops and department store counters to ascertain whether our customers adhere to our Group's guidelines.

If a customer fails to comply with our Group's retail guidelines, policy and procedures, we will firstly give a non-compliance warning and require it to take corrective measures. Also, training will be provided to such customer to facilitate compliance, if necessary. In the event of its continued non-compliance, we will not renew the master sales agreement with the relevant customer upon the expiry of the existing master sales agreement. During the Track Record Period, no material non-compliance of our policies by our customers was noted.

During the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, sales to our Group's top five customers accounted for approximately 18.7%, 18.9%, 16.2% and 16.4% of our total revenue, respectively. Sales to our Group's largest customer accounted for approximately 6.9%, 9.1%, 3.9% and 3.5% of our total revenue for the same periods, respectively.

None of our Directors, their respective associates or any Shareholders of our Company (which, to the knowledge of our Directors, will own more than 5% of the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue) has any interest in any of our Group's top five customers.

Sales of our Group's footwear products are to a certain extent affected by seasonality. March, August and the fourth quarter are generally the peak seasons for our Group's products due to higher consumers' purchasing power during the period immediately before the Labour Day holiday, the National Day holiday and the Lunar New Year holiday. Our Group's sales in January, February and May are usually lower during the whole year due to the Lunar New Year holiday and the Labour Day holiday.

Establishment of our own retail sales network

We intend to establish our own retail sales network by opening 25 self-owned and operated flagship stores in prime locations in major and fast-growing provinces and cities of the PRC, such as Fujian, Beijing, Shanghai, Jiangsu, Zhejiang, Sichuan and Guangdong. We will showcase our latest

BUSINESS

products at the flagship stores. Our Directors believe that the establishment of our own retail sales network can enhance brand awareness and recognition of our products as well as provide an effective channel for us to closely monitor end consumer preferences, thereby allowing us to quickly respond to changing market trends. Prior to the opening of each flagship store, we will conduct market research to ensure the store location is appropriate after taking into consideration the existing sales points operated by our customers to avoid competition with our existing customers. We will also conduct feasibility study to assess the profitability of such flagship store, taking into account its operating costs and estimated profits. We intend to establish our own retail sales network gradually in stages by opening the first flagship stores in the first tier cities for each of *Camel Active* and *Greiff* by the year end of 2011 and for each of *Jimaine*, *Bull Titan* and *Luotuo Brand* in 2012. Through the operation of our first five flagship stores to be opened in 2011 and 2012, we will acquire experiences in operating retail sales network. We will also be able to evaluate market feedback with more precise data. All these together with increasing market acceptance of our brands would prepare us for further expanding our network by opening additional four flagship stores for each of our self-owned and licensed brands in the first and second tier cities by the year end of 2013. While the 25 flagship stores will provide an additional sales channel for our products, we expect to continue to rely on our customers in retail selling our products to end consumers. As our Group has a team of employees who have been conducting training seminars to our customers from time to time on the knowledge of our products, these employees can also provide training to our staff for operating our own flagship stores. Our Directors consider that the establishment of our own retail sales network by opening 25 flagship stores is feasible and reasonable.

BRAND PROMOTION AND MARKETING

Our Directors are of the view that effective brand promotion and marketing are crucial to creating consumers' recognition and awareness of our Group's brands. During the Track Record Period, our Group promoted and marketed our brands through various promotional activities and channels.

We have implemented a wide variety of marketing and promotion strategies together with our customers, including advertising on magazine and promotion by professional sports celebrity. We organise regular sales fair each year. In the sales fair, new products of our brands will be introduced to our Group's customers. In addition to our own marketing channels, we also leverage on the extensive networks of our customers to promote and develop our self-owned and licensed brands.

In promoting our brands, we compile and distribute from time to time new product catalogues to various retail shops and department store counters operated by our customers. We also organised promotional activities, such as Forum on the Development of PRC Casual Footwear Brands (中國休閒鞋品牌發展高峰會) in 2009 and Fashion Show of Greiff Brand (哥雷夫時裝秀) in 2010. We also distribute our own publications named Bull Dynasty (公牛王朝) providing updates on our Group and our products for our customers, who in turn make available the same for the end consumers' collection at their retail shops and department store counters.

During the Track Record Period, we developed a marketing campaign using professional celebrity to promote our brands and products. We engaged a former American professional basketball player of the National Basketball Association's team to promote our *Bull Titan* brand and

BUSINESS

to attract consumers of the target segment which are sports-conscious. We believe the image and style of the professional sports celebrity matches the product styles and images which we would like to convey to the target consumers. Our Directors believe that our marketing strategies have been effective in promoting our brands and enhanced our brand recognition.

During the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, we expended approximately RMB3.8 million, RMB2.8 million, RMB4.7 million and RMB6.6 million for brand promotion activities, representing approximately 2.4%, 1.2%, 1.1% and 2.8% of our turnover respectively.

We intend to continue to develop and market each of our existing brands as a distinct and unique brand targeting different consumer segments. We intend to continue our marketing strategies on brand image and enhancement of brand recognitions, by focusing on placing advertisements. We have separate dedicated teams for each of our brands, which gather and analyse market information and trends and to launch different brand marketing strategies among distributors, and to organise marketing and promotional activities.

Other than promoting our Group's brands through various marketing channels, since casual footwear is consumer goods, our Directors are of the view that the provision of high quality and comfortable casual footwear with various functions to fit the needs of consumers of different segments is the most crucial factor and direct means in promoting our brands and products. As such, we primarily focus on producing quality and comfortable casual footwear.

OEM BUSINESS

Since 2004, we have engaged in the manufacture and sales of casual footwear on OEM basis. During the Track Record Period, we manufactured casual footwear for a broad customer base comprising approximately 20 to 30 OEM customers, who are mainly trade companies located in Fujian Province and foreign entities which are the licensees of some renowned international brands in UK, Korea and Japan. Footwear manufactured by our Group for OEM business were sold to Europe, Russia, Japan and Korea. We maintain well-established and stable relationship with our OEM customers about half of whom have been our customers for over five years. In general, we accept purchase orders from our OEM customers on a case-by-case basis, but do not have any long-term master agreement with them. The purchase orders typically set out principal terms such as the quantity, price and delivery details of our OEM products.

During the Track Record Period, we produced all of our OEM products in our own production facilities in accordance with the designs provided by our OEM customers. Raw materials for the OEM business were sourced in the PRC with a small amount imported as stipulated by our OEM customers.

Most of our OEM customers are trading companies in Fujian even though they trade the products to overseas. Finished products are generally delivered to the export companies designated by the OEM customers pursuant to the agreement between our Group and the OEM customers. Upon delivery of products to the designated export companies, the risks of the products have been passed to the OEM customers. The export companies will then be responsible for the arrangement of the export of finished products to our Group's OEM customers.

BUSINESS

During the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, the OEM business accounted for approximately 17.2%, 18.1%, 19.9% and 20.1% of our Group's turnover, respectively, and the gross profit margin of our OEM business were approximately 18.7%, 20.8%, 37.5% and 40.0%, respectively.

INTERNAL CONTROL

Inventory control

As we will produce our products upon confirmation of the sales orders, our Group's inventory is able to be maintained at a constant level. However, various teams of our Group, including the procurement teams, the sales and marketing team and the production team have to work closely to ensure that our Group's production capacity is able to meet the sales orders and that products under the confirmed sales orders are delivered in a timely basis.

Since production will be carried out upon the confirmation of the sales orders, we generally do not maintain a high level inventory of our raw materials. Normally, we will maintain 30-day inventory level for the commonly-used raw materials and procure other raw materials in accordance with the sales orders.

As at 31 December 2008, 2009 and 2010 and 31 May 2011, our Group's inventory of the finished products amounted to approximately RMB4.9 million, RMB10.4 million, RMB9.3 million and RMB12.6 million, with turnover days of 12 days, 17 days, 13 days and 10 days, respectively. During the Track Record Period, we have not experienced any write-offs of any of our inventory.

Credit control

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 to 90 days from the date of billing. We also offer revolving credit to our customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on such factors as current market conditions and the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration. Normally, we do not obtain collateral from customers. Specific credit terms and repayment schedules are determined on a case by case basis with each customer and with respect to each order of our products.

Furthermore, we require customers with balances that are more than one year from the date of billing to settle all outstanding balances before we grant them any further credit. As at 31 December 2008, 2009 and 2010 and 31 May 2011, the amount of balances that aged over one year were RMB2.2 million, RMB3.5 million, RMB4.4 million and RMB2.5 million, respectively. As at 31 July 2011, RMB1.3 million, or 53.6% of the balances that aged over one year as at 31 May 2011 of RMB2.5 million were subsequently settled.

BUSINESS

Others

During the period from 1 July 2007 to 30 June 2009, we allowed some of our sales staff to have personal footwear business with a number of individuals who were all Independent Third Parties and were the former employees of our old customers or self-employed individuals approaching our sales staff directly to look for low pricing and unbranded casual footwear which we did not manufacture and sell. With a view to seizing business opportunities with these individuals whom our Directors considered as potential customers of our Group at the material time, we assisted our sales staff in sourcing the required footwear on their behalf as we were offered a more competitive prices by the suppliers. We did not transact directly with these individuals because we did not manufacture the footwear products they were looking for. Otherwise, this would require our Group to devote more effort than merely to provide assistance to the sales staff in the sourcing process. Our sales staff directly sold the casual footwear sourced to these individuals. All payments in respect of these sales were paid directly to our sales staff and were not accounted for as our sales. In addition, none of our Group, our Directors, senior management or any of their respective associates is entitled to any monetary benefits from the sales staff or the individuals. We were not responsible for the liabilities and risks arising from these sales made by the sales staff of our Group. In order to safeguard our own interests and image, starting from June 2009, no permission for personal footwear business was allowed and the abovementioned transactions were ceased thereafter. Subsequent to the cessation of the staff personal footwear business, a few of the individuals who had previously transacted with our sales staff became our customers and the revenue attributable to them amounted to approximately nil, RMB11.1 million and RMB13.9 million for the year ended 31 December 2009, 31 December 2010 and the five months ended 31 May 2011, respectively.

We recognised the importance of internal controls to safeguard Shareholders' interests and manage business risks. In addition to reviewing our Group's internal control system on an on-going basis, our Company's audit committee established on 4 September 2011 will assume the overall responsibility for reviewing the adequacy and integrity of our internal control and risk management system.

COMPETITION

The men's casual footwear market in the PRC is quite fragmented due to numerous brands and fierce competition. Our Directors believe that the principal competitive factors in the casual footwear industry include:

- product quality
- designs, styles and functions
- brand position
- retail prices

BUSINESS

Our Directors are further of the view that our Group is competing against both local and international brands. According to Euromonitor, since 2000 when international brands like Ecco and Geox strengthened their marketing efforts in the PRC, more and more companies entered into men's casual footwear market and put efforts into brand building and expanded market by opening franchised stores. Many local brands which were previously export-oriented also switched to domestic market. In recent years, local brands such as Kang Long, Mulinsen, Fast, Cele, Haoxing, G.N.Shijia targeting mid-end consumers have yielded remarkable performance and they have become competitive brands for our Group's brands.

We will continue to strengthen our competitiveness by enriching our brands and products portfolio, expanding our retail sales network coverage, enhancing our design, research and development capacity and expanding our production facilities. In particular, our Directors believe that through our unique branding and positioning of each of our brands with a particular image and theme, our Group's brands can differentiate among themselves and those of our competitors.

OUR LICENSE AGREEMENTS

To implement a multi-branding strategy, our Directors had been exploring opportunities in expanding our brand portfolio through brand licensing, in addition to launching our self-owned brands. Details of the licensing arrangements in connection with our licensed brands, ***Luotuo Brand***, ***Camel Active*** and ***Greiff***, are set out below.

Luotuo Brand

Background

After launching our self-owned brands, ***Jimairé*** and ***Bull Titan***, we decided to develop our third brand to offer functional outdoor footwear with special features. Our Directors believed that our positioning of ***Luotuo Brand*** with a specific image targeting a consumer group different from those which our self-owned brands target could enable our Group to expand our customer base and enhance our market position as a brand operator in the men's casual footwear business in the PRC. In this regard, we first obtained the non-exclusive licence to operate ***Luotuo Brand*** branded casual footwear in the PRC in 2003 through sub-licensing arrangement with the sub-licensor as designated by Mr. Wan Jingang. Mr. Wan Jingang, the registered owner of ***Luotuo Brand***, became acquainted with our Director, Mr. Zhang, through a mutual friend. To the best knowledge, information and belief of our Directors, Mr. Wan Jingang has through similar sub-licensing arrangements granted other licensees the licences to use ***Luotuo Brand***.

Licence to use Luotuo Brand in the PRC

(i) Brand agency agreement with GZ Company

On 25 June 2003, we entered into the brand agency agreement with Guangzhou Jia'e Trade Co., Ltd. (廣州市加鱈貿易有限公司) ("**GZ Company**"), the sub-licensor who was granted the licence to use ***Luotuo Brand*** by Mr. Wan Jingang. Pursuant to the brand agency agreement, we were authorised by GZ Company to operate ***Luotuo Brand*** branded casual footwear in the PRC on a non-exclusive basis for a term from 30 July 2003 to 30 July 2013.

BUSINESS

(ii) Termination of brand agency agreement, Camel Delaware Agreement and its nullity

Subsequent to the cessation of business relationship with GZ Company, we entered into a trademark license agreement dated 18 May 2005 (the “**Camel Delaware Agreement**”) with American Camel International Invest Enterprise Ltd. (Delaware) (“**Camel Delaware**”), the sub-licensor who was granted the licence for **Luotuo Brand** by Mr. Wan Jingang and a company owned by Ms. Wang Huilan, the spouse of Mr. Wan Jingang. Pursuant to the Camel Delaware Agreement, we were granted a licence to use the **Luotuo Brand** in the PRC for a term from 1 May 2005 to 28 February 2013. It was the intention of both Mr. Wan Jingang and our Group that upon cessation of the business relationship with GZ Company, the licence for **Luotuo Brand** granted under the brand agency agreement shall continue to be granted under the Camel Delaware Agreement; thus, the brand agency agreement should have been terminated upon the entering into of the Camel Delaware Agreement. However, no formal termination agreement had been executed in 2005 to effect the same. In this regard, we entered into an agreement dated 21 March 2011 with GZ Company to confirm that the brand agency agreement was terminated on 18 May 2005, being the date on which the Camel Delaware Agreement was entered into.

Originally, Mr. Wan Jingang intended to grant us the licence to use **Luotuo Brand** through Camel Delaware pursuant to the Camel Delaware Agreement. However, recent searches revealed that Camel Delaware was void on 1 March 2005 as a result of the failure to attend to the requisite annual return filing and tax filing pursuant to the applicable requirements by Ms. Wang Huilan. Therefore, the Camel Delaware Agreement has never had any legal effect since its signing on 18 May 2005 because Camel Delaware was void on the date on which the Camel Delaware Agreement was entered into.

To rectify the situation, we entered into a confirmation with Mr. Wan Jingang and Ms. Wang Huilan, the sole shareholder of Camel Delaware, on 21 March 2011 (the “**Camel Delaware Confirmation**”), whereby the parties confirmed that the **Luotuo Brand** had been granted from Mr. Wan Jingang to us on the same terms as set out in the Camel Delaware Agreement during the period from 18 May 2005 to 20 March 2011, being the period for which our Group has relied on the Camel Delaware Agreement to use the **Luotuo Brand**.

(iii) Transitional License Agreement with Mr. Wan Jingang

To facilitate our use of the **Luotuo Brand** for the remaining licence period from 21 March 2011 onward under the Camel Delaware Agreement, we entered into a trademark license agreement with Mr. Wan Jingang on 21 March 2011 (the “**Transitional License Agreement**”) whereby Mr. Wan Jingang granted us a licence to use the **Luotuo Brand** for casual footwear in the PRC (other than sales through internet) for the period from 21 March 2011 to 27 February 2013.

The grant of licence for **Luotuo Brand** to us directly by Mr. Wan Jingang under the Transitional License Agreement was transitional measures and it has always been Mr. Wan Jingang’s intention to grant the licence to us through sub-licensing arrangement with another sub-licensor. Therefore, at the request of Mr. Wan Jingang, we also entered into a trademark license agreement with Mr. Wan Jingang and Ms. Wang Huilan on 21 March 2011, whereby Mr. Wan Jingang and Ms. Wang Huilan agreed to procure Camel California to enter into a trademark license agreement with us on same terms as the Transitional License Agreement after Camel California is revived. Camel California is a company

BUSINESS

wholly-owned by Ms. Wang Huilan and was suspended on 1 August 2007 as a result of the failure to attend to the requisite annual return filing and tax filing pursuant to the applicable requirements by Ms. Wang Huilan. After attending to filing of the delinquent tax returns by Ms. Wang Huilan to the relevant authority, Camel California has been revived on 18 May 2011.

(iv) New License Agreement

Subsequent to the revival of Camel California, on 13 July 2011, we entered into a new trademark license agreement (the “**New License Agreement**”) on the same terms as the Transitional License Agreement with Camel California, who has been granted the licence for **Luotuo Brand** by Mr. Wan Jingang; and each of the brand agency agreement, the Camel Delaware Agreement and the Transitional License Agreement ceased to have any legal effect.

The major terms of the New License Agreement are as follows:

- we are granted the non-exclusive licence to use the trademark in connection with casual footwear and sport footwear (other than sales through internet) in the PRC (excluding Hong Kong, Macau and Taiwan) at the royalty fee of RMB133,000.99 for the period from 1 July 2011 to 31 July 2011, RMB1,835,413.72 for the period from August 2011 to July 2012 and RMB1,231,256.71 for the period from August 2012 to February 2013;
- we are required to attach an anti-counterfeit label provided by the licensor to each pair of footwear; and
- we are granted the first right of refusal to negotiate and enter into a new licence agreement with the licensor upon expiry of the New License Agreement.

In addition, we are not required to meet any minimum sales targets in relation to the **Luotuo Brand** products under the New License Agreement. During the Track Record Period, the total royalty fees in relation to the use of **Luotuo Brand** amounted to approximately RMB4.5 million.

*Licence to use **Luotuo Brand** in countries stipulated by the Madrid Treaty*

With a view to having the flexibility to explore business opportunities in overseas markets, we entered into a trademark license agreement dated 23 April 2008 (the “**Camel California Agreement**”) with Camel California, pursuant to which Camel California granted us a licence to use the **Luotuo Brand** in various countries in Asia (excluding the PRC) and Europe as stipulated by the Madrid Treaty for a term from 1 May 2008 to 28 February 2013. As revealed during recent searches, Camel California was suspended on 1 August 2007. Therefore, the Camel California Agreement was nullified since its signing on 23 April 2008 because Camel California was suspended on 1 August 2007, prior to the date on which the Camel California Agreement was entered into. Nevertheless, we have never sold any **Luotuo Brand** product or commenced business in those countries stipulated by the Madrid Treaty under the Camel California Agreement; and no royalty fee has been paid or is payable by us thereunder. Accordingly, on 21 March 2011, we entered into a confirmation with Mr. Wan Jingang and Ms. Wang Huilan, the sole shareholder of Camel California, to confirm that the Camel California Agreement was nullified since the date of suspension of Camel California.

BUSINESS

(v) Legal effect of the licence agreements

With respect to our licence to use **Luotuo Brand** and the relevant license agreements entered into by us, we are advised by the PRC Legal Advisers that:

- (a) Mr. Wan Jingang is the beneficial and registered owner of **Luotuo Brand**, and he is entitled to grant the licence to us directly to use the **Luotuo Brand**, or alternatively, he may also grant the licence to another intermediate company, such as Camel California, which may in turn sub-license the right to use the **Luotuo Brand** to us.
- (b) Pursuant to the (i) brand agency agreement dated 25 June 2003; (ii) the Camel Delaware Confirmation; (iii) the Transitional License Agreement; and (iv) the New License Agreement, which are governed by the PRC laws, the licence for **Luotuo Brand** granted to Shishi Haomai for the period from 30 July 2003 and up to the Latest Practicable Date is valid. Accordingly, we have had the legitimate right to use **Luotuo Brand** since 30 July 2003.
- (c) Each of the brand agency agreement (which was legally terminated on 18 May 2005) and the Camel Delaware Confirmation was legal, valid and enforceable from the date of its signing.
- (d) The Transitional License Agreement was legal, valid and enforceable from the date of its signing, and it was legally terminated on 13 July 2011 by the parties thereto.
- (e) The New License Agreement is legal, valid and enforceable.

Our Directors have confirmed that as at the Latest Practicable Date, no claim in connection with or arising from our use of **Luotuo Brand** was known to our Directors to be pending or threatened by or against us.

To summarise, our Group has entered into the following license agreements and written confirmations in respect of the brand **Luotuo Brand**:

Agreement	Date of agreement	Parties	Major terms	Date of termination or nullity
1. Brand agency agreement	25 June 2003	(a) Shishi Haomai (b) GZ Company	GZ Company authorised Shishi Haomai to be the authorised agent to operate Luotuo Brand branded casual footwear in the PRC for a term from 30 July 2003 to 30 July 2013	By an agreement dated 21 March 2011, the parties confirmed that this brand agency agreement was terminated on 18 May 2005

BUSINESS

Agreement	Date of agreement	Parties	Major terms	Date of termination or nullity
2. The Camel Delaware Agreement	18 May 2005	(a) Shishi Haomai (b) Camel Delaware	Camel Delaware granted a licence to Shishi Haomai to use the <i>Luotuo Brand</i> in the PRC for a term from 1 May 2005 to 28 February 2013	The Camel Delaware Agreement has no legal effect because Camel Delaware was void on the date of its signing.
3. Camel Delaware Confirmation	21 March 2011	(a) Shishi Haomai (b) Mr. Wan Jingang (c) Ms. Wang Huilan	The parties confirmed that the <i>Luotuo Brand</i> had been granted from Mr. Wan Jingang to Shishi Haomai on the same terms as set out in the Camel Delaware Agreement during the period from 18 May 2005 to 20 March 2011	—
4. The Camel California Agreement	23 April 2008	(a) Shishi Haomai (b) Camel California	Camel California granted a licence to Shishi Haomai to use the <i>Luotuo Brand</i> in countries stipulated by the Madrid Treaty for a term from 1 May 2008 to 28 February 2013	The Camel California Agreement was nullified since Camel California was suspended on 1 August 2007, prior to the date of signing of the agreement
5. Transitional License Agreement	21 March 2011	(a) Shishi Haomai (b) Mr. Wan Jingang	Mr. Wan Jingang granted a licence to Shishi Haomai to use the <i>Luotuo Brand</i> for casual footwear in the PRC for a period from 21 March 2011 to 27 February 2013	13 July 2011

BUSINESS

Agreement	Date of agreement	Parties	Major terms	Date of termination or nullity
6. New License Agreement	13 July 2011	(a) Shishi Haomai (b) Camel California	Camel California granted a licence to Shishi Haomai to use the <i>Luotuo Brand</i> for casual footwear in the PRC for a period from 13 July 2011 to 28 February 2013	—

(vi) Licensor, sub-licensors of ***Luotuo Brand*** and miscellaneous

Camel Delaware was a company incorporated under the laws of the State of Delaware on 7 April 2003 and was void on 1 March 2005 as a result of the failure to attend to the requisite annual return filing and tax filing pursuant to the applicable requirements by Ms. Wang Huilan, who was not familiar with the relevant filing procedures and requirements. Ms. Wang Huilan had been the sole shareholder of Camel Delaware since its incorporation and remained the sole shareholder of Camel Delaware as at the date on which Camel Delaware was void. As advised by Ms. Wang Huilan, she currently has no intention to revive Camel Delaware.

Camel California is a company incorporated under the laws of the state of California on 23 January 2006. As advised by Ms. Wang Huilan, Camel California had been suspended on 1 August 2007 as a result of failure to attend to the requisite annual return filing and tax filing pursuant to the applicable requirements by Ms. Wang Huilan, who was not familiar with the relevant filing procedures and requirements. After attending to filing of the delinquent tax returns by Ms. Wang Huilan to the relevant authority, Camel California has been revived on 18 May 2011 and Ms. Wang Huilan remains the sole shareholder of the Camel California as at the Latest Practicable Date.

Mr. Wan Jingang and his spouse, Ms. Wang Huilan, engage in trading and product trademark management business and they became acquainted with our Director, Mr. Zhang, through a mutual friend. Subsequently, we have developed business relationship with Mr. Wan Jingang and Ms. Wang Huilan. Our Directors confirm that Camel Delaware, Camel California, Mr. Wan Jingang and Ms. Wang Huilan are all Independent Third Parties.

The licensing arrangement of granting our Group the non-exclusive licence to use the ***Luotuo Brand*** trademark through Camel California is a commercial decision of Mr. Wan Jingang. To the best of our knowledge, information and belief, Mr. Wan Jingang currently has no intention to sell his ownership of ***Luotuo Brand*** trademark to any third party. As advised by Mr. Wan Jingang, he also granted four other licensees the licence to use the ***Luotuo Brand*** on children's footwear, outdoor hiking shoes, sport footwear and formal leather footwear, respectively, as at the Latest Practicable Date. According to the relevant PRC laws and regulations, the name and address of a manufacturer must be indicated on the packaging of a product. Therefore, our ***Luotuo Brand*** products can be

BUSINESS

distinguished from those products of such other licensees by their respective packaging. In addition to the display of Shishi Haomai's name as manufacturer on the packaging of our *Luotuo Brand* products, our *Luotuo Brand* casual footwear products can also be differentiated from the *Luotuo Brand* footwear products of such four other licensees in terms of footwear types and functions. Although we are granted the licence to use the *Luotuo Brand* on casual footwear and sport footwear, we have been focusing on developing casual footwear only and have not manufactured any sport footwear under the *Luotuo Brand*. Therefore, we are of the view that no competition exists between our *Luotuo Brand* casual footwear products and the *Luotuo Brand* footwear products of such other licensees. However, we cannot assure that Mr. Wan Jingang will not grant these licensees or any other party the licence to use the *Luotuo Brand* on casual footwear which will compete with our *Luotuo Brand* products. Further details relating to the licence for *Luotuo Brand* granted to other licensees are set out in the section headed "Risk Factors — There may be competition from the other Independent Third Party licensees of *Luotuo Brand* and our business may be negatively affected by any negative publicity associated with the *Luotuo Brand* branded products of such other licensees" in this prospectus.

In March 2010, an Independent Third Party who does not own the *Luotuo Brand* brought an action against Mr. Wan Jingang in the PRC to strike off the trademark registration of *Luotuo Brand* on basis that the *Luotuo Brand* has not been used for a consecutive three years from May 2003 to May 2006. According to the final verdict of second instance by the Beijing Higher People's Court, the trademark registration of the *Luotuo Brand* will not be revoked. As advised by the PRC Legal Advisers, the final verdict is final and conclusive and no further appeal will be allowed, and Mr. Wan Jingang remains the registered owner of *Luotuo Brand*.

Greiff

The *Greiff* trademark was acquired by Greiff (UK), a company wholly-owned by Ms. Cai, from an Independent Third Party in 2009. To broaden the range of products offered by our Group, we decided to expand our business to cover apparel products. Accordingly, we entered into a license agreement with Greiff (UK) on 19 June 2009 (the "**2009 Agreement**"), whereby we were granted the licence to use the *Greiff* trademark in connection with the manufacture, distribution and sale of footwear, apparel, nosiery, hats, neckties and belts at a royalty fee of RMB80,000 per annum. The 2009 Agreement shall expire on 27 January 2019. In preparation for the Listing, on 10 February 2011, Greiff Xiamen entered into a trademark license agreement (the "**2011 Agreement**") with Greiff (UK) whereby Greiff (UK) agreed to (a) terminate the 2009 Agreement; and (b) grant a sole and exclusive licence to Greiff Xiamen to use the *Greiff* trademark for a term from 10 February 2011 to 27 January 2019 at nil consideration. Pursuant to the 2011 Agreement, Greiff (UK) will have not the right to terminate the agreement but Greiff Xiamen will be entitled to terminate the agreement by written notice to Greiff (UK). During the term of the 2011 Agreement, Greiff Xiamen is also entitled to require Greiff (UK) to assign the *Greiff* trademark to Greiff Xiamen on terms and conditions as proposed by Greiff Xiamen. We are not required to meet any minimum sales targets in relation to the *Greiff* products under the 2011 Agreement.

As Greiff (UK) is a company wholly-owned by Ms. Cai, our Controlling Shareholder and executive Director, Greiff (UK) is a connected person of our Company. Therefore, the 2011 Agreement constitutes a connected transaction of our Company under Chapter 14A of the Listing Rules exempted from reporting, announcement and independent Shareholders' approval requirements. Please refer to the section headed "Connected Transactions" of this prospectus for details of the 2011 Agreement.

BUSINESS

Camel Active

Camel Active, originated in Germany in the 1970s, is an international brand for casual wear with sales points in more than 50 countries focusing on markets in Europe and Asia. We learned of *Camel Active* through Mr. Zhang's acquaintance with one of the licensees of *Camel Active* who had been granted licence to use *Camel Active* trademark in relation to production of handbags. In view of the well-established market position of *Camel Active*, we decided to further expand our brand portfolio by obtaining the licence to operate *Camel Active* in the PRC. The registered owner of *Camel Active* is Worldwide Brands Inc. who has exclusively granted CMLC GmbH the right to use *Camel Active* in respect of various products, such as leather and footwear products, in several Asian countries, including the PRC. CMLC GmbH has in turn granted its sister company, namely CMLC Asia Sdn Bhd ("CMLC Asia"), the rights to license to others to use the *Camel Active* trademarks in the PRC. To the best knowledge, information and belief of our Directors, Worldwide Brands Inc., save for licensing the *Camel Active* to CMLC GmbH, is independent of both CMLC GmbH and CMLC Asia. Accordingly, on 27 October 2009, we entered into a license agreement with CMLC Asia, a company incorporated under the laws of Malaysia whereby we were sub-licensed with an exclusive licence to use the *Camel Active* trademark in connection with the manufacture, distribution, sale and promotion and advertising of footwear products in the PRC (excluding Hong Kong and Macau). We were also granted the right to appoint wholesalers, distributors and retailers for the sale of footwear products within the PRC provided that approval has been obtained from the licensor. The term of the license agreement is for an initial period from 1 January 2010 to 31 December 2014, and is renewable for a further five years provided that we can agree on the sales targets for such five years by 30 June 2014. Our Directors confirm that Worldwide Brands Inc. and its ultimate beneficial owner(s) are Independent Third Parties. To the best of our knowledge, information and belief, Worldwide Brands Inc., the registered owner of *Camel Active* trademark, currently has no intention to sell its ownership of *Camel Active* trademark to any third party. In consideration for the licence, our Group has to pay to the licensor a royalty equivalent to 12% of the sales amount. Pursuant to the license agreement, we shall achieve designated sales targets for each calendar year during the license period. Originally, CMLC Asia was entitled to terminate the license agreement in the event that we fail to achieve the sales targets for any two years during the initial and renewed licensing period. We did not achieve the sales target of RMB23 million in 2010 as we were at the start up stage in the first year of the license period, focusing on designing and manufacturing the first batch of *Camel Active* products as well as developing the sales market in the PRC for *Camel Active* brand. In this regard, CMLC Asia agreed to surrender its rights to terminate the license agreement in respect of our failure in achieving the sales targets for any two years during the initial and renewed licensing period. Accordingly, on 10 May 2011, CMLC Asia and we entered into a side letter, pursuant to which the above rights of CMLC Asia to terminate the license agreement were revoked. Other major terms of the license agreement in respect of the use of the *Camel Active* trademark are as follows:

- Sales targets - We shall achieve sales targets of RMB23 million, RMB49 million, RMB65 million, RMB78 million and RMB91 million for each calendar year during the license period from 1 January 2010 to 31 December 2014, respectively. Should our Group fail to meet the sales target for any year, we have to pay to the licensor the difference in royalty that the licensor would have been entitled to had the sales target for the deficit been met.

BUSINESS

- Marketing and promotion - We shall use our best endeavours to market, advertise and promote the *Camel Active* footwear in the PRC provided that the form and manner of such marketing, advertising and promotion shall be subject to the prior approval of licensor; and we shall in every year during the period of the license agreement expend a sum equivalent to no less than 10% of the sales towards marketing, advertising and promoting of the *Camel Active* footwear products.
- Quality Control - We are responsible for the designs and manufacture of the *Camel Active* footwear products which shall comply with the specifications and standards of quality approved by the licensor. In this regard, we shall submit to the licensor and obtain its prior approval in respect of the documents detailing the concept and designs of the *Camel Active* footwear products and the mechanical artwork for all packaging bearing the *Camel Active* trademarks which we propose to use in the manufacture, distribution, sale or promotion of the *Camel Active* products. In addition, we shall submit for the licensor's prior approval one sample of each of the *Camel Active* products prior to the sales to any third party.
- Termination - The licensor shall be entitled to terminate the license agreement in the event that we fail to pay royalties within the time frame as stipulated in the license agreement; or CMLC Asia and/or CMLC GmbH, which is the master licensee of the *Camel Active* trademark, ceases to be or is terminated as a licensee of CMLC GmbH and/or a master licensee of Worldwide Brands Inc., the owner of the *Camel Active* trademark, (as the case may be) for any reason whatsoever.

To our best knowledge, information and belief, the registered owner of *Luotuo Brand*, namely Mr. Wan Jingang, is independent to the registered owner of *Camel Active*, namely Worldwide Brands Inc., and its ultimate beneficial owners, and *Luotuo Brand* and *Camel Active* have been developed and managed independently by their respective registered owners and are not related to each other.

In general, for the purpose of ascertaining our rights to use the licensed trademarks, *Luotuo Brand*, *Greiff* and *Camel Active*, we have verified the licensed trademarks by reviewing (i) the relevant Trademark Registration Certificates; (ii) the relevant licensing and sub-licensing documents and/or the notice of filing record of the relevant trademark license agreement (商標使用許可合同備案通知書) issued by the Trademark Office of the State Administration for Industry & Commerce of the PRC (國家工商行政管理總局商標局)(the “**Trademark Office**”); and (iii) the search results for these licensed trademarks conducted at the official website of the Trademark Office.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered, and applied for registration a number of trademarks including *Jimair* and *Bull Titan* in the PRC. In addition, our Group has entered into licensing agreement for the licensing rights of three trademarks, *Luotuo Brand*, *Greiff* and *Camel Active*. Details of our Group's intellectual property rights are set out in the paragraph headed “Further information about the business of our Group — Intellectual property rights of our Group” of Appendix VI to this prospectus.

As at the Latest Practicable Date, our registered trademarks and trademarks under application for registration in the PRC have not been used in relation to any products or business of our Group other than *Jimair* and *Bull Titan*. As a brand operator, we have registered and applied for registration of

BUSINESS

a number of trademarks in the PRC in addition to our own *Jimairé* and *Bull Titan* brands for developing new brands as and when the Directors consider appropriate. As at the Latest Practicable Date, we did not have any plan to develop any new brand relating to the registered trademarks.

As at the Latest Practicable Date, we were not aware of any material pending or threatened claims against any member of our Group relating to the infringement of any intellectual property rights owned by third party.

PROPERTIES

As at the Latest Practicable Date, we had one self-owned property located in Baogai Town, Shishi City, Fujian Province, the PRC with a site area of approximately 21,117.64 sq.m. and gross floor area of approximately 44,446.29 sq.m., upon which our production facilities are situated.

As at the Latest Practicable Date, we had two leased properties located in the PRC and one leased property located in Hong Kong used by our Group for production and office purposes.

Please refer to the valuation report as set out in Appendix IV to this prospectus for details of our Group's properties.

ENVIRONMENTAL AND SAFETY MATTERS

Our Group's manufacturing operations are subject to PRC environmental laws and regulations on air emission, solid waste emission, sewage and waste water, discharge of waste and pollutants, and noise pollution. These laws and regulations include Law of the PRC on Environmental Protection (中華人民共和國環境保護法), Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) and Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (中華人民共和國固體廢物污染環境防治法). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. Our Group is also subject to Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例) and Environmental Impact Assessment Impact Law of the People's Republic of China (中華人民共和國環境影響評價法). These regulations set the guidelines for discharge of pollutants.

Our Group's production facility in Shishi received ISO14001 certification in August 2008, which certifies that our Group's environmental management system in respect of the design, development, production and service of our products conforms to the environmental management standards.

Our Group was not aware of the requirement for the Permits to Discharge Pollution and Acceptance Opinion prior to the due diligence exercise for the proposed Listing, and our Group has never been subject to any notice, objection, queries or penalties from relevant government authorities for failing to pass the completion inspection and Acceptance Opinion and obtain the Permits to Discharge Pollutants before commencement of production. We did not obtain the Permits to Discharge Pollutant (排放污染物許可證) until 24 March 2011, 24 March 2011 and 9 June 2011 for Luotuo

BUSINESS

Quanzhou, Jinmaiwang Fujian and Shishi Haomai, respectively; and we commenced production at our respective production plants for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai before we passed the completion inspection and Acceptance Opinion (驗收意見). Our PRC Legal Advisers have advised that according to Environmental Protection Regulation of Fujian Province (福建省環境保護條例), the environmental protection authorities may order us to obtain the Permit to Discharge Pollutant and impose a fine of not more than RMB50,000 on us for such non-compliance. On completion of the construction, we are required to notify the Shishi City Environmental Protection Bureau which would need to conduct completion inspection before commencement of production. We are permitted to commence production only if we have passed such inspection. As a result of the breach of the Regulations Concerning the Administration of Environmental Protection of Building Projects (建設項目環境保護管理條例) and Regulations on Administration concerning the Environmental Protection Acceptance Check on Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法), we may be ordered by the relevant environmental protection authority to cease production or the use of the production plants and may be subject to a fine of not more than RMB100,000.

As at the Latest Practicable Date, we have obtained the Permits to Discharge Pollutant (排放污染物許可證) for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai on 24 March 2011, 24 March 2011 and 9 June 2011 respectively, and passed the completion inspections for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai on 21 March 2011, 21 March 2011 and 7 June 2011 respectively. According to our PRC Legal Advisers, as (i) Shishi City Environmental Protection Bureau did not impose any penalty to our Group when we applied and obtained the Permits to Discharge Pollutant and Acceptance Opinion (驗收意見) for rectification of the non-compliance with environmental protection issue; (ii) we obtained the certificate from Shishi City Environmental Protection Bureau certifying that Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai have conducted the relevant environmental protection approval and completed the acceptance inspection and obtained the Permits to Discharge Pollutant; and (iii) Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai have never been subject to administrative penalties by Shishi City Environmental Protection Bureau, the possibility of our Group being ordered to cease production or the use of the production plants or being imposed of a fine by Shishi City Environmental Protection Bureau is very low.

Save as disclosed above, we have fully complied with the relevant PRC environmental protection laws and regulations since our commencement of operation. We have been subject to the inspections by the local governmental authority from time to time. Up to the Latest Practicable Date, we were not subject to any material fine or claim arising from non-compliance with environmental laws and regulations or any citation for our environmental measures. We are committed to the continued compliance with the relevant PRC environmental protection laws and regulations.

In order to comply with the relevant environmental protection laws and regulations, our Group has implemented an environmental protection system to meet the relevant environmental protection requirements.

The cost of compliance with the applicable environmental rules and regulations for the three years ended 2008, 2009 and 2010 were approximately RMB126,000, RMB52,000 and RMB36,000, respectively. The cost of compliance going forward is expected to be within RMB100,000.

BUSINESS

INSURANCE

Our Group's insurance coverage includes employee social insurance, employee short-term insurance, unforeseen injury insurance and property insurance which includes damage to property held by our Group for production and office purposes. We provide employee social insurance contributions (including unemployment insurance, medical insurance, work-related injury insurance, pension insurance and maternity insurance and housing fund contributions) and short-term health insurance and unforeseen injury insurance. For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, the employee social insurance (including our retirement contribution) provision made by our Group amounted to approximately RMB0.7 million, RMB1.1 million, RMB3.2 million and RMB1.4 million respectively, which represented approximately 3.4%, 4.1%, 10.8% and 9.4% of our Group's total salaries of our employees for the same periods.

We are not required under the PRC law to maintain, and we do not maintain, general product liability insurance for any of our products. During the Track Record Period, we did not receive any material claim from customers and/or consumers relating to any liability arising from or relating to the use of our products.

Save as disclosed in the section headed "Risk Factors" of this prospectus, during the Track Record Period, we were in material compliance with all applicable labour and safety laws and regulations in the PRC, including the PRC Labour Contract Law (中華人民共和國勞動合同法), the PRC Production Safety Law (中華人民共和國安全生產法), the PRC Regulation for Insurance for Labour Injury (工傷保險條例), the PRC Unemployment Insurance Law (失業保險條例), the PRC Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法), PRC Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), PRC Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), Social Insurance Law of the People's Republic China (中華人民共和國社會保險法) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time, for our operations in the PRC.

LEGAL COMPLIANCE AND PROCEEDINGS

We conduct our operations and carry out our business in material compliance with relevant PRC laws and regulations.

Set out below the non-compliances and irregularities relating to our operations during the Track Record Period:

- (1) Under the relevant PRC laws and regulations, we are required to contribute to a number of employee social welfare schemes in respect of our employees. Such schemes include social insurance contributions (including unemployment insurance, medical insurance, work-related injury insurance, pension insurance and maternity insurance) and housing fund contributions. During the Track Record Period, we did not fully comply with the social insurance and housing fund contributions requirements for our employees because some of the employees are not willing to participate the social insurance and housing fund schemes.

BUSINESS

We estimate that the aggregate unpaid amount by our Group to the social insurance authority for the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 would be approximately RMB0.4 million, RMB0.6 million, RMB2.5 million and RMB1.0 million respectively. We have made the relevant provisions in our Group's consolidated accounts. Please refer to the paragraph headed "Our non-compliances with certain social insurance and housing provident fund contribution laws and regulations in the PRC could lead to the imposition of fines and penalties" under the section headed "Risk Factors" of the prospectus for further details.

- (2) Our Group was not aware of the requirement for the Permits to Discharge Pollution and Acceptance Opinion prior to the due diligence exercise for the proposed Listing, and our Group has never been subject to any notice, objection, queries or penalties from relevant government authorities for failing to pass the completion inspection and Acceptance Opinion and obtain the Permits to Discharge Pollutant before commencement of production. We did not obtain the Permits to Discharge Pollutant (排放污染物許可證) until 24 March 2011, 24 March 2011 and 9 June 2011 for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai, respectively; and we commenced production at our respective production plants for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai before we passed the completion inspection and Acceptance Opinion (驗收意見). Our PRC Legal Advisers have advised that according to Environmental Protection Regulation of Fujian Province (福建省環境保護條例), the environmental protection authorities may order us to obtain the Permit to Discharge Pollutant and impose a fine of not more than RMB50,000 on us for such non-compliance. We are permitted to commence production only if we have passed such inspection. As a result of the breach of the Regulations Concerning the Administration of Environmental Protection of Building Projects (建設項目環境保護管理條例) and Regulations on Administration concerning the Environmental Protection Acceptance Check on Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法), we may be ordered by the relevant environmental protection authority to cease production or the use of the production plants and may be subject to a fine of not more than RMB100,000.

As at the Latest Practicable Date, we have obtained the Permits to Discharge Pollutant (排放污染物許可證) for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai on 24 March 2011, 24 March 2011 and 9 June 2011, respectively, and passed the completion inspections for Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai on 21 March 2011, 21 March 2011 and 7 June 2011, respectively. According to our PRC Legal Advisers, as (i) Shishi City Environmental Protection Bureau did not impose any penalty to our Group when we applied and obtained the Permits to Discharge Pollutant and Acceptance Opinion (驗收意見) for rectification of the non-compliance with environmental protection issue; (ii) we obtained the certificate from Shishi City Environmental Protection Bureau certifying that Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai have conducted the relevant environmental protection approval and completed the acceptance inspection and obtained the Permits to Discharge Pollutant; and (iii) Luotuo Quanzhou, Jinmaiwang Fujian and Shishi Haomai have never been subject to administrative penalties by Shishi City Environmental Protection Bureau, the possibility of our Group being ordered to cease production or the use of the production plants or being imposed of a fine by Shishi City Environmental Protection Bureau is very low.

BUSINESS

Save as disclosed above, we have fully complied with the relevant PRC environmental protection laws and regulations since our commencement of operation. For further details, please refer to the paragraph headed “Environmental and Safety Matters” in this section.

- (3) The change of production plant address of Luotuo Quanzhou did not go through administrative registration procedure by our Group during the Track Record Period. According to the Regulation of the People’s Republic of China on the Administration of Company Registration (《公司登記管理條例》), if a company fails to go through the prescribed procedures for registering changes, the company registration organ shall require it to go through the procedures within a prescribed limit of time. If it has failed to do so within the prescribed time limit, a fine of anywhere from more than RMB10,000 to less than RMB100,000 shall be imposed. Given that Luotuo Quanzhou has moved back to the original registered address for production and rectified this non-compliance in February 2010, the PRC Legal Advisers are of the view that the possibility of Luotuo Quanzhou being penalised is remote.

- (4) Luotuo Quanzhou did not contribute the registered capital within the required timeframe according to the Approval Document 獅外經貿[2005] No.311 issued by Shishi City Foreign Trade Economic Cooperation Bureau (石獅市對外貿易經濟合作局) on 5 December 2005, and Jinmaiwang Fujian did not contribute the registered capital within the required timeframe according to the Approval Document 獅外經貿[2003] No.215 issued by Shishi City Foreign Trade Economic Cooperation Bureau (石獅市對外貿易經濟合作局) on 18 August 2003. According to the PRC Legal Advisers, on the basis that (i) Ms. Cai and Mr. Xu Shaoxiong were the respective sole shareholder of Luotuo Quanzhou and Jinmaiwang Fujian at that time, and neither the late payment of registered capital by the shareholders of Luotuo Quanzhou and Jinmaiwang Fujian constituted a breach of contract to any third party nor were the shareholders of Luotuo Quanzhou and Jinmaiwang Fujian liable to any third party for such breach; (ii) the relevant PRC laws and regulations for wholly foreign-owned enterprise have no provisions regarding that Luotuo Quanzhou and Jinmaiwang Fujian are liable to the administrative or legal fines to any third parties or the relevant government authority; and (iii) both Luotuo Quanzhou and Jinmaiwang Fujian have passed the latest annual inspection and maintained a valid Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書) and a valid Business Licence, therefore the PRC Legal Advisers are of the view that (i) there is no legal liability on Luotuo Quanzhou or Jinmaiwang Fujian; or the then shareholders, Ms. Cai and Mr. Xu Shaoxiong, to pay any administrative or legal fines to any third parties or the relevant government authority as a result of the late payment of the registered capital within the required timeframe; (ii) the late payment of registered capital does not have any adverse impact on the qualification and continuity of Luotuo Quanzhou and Jinmaiwang Fujian as legal entities; and (iii) The business licences and Certificates of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the PRC (中華人民共和國台港澳僑投資企業批准證書) of both Luotuo Quanzhou and Jinmaiwang Fujian will not be revoked as a result of the late payment of registered capital. The registered capital of Luotuo Quanzhou and Jinmaiwang Fujian has been fully paid on 27 June 2007 and 23 February 2005, respectively.

BUSINESS

- (5) One of the Building Ownership Certificate for the factory constructed on the land held by our Group had not yet been issued after the completion of such factory in 2009. A Planning Permits of Construction Work (建設工程規劃許可證) issued in 2010 in relation to the construction of the factory with a construction floor area of 1,928.13 sq.m. was issued by the Shishi Planning and Construction Bureau (石獅市規劃建設局) in the name of Jinmaiwang Fujian. According to Construction Law of the PRC (中華人民共和國建築法), construction enterprises, which act in violation of the stipulations of this law to start construction operation without construction permit or at the time when the application for construction operation has not yet been approved, shall be ordered to correct. Construction projects that cannot meet the requirement for starting operation shall be ordered to stop construction operation and may be imposed fine penalties. According to Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), construction enterprises commence construction project without construction permit, shall be ordered to stop the construction and to rectify within a time limit, and shall be imposed a fine ranging from 1% to 2% of the construction fees stated in the construction contract. According to the construction contract entered into between Jinmaiwang Fujian and the construction company, the construction fees were RMB3,820,000, therefore the maximum fine may be imposed to our Group is RMB76,400. Our Group obtained the Building Ownership Certificate for the above factory on 1 April 2011.

The Indemnifiers have given indemnities in favour of our Company (for itself and as trustee for our subsidiaries) in connection with any and all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including, but not limited to, legal and other professional costs), charges, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with any aforementioned activities by Luotuo Quanzhou, Jinmaiwang Fujian, Geriff Xiamen and Shishi Haomai in the PRC that are in breach of, or any default, failure or delaying in complying with, the relevant PRC laws and regulations. In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

- (i) our Group has appointed Mr. Chen Yuanjian as the chief financial officer in 2009 and an executive Director in February 2011 and Miss Yau Suk Yan as the financial controller of our Group in 2010 and the company secretary of our Company in July 2011 to oversee and monitor the internal control environment of our Group; Mr. Chen Yuanjian and Miss Yau Suk Yan, both possess accounting and financial management expertise, with the support of the qualified PRC legal advisers engaged by us, will be responsible for ensuring our compliance with the applicable laws and regulations as well as reporting to our audit committee regularly every six months;

BUSINESS

- (ii) our Group has appointed three independent non-executive Directors to the Board, among them, Mr. Ye Lin obtained a bachelor degree of law, a master degree of law and a doctoral degree of law in Renmin University of China in 1985, 1989 and 1993, respectively. Mr. Ye Lin also possesses experiences in managing listed companies in the PRC. Further biographical details of Mr. Ye Lin are set out in the section headed “Directors, Senior Management and Staff” of this prospectus. Our Directors believe that Mr. Ye Lin’s in-depth experience could assist our Group in compliance with the PRC laws and regulations on a continuous basis;
- (iii) an audit committee established by our Group, comprising three independent non-executive Directors, will assume the overall responsibility for reviewing the adequacy and integrity of our internal control and risk management system;
- (iv) our Group has engaged qualified PRC legal advisers to provide legal services to our Group in relation to future compliance with PRC laws and regulations;
- (v) we have arranged for our Directors and senior management to attend training programs on applicable laws and regulations, including the Listing Rules, provided by our legal advisers prior to Listing. We will continue to arrange various training programs to be provided by the qualified PRC legal advisers engaged by us and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations regularly every six months; and
- (vi) our Group has improved the existing internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit.

Based on the above, our Directors are of the view that our Company has taken all reasonable steps to establish a proper internal control system to prevent future non-compliance with PRC laws and regulations by our Group.

As at the Latest Practicable Date, our Group was not engaged in any material litigation, arbitration or claim, and no material litigation, arbitration or claim is known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our Group’s operation results or financial condition.

Our Group and the PRC Legal Advisers have confirmed that our Group has obtained all necessary permits and licences for the business activities and our Group’s operations comply with all the relevant rules and regulations of the relevant authorities where our Group operates.

CONNECTED TRANSACTIONS

The following connected transactions have been entered into by our Group and connected persons of our Company and will continue after the Listing:

(a) **Trademark Licensing Agreement**

Pursuant to the trademark licensing agreement dated 10 February 2011 (the “**Trademark Licensing Agreement**”) Greiff (UK) grants to Greiff Xiamen a sole and exclusive licence to use the **Greiff** trademark for a term from 10 February 2011 to 27 January 2019 at nil consideration. The parties may by separate agreement extend the initial licensing period upon its expiry. The Trademark Licensing Agreement will be terminated by Greiff Xiamen by three months’ prior written notice but Greiff (UK) will not be entitled to terminate the Trademark Licensing Agreement.

As Greiff (UK) is a company wholly-owned by Ms. Cai, our Controlling Shareholder and executive Director, Greiff (UK) is an associate of Ms. Cai and is therefore a connected person of our Company under Chapter 14A of the Listing Rules.

We will not incur additional costs in enjoying the licence to use the **Greiff** trademark, as Greiff (UK) grants the licence to Greiff Xiamen at nil consideration. Hence, the Directors consider that the terms of the Trademark Licensing Agreement are, and will continue to be, on normal commercial terms or better than normal commercial terms to our Group. The transactions under the Trademark Licensing Agreement have been, and will continue to be, conducted in our ordinary and usual course of business.

(b) **Tenancy agreement**

On 25 July 2011, Ms. Cai and Jinmaiwang Hong Kong entered into the tenancy agreement (the “**Tenancy Agreement**”) pursuant to which Ms. Cai agreed to lease to Jinmaiwang Hong Kong the premises located at Office C, 21st Floor, Legend Tower, No.7 Shing Yip Street, Kowloon, Hong Kong (the “**Premises**”) at a monthly rental of HK\$25,200 (exclusive of management fee and utilities expenses) for a term of three years commencing from 1 August 2011. The Premises will be used by the Group as its principal place of business in Hong Kong.

For each of the period ending 31 December 2013, the annual rental payable by us in respect of the Premises under the Tenancy Agreement will be HK\$126,000, HK\$302,400 and HK\$302,400, respectively.

The Directors (including the independent non-executive Directors) consider that the terms of the Trademark Licensing Agreement and the Tenancy Agreement are negotiated at arm’s length based on normal commercial terms and the transactions thereunder are conducted, and will continue to be conducted, in our ordinary and usual course of business and are fair and reasonable and in the interests of the Shareholders as a whole. The rental payable by Jinmaiwang Hong Kong under the Tenancy Agreement is determined with reference to the annual market rental of comparable premises. Asset Appraisal Limited, a professional property valuer, is of the opinion that the rentals under the Tenancy Agreement are based on prevailing market rates and are fair and reasonable.

Since each of the percentage ratios (other than the profit ratio) will, on annual basis, be less than 0.1%, transactions under each of the Trademark Licensing Agreement and the Tenancy Agreement fall within the *de minimis* exemption under Rule 14A.33(3)(a) of the Listing Rules and are therefore exempt from the reporting, announcement and independent Shareholders’ approval requirements.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option), Festive Boom, which is wholly-owned by Ms. Cai, will be interested in 57.06% of the issued share capital of our Company. Hence, Ms. Cai and Festive Boom will be our Controlling Shareholders within the meaning of the Listing Rules. Festive Boom was incorporated in the BVI on 6 January 2010 and is an investment holding company, whose only asset is its interest in our Company.

COMPETING INTERESTS

As confirmed by our Directors, our Controlling Shareholders and their respective associates do not have any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with our business.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of the Covenantors has entered into a deed of non-competition with our Company whereby each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their associates, are, directly or indirectly, interested in not less than 30% of the Shares in issue, or are otherwise regarded as Controlling Shareholders, each of the Covenantors shall, and shall procure that their respective associates shall:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of our Group or any business activities which our Group may undertake in the future save for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company listed on the Stock Exchange or any other stock exchange;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group; and
- (c) keep our Board informed of any matter of potential conflicts of interests between the Covenantors (including their associates) and our Group, in particular, a transaction between any of the Covenantors (including his/her/it associates) and our Group.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to any of the Covenantors or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

their respective associates (other than members of our Group), he/she/it will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

The relevant Covenantor shall provide or procure the relevant associate to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until our Company decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by the independent non-executive Directors (with those independent non-executive Directors who are interested in such Business Opportunity and their associates abstained from voting) taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity.

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that he/she/it will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to our Company on an annual basis as to whether he/she/it has complied with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which:

- (a) our Company becomes wholly-owned by the Covenantors and/or their associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in the Shares falls below 30% of the number of Shares in issue or the relevant Covenantor (together with other Covenantors and their associates) shall cease to be our Controlling Shareholder (as defined in the Listing Rules); or
- (c) the Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

We will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review on an annual basis the compliance with the non-competition undertaking by the Covenantors under the deed of non-competition;
- (b) the Covenantors undertake to provide to us all information necessary for the annual review by our independent non-executive Directors and the enforcement of the deed of non-competition;
- (c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking of the Covenantors under the deed of non-competition in our annual report; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) the Covenantors will make an annual statement on compliance with their undertaking under the deed of non-competition in our annual report.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having taken account of the following factors, our Directors are satisfied that we can carry on our business independently of our Controlling Shareholders following the Listing:

Management independence

Our management and operational decisions are made by the Board and a team of senior management. The Board consists of seven members, comprising four executive Directors and three independent non-executive Directors. Each of the Directors is aware of his or her fiduciary duties as a Director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Further, the independent non-executive Directors will bring independent judgment to the decision making process of the Board. In addition, members of our senior management, who are responsible to take charge of our daily operations, except for Mr. Wu Shulin and Mr. Huang Congming who are the brother-in-law of Mr. Zhang, are independent from the Controlling Shareholders and their associates. Our senior management team possesses in-depth experience and understanding of the industry in which we are engaged. In this regard, the Directors are of the view that our Group can be managed independently notwithstanding that Ms. Cai, being a Controlling Shareholder, is an executive Director.

Operational Independence

Our organisational structure is made up of a number of departments, comprising management and administration department, production and procurement department, sales and marketing department and product design, research and development department. Each department takes a specific role in our operations. There are internal control procedures to ensure effective operation of our business. Furthermore, we have our own production lines and our own sources of suppliers and customers, which are all Independent Third Parties. Accordingly, we can carry out our business operations independently.

Financial Independence

Our Directors are of the view that we do not unduly rely on the advances from our Controlling Shareholders and related parties for our business operations. As at 31 December 2008, 2009 and 2010 and 31 May 2011, the total amounts due to our Controlling Shareholders and their associates were approximately RMB38.9 million, RMB31.3 million, RMB18.1 million and RMB0.4 million, respectively, all of which will be fully settled upon the Listing. Our bank borrowings of RMB8.5 million, RMB20.6 million, RMB33.5 million and RMB58.1 million as at 31 December 2008, 2009

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and 2010 and 31 May 2011 recurred by the personal guarantees of Ms. Cai and Mr. Zhang will be released upon Listing and replaced by corporate guarantees of the Group. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Furthermore, we have established our own financial accounting system independent of the Controlling Shareholders. We have our own bank account, make our tax registrations and have employed a sufficient number of financial accounting personnel. Accordingly, our Directors consider that we are capable of operating independently from a financial perspective.

NON-DISPOSAL UNDERTAKINGS GIVEN BY THE CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which she or it is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be the Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, she or it shall:

- (a) when she or it pledges or charges any securities beneficially owned by her or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when she or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform us of such indications.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Biographies of each member of the senior management team are set out below:

DIRECTORS

Executive Directors

Ms. Cai Xiuman (蔡秀滿), aged 39, is the chairman of our Group and an executive Director. Ms. Cai was appointed as our Director on 12 February 2010. She is a founder of our Group and primarily responsible for overall strategic business development, management and operation. Ms. Cai joined our Group in 1995 and served as a general manager in Shishi Haomai responsible for strategic planning and sales management. She established Jinmaiwang Fujian in 2003 and served as a deputy manager, responsible for overall finance and administration. She further established Luotuo Quanzhou in 2005. Ms. Cai has over 20 years of experience in sales and marketing in shoe manufacturing industry. Prior to joining our Group, Ms. Cai worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited (石獅市德士利鞋業有限公司), and was responsible for financial management. Ms. Cai is the wife of Mr. Zhang and did not hold any directorship in any listed companies in the past three years.

Mr. Zhang Wenbin (張文彬), aged 45, is the chief executive officer of our Group and an executive Director. Mr. Zhang was appointed as our Director on 2 February 2011. He is a founder of our Group and has over 20 years of experience in shoes manufacturing industry. Mr. Zhang established Shishi Haomai in 1995 and served as a deputy general manager. He has been appointed as the chief executive director and general manager of Jinmaiwang Fujian since 2003. In 2007, Mr. Zhang was appointed as the deputy council chairman of the 3rd Bao Gai Business Association of Shishi City (石獅市寶蓋商會) and was a representative of the 4th National People's Congress of the People's Republic of Congress of Shishi City from 2003 to 2006. Prior to joining our Group, Mr. Zhang worked in a shoe manufacturing company, namely Shishi City De Shili Shoes Industry Company Limited (石獅市德士利鞋業有限公司), and was responsible for sales management. Mr. Zhang is currently a committee member of Shishi Industrial and Commercial Commission (石獅市工商業聯合會) and Shishi Association for Quality and Technical Supervision (石獅市質量技術監督協會). Mr. Zhang is the husband of Ms. Cai and did not hold any directorship in any listed companies in the past three years.

Mr. Huang Jianren (黃建仁), aged 34, is the chief operation officer of our Group and an executive Director. Mr. Huang was appointed as our Director on 2 February 2011. He has over 10 years of experience in account and finance. He joined our Group in 2000 and was appointed as a manager in finance department of our Group responsible for financial management. Prior to joining our Group, Mr. Huang served as a finance manager in a sporting goods company, namely Wish (Xiamen) Sporting Goods Co., Ltd. (偉士(廈門)體育用品有限公司). Mr. Huang graduated from Fujian Province Financial Management Civil Servant College (福建省財會管理幹部學院) with a diploma in account and audit in 2007. He did not hold any directorship in any listed companies in the past three years.

Mr. Chen Yuanjian (陳元建), aged 47, joined our Group in 2009 and was appointed as the chief financial officer of our Group and an executive Director. Mr. Chen was appointed as our Director on 2 February 2011. He is responsible for the financial management of our Group. He has over 20 years

DIRECTORS, SENIOR MANAGEMENT AND STAFF

of experience in financial management. Prior to joining our Group, Mr. Chen served as an assistant to the chief executive officer and a chief financial officer of Putian Ailiai Xiefu Company Limited (莆田艾力艾鞋服有限公司) from 2007 to 2009. He was an accountant in Putian City Shengfeng Asset Auction Company Limited (莆田市盛峰資產拍賣有限公司) from 2004 to 2006. Mr. Chen was appointed as an executive director of Quality Food International Limited (later renamed as China Power New Energy Development Company Limited), a company listed on the Stock Exchange (stock code: 735), between 1999 to 2002. Between 1996 to 2003, he served as a chief financial controller in Fujian Sanhua Shiye Company Limited (福建省三華實業有限公司). Mr. Chen was a financial manager of Fujian Xinwei Electronics Industry Co. Ltd. (福建省新威電子工業有限公司) from 1994 to 1996. From 1991 to 1993, he was the manager of finance department of Fujian Yaowah Glass Industry Group Co., Ltd. (福建耀華玻璃工業集團股份有限公司). Mr. Chen graduated from Xiamen University (廈門大學) with a diploma of accounting in 1985. Mr. Chen did not hold any directorship in any listed companies in the past three years.

Independent non-executive Directors

Mr. Wu Xiaoqiu (吳曉球), aged 52, was appointed as an independent non-executive Director of our Company on 4 September 2011. He is a deputy dean of postgraduate house (研究生院), a committee member of academic board (學術委員會), the head of the Finance and Securities Research Institute (金融與證券研究所) and professor of School of Account and Finance (財經金融學院) of Renmin University of China (中國人民大學) since 2002. He is also an assistant to the principal of the University. Mr. Wu has been appointed as an independent director of each of Bank of Beijing (北京銀行股份有限公司), Haitong Securities Co., Ltd. (海通證券股份有限公司), Industrial Securities Co., Ltd. (興業證券股份有限公司) and Xinyu Iron & Steel Co., Ltd. (新余鋼鐵股份有限公司), all of which are companies listed in the PRC. Mr. Wu obtained a bachelor degree of Economics from Jiangxi University of Finance and Economics (江西財經大學) in 1983. He further obtained a master degree in citizens economic planning and management and doctoral degree in Economics in Renmin University of China in 1986 and 1990 respectively. Save as disclosed above, Mr. Wu did not hold any directorship in any other listed companies in the past three years.

Mr. Ye Lin (葉林), aged 48, was appointed as an independent non-executive Director of our Company on 4 September 2011. Mr. Ye has about 20 years of experience in legal profession. He is a deputy officer of the Civil and Commercial Law Education and Research Office (民商法教研室), the head of the Companies Law and Securities Law Research Institute (公司法與證券法研究所) and council member of the Institute of Lawyers (律師學院) of the Renmin University of China. He has also served as a professor in the Renmin University of China since 2000. Mr. Ye is currently an independent director of HSBC Jintrust Fund Management Company Limited (匯豐晉信基金管理有限公司). He served as an independent director of Overseas Chinese Town Holding Limited (深圳華僑城股份有限公司), a company listed in the PRC, between 2003 to 2006. Mr. Ye obtained a bachelor degree of law, a master degree of law and a doctoral degree of law in Renmin University of China in 1985, 1989 and 1993 respectively. Save as disclosed above, Mr. Ye did not hold any directorship in any other listed companies in the past three years.

Mr. Lee Ho Yiu Thomas (李浩堯), aged 33, was appointed as an independent non-executive Director of our Company on 4 September 2011. Mr. Lee has 11 years of experience in auditing, accounting and financial management. He is now the Partner of Lee, Au & Co. Certified Public

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Accountant. Mr. Lee previously worked as an Assistant Financial Controller in The Beauty Group and also worked at KPMG from 2000 to 2005. Mr. Lee is a fellow of the Association Chartered Certified Accountants, a Practising Member of the Hong Kong Institute of Certified Public Accountants, a Certified Tax Adviser and a member of the Hong Kong Taxation Institute, a Certified Internal Auditor and a member of the Institute of Internal Auditors, a Certified Information Systems Auditor and a member of the ISACA and director of the Wanchai and Central & Western District Industries and Commerce Association. Mr. Lee holds a bachelor's degree of science in accounting and finance from University of Warwick and a second bachelor's degree in Law from the Tsinghua University. Mr. Lee is currently an independent non-executive director of Suncorp Technologies Limited (stock code: 1063). He is also an independent non-executive Director and the member of the audit committee and remuneration committee of ABC Communications (Holdings) Limited (stock code: 0030). Both companies are listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lee did not hold any directorship in any other listed companies in the past three years.

The Directors have confirmed that there is no other information which is required to be disclosed under Rule 13.51(2)(h)-(v) of the Listing Rules.

SENIOR MANAGEMENT

Mr. Wu Shulin (吳樹林), aged 45, joined our Group in 2003 and was appointed as a sales and marketing director (營銷總監). He is responsible for strategic planning, sales and management of the Group. Mr. Wu is also a general manager of Luotuo Quanzhou since 2005. He has over 20 years of experience in sales and marketing. Prior to joining our Group, Mr. Wu served as business manager of a commodity factory Shishi Xinhua Commodity Factory (石獅新湖日用品廠) from 1984 to 1990. Between 1991 to 2002, he served as a deputy general manager of Shishi Dexiang Food Company Limited (石獅德祥食品有限公司). Mr. Wu is the husband of Mr. Zhang Wenbin's younger sister.

Mr. Zhang Zuqiao (張祖僑), aged 36, joined our Group in 1998 and was appointed as the technical director (技術總監) of our Group since 2001. Mr. Zhang is responsible for the development of new products and management of production technology of our Group. Mr. Zhang has over 12 years of experience in shoe manufacturing.

Mr. Huang Congming (黃聰明), aged 52, is a vice-president of our Group. He has over 20 years of management experience in shoes industry. Mr. Huang joined our Group in 1995. He is the brother-in-law of Mr. Zhang.

Miss Yau Suk Yan (邱淑欣), aged 29, is the financial controller and company secretary of our Group. She joined our Group in 2010 and responsible for the accounting and financial management of our Group. Miss Yau previously worked at one of the big four international accounting firms with over 6 years of experience in the field of auditing including the audit and internal control experience in various listed companies in Hong Kong. Miss Yau is a fellow of the Hong Kong Institute of Certified Public Accounts. She obtained a bachelor degree in accounting from The Hong Kong Polytechnic University in 2004.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD COMMITTEES

Audit Committee

An audit committee was established by our Company on 4 September 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and approve our Group's financial reporting process and internal control system. The audit committee comprises all independent non-executive Directors, namely, Mr. Lee Ho Yiu Thomas, Mr. Wu Xiaoqiu and Mr. Ye Lin. Mr. Lee Ho Yiu Thomas is the chairman of the audit committee.

Remuneration Committee

A remuneration committee was established by our Company on 4 September 2011 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The remuneration committee is chaired by Mr. Ye Lin, an independent non-executive Director, and other members are Mr. Wu Xiaoqiu and Mr. Lee Ho Yiu Thomas, who are also independent non-executive Directors.

Nomination Committee

A nomination committee was established by our Company on 4 September 2011 with written terms of reference. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and the senior management of our Group. The members of the nomination committee are Mr. Lee Ho Yiu Thomas, Mr. Wu Xiaoqiu and Mr. Ye Lin. Mr. Wu Xiaoqiu is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, the aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) and discretionary bonuses paid by our Group to our Directors were approximately RMB366,000, RMB434,000, RMB551,000 and RMB277,000, respectively.

Of the five individuals with the highest emoluments, three, three, two and three are directors for the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, respectively. The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) and discretionary bonuses paid to the remaining highest paid individuals of our Group for the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 were approximately RMB186,000, RMB213,000, RMB725,000 and RMB261,000, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of the Directors has waived any emoluments.

Save as disclosed above, no other payments have been paid, or are payable, by our Group to our Directors during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration of our Directors payable in respect of the year ending 31 December 2011 is estimated to be approximately HK\$400,000.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 1,476 employees. The table below shows a breakdown of our employees by their responsibilities.

Department	Number of employee
Management and administration	173
Production and procurement	1,148
Sales and marketing	141
Product design, research and development	<u>14</u>
Total	<u><u>1,476</u></u>

We recognise the importance of maintaining good relationships with our employees. Therefore, we strive to create a harmonious, warm working and living environment for our employees and their families. In addition, we offer ample opportunities for employees to develop and grow within our Group by providing regular on-the-job trainings for our employees to enhance their technical skills as well as updating them on knowledge of the industry in general.

We have not, in the past, experienced any disruption of our operations due to labour disputes or strikes.

EMPLOYEES' BENEFITS PROVIDED BY THE GROUP

Save as disclosed in the sections headed "Risk Factors" and "Business — Insurance" of this prospectus, we comply in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where we operate.

We have established various welfare plans including the provision of pension funds, medical insurance, unemployment insurance and other relevant insurance for employees who are employed by our Group pursuant to the PRC rules and regulations and the existing policy requirements of the local government. We also maintain the employee short-term health insurance and unforeseen injury insurance. In addition, we provide staff quarters to our employees.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SHARE OPTION SCHEME

Our Company has conditionally adopted a Share Option Scheme pursuant to which selected participants may be granted options to subscribe for Shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds any equity interest. Our Directors believe that the implementation of the Share Option Scheme enables our Group to recruit and retain high calibre executives and employees. The principal terms of the Share Option Scheme are summarised under the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

COMPLIANCE ADVISER

We intend to appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Group under Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year ending 31 December 2012, and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding <i>(%)</i>
Festive Boom	Beneficial owner	684,720,000 Shares (L)	57.06%
Ms. Cai <i>(Note 2)</i>	Interest of controlled corporation	684,720,000 Shares (L)	57.06%
Mr. Zhang <i>(Note 3)</i>	Interest of spouse	684,720,000 Shares (L)	57.06%
Hong Kong Investments	Beneficial owner	72,000,000 Shares (L)	6.00%
Mr. Cheung Chi Mang <i>(Note 4)</i>	Interest of controlled corporation	72,000,000 Shares (L)	6.00%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares of the Company or the relevant Group member.
- (2) Ms. Cai is the beneficial owner of the entire issued share capital of Festive Boom and is deemed to be interested in the Shares held by Festive Boom.
- (3) Mr. Zhang, the spouse of Ms. Cai, is deemed to be interested in all the Shares in which Ms. Cai is interested.
- (4) Mr. Cheung Chi Mang is the beneficial owner of the entire issued share capital of Hong Kong Investments and is deemed to be interested in the Shares held by Hong Kong Investments.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering and Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of the Company (a) in issue and (b) to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering and the Capitalisation Issue without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or option to be granted pursuant to the Share Option Scheme:

HK\$

Authorised share capital

<u>10,000,000,000</u>	Shares	<u>1,000,000,000</u>
-----------------------	--------	----------------------

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:

1,000,000	Shares in issue as of the date of this prospectus	100,000
899,000,000	Shares to be issued under the Capitalisation Issue	89,900,000
<u>300,000,000</u>	Shares to be issued under the Global Offering	<u>30,000,000</u>
<u>1,200,000,000</u>	Shares	<u>120,000,000</u>

If the Over-allotment Option is exercised in full, the Company's issued share capital immediately following the Global Offering and the Capitalisation Issue will be as follows:

HK\$

Authorised share capital

<u>10,000,000,000</u>	Shares	<u>1,000,000,000</u>
-----------------------	--------	----------------------

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:

1,000,000	Shares in issue as of the date of this prospectus	100,000
899,000,000	Shares to be issued under the Capitalisation Issue	89,900,000
<u>345,000,000</u>	Shares to be issued under the Global Offering	<u>34,500,000</u>
<u>1,245,000,000</u>	Shares	<u>124,500,000</u>

SHARE CAPITAL

Assumptions

The above tables assume that the Global Offering and the Capitalisation Issue become unconditional. It takes no account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme; or any Shares which may be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus save with respect to the Capitalisation Issue.

ISSUING MANDATE

The Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- the aggregate nominal value of the share capital of the Company repurchased by the Company, if any, pursuant to the Repurchase Mandate.

The Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal with the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements or the exercise of the options granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The Issuing Mandate will expire:

- at the conclusion of the next annual general meeting of the Company; or
- upon the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting,

whichever is the earliest.

SHARE CAPITAL

Further information on the Issuing Mandate is set forth in the section headed “Resolutions in writing of all the Shareholders passed on 4 September 2011” in Appendix VI to this prospectus.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed and which is recognised by the SFC and the Stock Exchange for this purpose, and which are in accordance with the Listing Rules or equivalent rules or regulations of such other stock exchange. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the section headed “Repurchases of Shares by our Company” in Appendix VI to this prospectus.

The Repurchase Mandate will expire:

- at the conclusion of the next annual general meeting of the Company; or
- upon the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting,

whichever is the earliest.

Further information on the Repurchase Mandate is set forth in the section headed “Resolutions in writing of all the Shareholders passed on 4 September 2011” in Appendix VI to this prospectus.

FINANCIAL INFORMATION

The following discussion should be read in conjunction with the consolidated financial information of our Group as of and for each of the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2010 and 2011, together with the accompanying notes, set out in the Accountants' Report in Appendix I to this prospectus. The consolidated financial information of our Group is prepared in accordance with IFRSs, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. The following discussion contains forward-looking statements that involve risks and uncertainties. Accordingly, you should not place undue reliance on any such statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" of this prospectus.

OVERVIEW

Our Group is one of the leading men's casual footwear enterprises and brand operators in the PRC. Over the years, our Group has been focusing on developing and promoting its self-owned and licensed brands for high quality and stylish casual footwear. As at the Latest Practicable Date, our Group has two self-owned brands, namely **Jimaine** and **Bull Titan**, and three licensed brands, namely **Luotuo Brand**, **Camel Active** and **Greiff**, offering a wide range of casual footwear to various segments of the middle to upper-middle end consumers.

According to Euromonitor, our Group's self-owned brands **Jimaine** and **Bull Titan** ranked fifth and sixth, respectively, among the foreign and local brands of men's casual footwear in the PRC in terms of retail sales revenue in 2010. According to Euromonitor, the men's casual footwear market of the PRC is composed of many international and local casual footwear brands and the casual footwear brand which ranked first accounted for approximately 2.6% of the men's casual footwear market share of the PRC in terms of retail sales revenue in 2010. The two self-owned brands of our Group namely **Jimaine** and **Bull Titan**, together accounted for approximately 2.6% of the men's casual footwear market of the PRC in terms of retail sales revenue in 2010.

As a result of our strategy in selecting customers who have footwear retail sales network and are experienced in the management and operations of footwear retail business, during the Track Record Period, through our customers, we were able to retail sell to the end consumers nationwide. Our customers include department stores and distributors who principally retail sell our Group's products to the end consumers through their own retail sales networks. As at 31 May 2011, the retail shops and department store counters operated and maintained by our Group's customers reached an aggregate of 491 for **Jimaine**, 581 for **Bull Titan**, 417 for **Luotuo Brand**, 22 for **Greiff** and 51 for **Camel Active**.

We also engaged in OEM business on manufacturing casual footwear for a number of overseas footwear brands during the Track Record Period.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

The companies that took part in the Reorganisation now comprising our Group were controlled by Ms. Cai and Mr. Zhang before and after the Reorganisation. The control is not transitory and, consequently there was a continuation of the risks and benefits to Ms. Cai and Mr. Zhang and,

FINANCIAL INFORMATION

therefore, the Reorganisation is considered as a business combination under common control. The financial information has been prepared using the merger basis of accounting as if our Group had always been in existence. The net assets of the companies now comprising our Group are consolidated using the existing book values from Ms. Cai and Mr. Zhang's perspective.

The financial information relating to the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements of our Group include the results of operations of the companies now comprising our Group for the Track Record Period (or where the companies were incorporated/established at a date later than 1 January 2008, for the period from their respective dates of incorporation/establishment to 31 May 2011) as if the current group structure had been in existence throughout the Track Record Period. The consolidated balance sheets of our Group as at 31 December 2008, 2009 and 2010 and 31 May 2011 have been prepared to present the state of affairs of the companies now comprising our Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated in preparing the financial information.

FACTORS AFFECTING OUR RESULTS OF OPERATION

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

General economic conditions in the PRC and the growth in disposable income of residents of the PRC

We conduct substantially all of our operations in the PRC. Economic growth in the PRC therefore has a direct impact on the level of demand for our products. The PRC has experienced significant economic growth in recent years, achieving a CAGR in nominal GDP of 17.1% from 2006 to 2010. According to the report of Euromonitor, the PRC's nominal GDP grew from RMB21.2 trillion in 2006 to RMB39.8 trillion in 2010. The rapid growth of the PRC's economy has led to accelerated urbanisation resulting in a rise in living standards and per capita disposable income. Per capita annual disposable income of urban households grew from RMB11,760 in 2006 to RMB19,109 in 2010, at a CAGR of 12.9%. As per capita disposable income has increased, consumer spending has also increased. From 2006 through 2010, total retail sales of consumer goods grew from RMB7.6 trillion in 2006 to RMB15.7 trillion in 2010, representing a CAGR of 19.9%. Furthermore, as per capita disposable income has increased, consumers in the PRC have tended to shift their spending more towards the consumption of branded lifestyle products. Since we focus on branded casual footwear, we expect that our results of operations will continue to be affected by changes in the growth of the PRC's economy and in the growth of per capita disposable income, as well as consumer spending, particularly in urban areas.

Our ability to differentiate from competitors

Our Directors believe that the casual footwear industry is highly competitive in the PRC market, including international and domestic brands, which compete in, among other things, brand loyalty, product variety, product design, product quality, marketing and promotion and distribution network

FINANCIAL INFORMATION

coverage. Many of our competitors have greater financial resources, brand recognition and operational experience than us. We must continue to meet these competitive challenges by implementing brand differentiation strategies, such as unique and effective marketing campaigns and introduction of high quality products. In addition, we will continue to implement multi-brand strategy by enhancing the market awareness and acceptance of both of our self-owned brands and licensed brands, which target a wide spectrum of consumers and work with our product design, research and development team to introduce design elements to our products which are consistent with our brand image.

Our ability to expand and optimise the distribution network

Generally, we sell all of our branded products on a wholesale and non-return basis to our customers, who are mainly distributors and department stores in the PRC. The customers in turn sell our products to end consumers through their retail shops and/or department store counters. As a result, our financial condition and results of operations will be affected by our ability to work closely with the customers to increase and improve our marketing programmes, and our ability to expand and optimise the distribution network as well as the ability of these department stores and distributors to further enhance the network of retail outlets operated by them. To ensure an extensive coverage of retail network for our products, we strategically select our customers by taking into account their retail capacities and networks.

Cost of raw materials

One of the major components of our cost of sales is the cost of raw materials. For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, raw material costs accounted for approximately 84.4%, 70.9%, 64.4% and 58.8%, respectively of our production costs. The principal raw materials used in the production of our casual footwear products are leather and soles. The cost of some principal raw materials is affected by several factors, such as fluctuations in commodity prices, purchase volume and the availability of substitute materials. We do not enter into long-term agreements with our raw material suppliers. Fluctuation in the costs of raw materials and our ability to pass on any increase in costs to our customers by adjusting the selling price of our products upward will affect our cost of sales and gross profit margins.

Purchase costs of outsourced products

We outsource the production of a portion of our branded casual footwear products and all of our apparel and accessory products to contract manufacturers which are Independent Third Parties. We expect to continue to rely on these contract manufacturers in the future. If these contract manufacturers are unable to meet our production requirements on time, or at all, our results of operations may be adversely affected. Also, we do not enter into long-term agreements with these contract manufacturers. Therefore, our cost of sales and results of operations will be subject to fluctuations in the cost of outsourced products and our ability to pass on any increased cost to our customers.

FINANCIAL INFORMATION

Seasonality

Our business is affected by seasonal trends, with higher levels of sales in March, August and the fourth quarter and lower levels of sales in January, February and May. Changes in weather patterns may also affect consumer purchase behavior. As a result, comparisons of our sales and operating results over any interim periods may not be meaningful and cannot be relied on as indicators of our future performance. Our revenue and inventory levels are therefore affected by any corresponding changes in consumer behavior due to seasonality effects.

Taxation

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

On 16 March 2007, the National People's Congress of the PRC promulgated the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**New Tax Law**”), which came into effect on 1 January 2008 and supersedes both the Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) and the Provisional Regulations on Enterprise Income Tax of the PRC (中華人民共和國企業所得稅暫行條例) (the “**Old Tax Regime**”). The New Tax Law consolidates the two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified enterprise income tax rate of 25% for both types of enterprises.

Under the New Tax Law, enterprises that enjoyed a preferential tax rate prior to the promulgation of the New Tax Law are given a five-year grace period from 1 January 2008 to gradually transit to the new tax rate. Enterprises that enjoyed a tax rate of 24% would have their tax rate increased to 25% in 2008. Enterprises which enjoyed a fixed period of tax exemption and reduction prior to the New Tax Law's promulgation would continue to enjoy such preferential tax treatment until the expiry of such prescribed period, and for those enterprises whose preferential tax treatment has not commenced due to lack of profit, such preferential tax treatment would commence from 1 January 2008.

Pursuant to the approval from the tax bureau, Jinmaiwang Fujian was exempted from the PRC Foreign Enterprise Income Tax for the two years beginning from 2004, its first profit-making year after offsetting all tax losses carried forward from the previous years, followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three years. Accordingly, Jinmaiwang Fujian is subject to income tax at 12.5% for 2008 and 25% from 2009 onwards.

Pursuant to the approval from the tax bureau, Luotuo Quanzhou was fully exempted from the PRC Foreign Enterprise Income Tax for two years starting from its first profit-making year in 2007, followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three years. Accordingly, Luotuo Quanzhou is subject to income tax at 0% for 2008, 12.5% from 2009 to 2011 and 25% from 2012 onwards.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES

Our financial information has been prepared in accordance with IFRSs. The preparation of financial information in conformity with IFRSs requires our management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following critical accounting policies involve the most significant judgements and estimates used in the preparation of our financial information.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Our management reassesses these estimations at the end of the reporting periods to ensure inventory is shown at the lower of cost and net realisable value.

Impairment of trade receivables

Our management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of our customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Our management reassesses the impairment of trade receivables at the end of the reporting periods.

Impairment losses in respect of trade receivables are recorded using an allowance account unless we are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. We do not hold any collateral over these balances.

FINANCIAL INFORMATION

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Our management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. Our management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available, judgement of our management is required to assess the probability of future taxable profits. Assessment of our management is constantly reviewed and additional deferred tax assets, if any, are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of goods*

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

Interest income from bank deposits is recognised as it accrues using the effective interest method.

(iii) *Government grants*

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attached to them. Grants that compensate our Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

FINANCIAL INFORMATION

SUMMARY OF RESULTS OF OPERATIONS

Selected Consolidated Income Statements

The selected consolidated income statements presented below for the periods indicated are derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

	For the year ended 31 December			For the five months ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	161,833	231,461	412,138	154,093	236,640
Cost of sales	<u>(137,326)</u>	<u>(167,336)</u>	<u>(282,984)</u>	<u>(106,472)</u>	<u>(161,135)</u>
Gross profit	24,507	64,125	129,154	47,621	75,505
Other revenue	397	248	267	110	242
Other net loss	(69)	(22)	(613)	(6)	(26)
Selling and distribution expenses	(9,864)	(9,041)	(16,560)	(5,545)	(13,699)
Administrative expenses	<u>(7,566)</u>	<u>(10,223)</u>	<u>(14,482)</u>	<u>(5,826)</u>	<u>(10,273)</u>
Profit from operations	7,405	45,087	97,766	36,354	51,749
Finance costs	<u>(646)</u>	<u>(768)</u>	<u>(1,295)</u>	<u>(438)</u>	<u>(961)</u>
Profit before taxation	6,759	44,319	96,471	35,916	50,788
Income tax	<u>(2,057)</u>	<u>(12,777)</u>	<u>(25,142)</u>	<u>(9,390)</u>	<u>(13,054)</u>
Profit for the year/period	<u>4,702</u>	<u>31,542</u>	<u>71,329</u>	<u>26,526</u>	<u>37,734</u>
Earnings per share					
- Basic and diluted (RMB)	<u>0.01</u>	<u>0.04</u>	<u>0.08</u>	<u>0.03</u>	<u>0.04</u>

FINANCIAL INFORMATION

PRINCIPAL INCOME STATEMENT COMPONENTS

Turnover

Our turnover represents the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax. We derive our turnover principally from the wholesales of casual footwear and apparel and accessory products to our customers in the PRC.

The table below sets out a breakdown of our revenue by brands for the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2008		2009		2010		2010		2011	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Branded Product Sales										
<i>Jimairé</i>	40,545	25.1	62,009	26.8	120,484	29.2	49,521	32.1	65,719	27.8
<i>Bull Titan</i>	67,883	41.9	92,776	40.1	118,576	28.8	51,520	33.4	57,332	24.2
<i>Luotuo Brand</i>	25,563	15.8	34,111	14.7	68,835	16.7	21,876	14.2	42,971	18.1
<i>Greiff</i>	—	—	804	0.3	16,428	4.0	1,154	0.7	15,335	6.5
<i>Camel Active</i>	—	—	—	—	5,963	1.4	120	0.1	7,835	3.3
Subtotal	133,991	82.8	189,700	81.9	330,286	80.1	124,191	80.5	189,192	79.9
OEM Sales	27,842	17.2	41,761	18.1	81,852	19.9	29,902	19.5	47,448	20.1
Total	<u>161,833</u>	<u>100.0</u>	<u>231,461</u>	<u>100.0</u>	<u>412,138</u>	<u>100.0</u>	<u>154,093</u>	<u>100.0</u>	<u>236,640</u>	<u>100.0</u>

The following table sets forth the breakdown of our revenue by product segment:

	For the year ended 31 December			For the five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB million	RMB million	RMB million	RMB million	RMB million
Footwear - Branded product	134.0	188.7	318.7	123.8	182.3
- OEM	27.8	41.8	81.8	29.9	47.4
Apparel and accessories	—	1.0	11.6	0.4	6.9
	<u>161.8</u>	<u>231.5</u>	<u>412.1</u>	<u>154.1</u>	<u>236.6</u>

Substantially all of our revenue are derived from sales of our branded casual footwear, apparel and accessories. Revenues represent the value of goods sold, less returns, discounts and value-added taxes and other sales tax. During the three years ended 31 December 2008, 2009 and 2010 and the five

FINANCIAL INFORMATION

months ended 31 May 2011, our sales of casual footwear under our brands represented approximately 82.8%, 81.5%, 77.3% and 77.0% respectively, of our aggregate turnover, which grew substantially in the amount of approximately RMB54.7 million from 2008 to 2009 and approximately RMB130 million from 2009 to 2010, at the rate of approximately 40.8% and 68.9%, respectively. OEM sales contributed approximately 17.2%, 18.1%, 19.9% and 20.1% of our aggregate turnover during the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, respectively. Sales of the casual apparel and accessories under our *Greiff* brand accounted for approximately 2.8% and 2.9% of our total sales for the year ended 31 December 2010 and the five months ended 31 May 2011, respectively.

The significant growth of our branded casual footwear was primarily due to the increasing recognition of our brands and rapid expansion of the retail sales networks operated by our customers. We sell our products directly to distributors and department stores which in turn sell the products to end consumers through their retail networks. The number of retail shops and department store counters operated and maintained by our customers increased from 518 as of 31 December 2008, to 782 as of 31 December 2009, to 1,336 as of 31 December 2010 and to 1,562 as of 31 May 2011.

The table below sets out the average sales revenue per department store/distributor for the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Distributors	733.0	982.3	1,958.2	650.1	1,250.9
Department stores	328.8	293.5	292.6	130.0	153.5

The increase in both of the average sales revenue per department store and the average sales revenue per distributor during the Track Record Period, which was in line with the growth of our revenue derived from the sales of our branded products, was primarily attributed to the increasing recognition and market acceptance of our brands. The increase in the average sales revenue per distributor was also due to the increase in the number of retail shops operated by the distributors from 228 in 2008 to 352 in 2009, 775 in 2010 and 992 as at 31 May 2011.

For the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, the revenue generated from the sales of our branded products in the Eastern, Northern and Northeastern Region, in aggregate, amounted to 75.7%, 78.9%, 78.3% and 80.5%, respectively, of the total revenue attributable to our branded products, primarily because the majority of the sales counters at department stores and retail shops set up by distributors are located in these geographic regions. These regions include major cities and provinces, such as Shanghai, Beijing and Fujian where our target customers, who are relatively more affluent and possess strong purchasing power, are located. As at 31 December 2008, 2009 and 2010 and 31 May 2011, the aggregate number retail shops and department store counters operated and maintained by our customers in the Eastern, Northern and Northeastern Region in the PRC was 309, 461, 741 and 984, respectively.

FINANCIAL INFORMATION

The growth in the sales of our branded casual footwear was also attributable to the increase in the average selling price by approximately 7.0% from RMB115.0 for the year ended 31 December 2008 to RMB123.1 for the year ended 31 December 2009, and further increase by approximately 12.6% from RMB123.1 to RMB138.6 for the year ended 31 December 2010. The average selling price of our branded casual footwear for the five months ended 31 May 2011 was RMB154.5, representing an increase of approximately 13.3% as compared to that in the corresponding period in 2010. The increasing trend was primarily attributable to our ability to increase the suggested retail price of our branded products due to increasing brand recognition in the market and rapid growth of the PRC's economy, which led to accelerated urbanisation resulting in a rise in living standard and per capita disposable income, thereby stimulating the consumption on branded casual footwear and apparel products.

The average unit selling prices of our products by brands during the Track Record Period were as follows:

	For the year ended			For the five months	
	31 December			ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Jimairé</i>	116.2	137.0	132.4	133.6	141.3
<i>Bull Titan</i>	112.5	114.1	145.7	139.0	177.5
<i>Luotuo Brand</i>	120.0	123.4	131.6	128.7	146.8
<i>Greiff</i>	—	191.3	118.2	98.9	121.8
<i>Camel Active</i>	—	—	200.0	346.8	212.3

The average selling prices of our products, which also represent the wholesale prices of our products payable by our customers, are lower than the recommended retail prices of our products to allow for some margin to accommodate the costs and expenses incurred by our customers in operating their retail sales network. In general, the average unit selling prices of our products have incrementally increased during Track Record Period, attributable to the increasing market acceptance of our brands. However, the average unit selling price of *Jimairé* products decreased slightly by approximately 3.4% from RMB137.0 in 2009 to RMB132.4 in 2010. The decrease was mainly due to the increase in sales volume of *Jimairé* footwear in a lower price range, thereby dragging down the average unit selling price of *Jimairé* products. In addition, the average unit selling price of *Greiff* products decreased by approximately 38.2% from RMB191.3 in 2009 to RMB118.2 in 2010 as a result of the change of *Greiff* product mix by the end of 2009 by expanding the sale of apparel and accessory products, the unit selling price of which is lower than that of footwear products. Furthermore, the average unit selling price of *Camel Active* products decreased by approximately 38.8% from RMB346.8 for the five months ended 31 May 2010 to RMB212.3 in the corresponding period in 2011. The decrease was mainly due to the increase in sales volume of *Camel Active* footwear in a lower price range, which is in line with the market strategy noted in 2010.

We expanded the product mix to include apparel and accessories by the end of 2009 to diversify our branded product offerings. The total sales of our branded apparel products amounted to RMB10.8 million with an average selling price of RMB108.5 for the year ended 31 December 2010. The total

FINANCIAL INFORMATION

sales of our branded accessories amounted to RMB0.8 million with an average selling price of RMB120.1 for the year ended 31 December 2010. The total sales of our branded apparel products amounted to RMB6.8 million with an average selling price of RMB107.7 for the five months ended 31 May 2011. The total sales of our branded accessories amounted to RMB0.1 million with an average selling price of RMB155.3 for the five months ended 31 May 2011. We believe that the sales of our apparel and accessory products would increase steadily in the near future after the brand recognition of *Greiff* is further enhanced.

The sales of our OEM business also enjoyed a significant growth during the Track Record Period. During the years ended 31 December 2008, 2009 and 2010, our OEM sales recorded a growth of approximately 50.0% from 2008 to 2009 and approximately 96.0% from 2009 to 2010. We also recorded a growth in OEM sales of approximately 58.7% for the five months ended 31 May 2011 as compared to the corresponding period in 2010. The strong growth was principally due to the recovery of the global financial crisis since the first half of 2009.

Cost of sales

Our cost of sales for the casual footwear, apparel and accessory products primarily consists of internal production costs and outsourced production costs. Internal production costs include raw material costs, labour costs and manufacturing costs incurred in the self-production of our branded footwear. Raw materials costs refer to costs of procuring raw materials used in the internal production of casual footwear products, such as leather, synthetic leather and soles. Labour costs consist of salaries paid to production staff. Manufacturing costs mainly include salaries, depreciation of production facilities, costs associated with operating the production facilities, such as electricity, water and maintenance costs and other miscellaneous costs associated with our manufacturing operations. Outsourced production costs refer to costs of procuring finished footwear, apparel and accessories, which represent amounts paid to Independent Third-Party manufacturers in the PRC. For the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our cost of sales amounted to RMB137.3 million, RMB167.3 million, RMB283.0 million and RMB161.1 million, respectively.

The average purchase costs of our major raw materials for the Track Record Period were as follows:

	For the year ended			For the five months	
	31 December			ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Leather (sq.ft.)	15.62	14.58	14.61	14.66	14.93
Soles (pairs)	10.49	11.13	11.03	11.48	11.37
Others	3.44	1.59	1.73	2.76	1.95

Note: Others mainly represented cloths, package materials, buckle, cotton thread, glue and other chemicals.

FINANCIAL INFORMATION

Gross profit

The gross profit of our products by brands during the Track Record Period were as follows:

	For the year ended 31 December			For the five months ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Jimairé</i>	3,374	15,191	31,364	12,855	18,770
<i>Bull Titan</i>	10,619	29,967	40,258	17,620	20,313
<i>Luotuo Brand</i>	5,317	9,963	20,028	6,244	12,068
<i>Greiff</i>	—	297	4,646	299	3,299
<i>Camel Active</i>	—	—	2,191	35	2,089

Other revenue

We derived other revenue principally from interest income on bank deposits, PRC government subsidies and sundry income. For the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, other revenue of our Group were RMB0.4 million, RMB0.2 million, RMB0.3 million and RMB0.2 million, respectively.

Other net loss

For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our other net loss, which was mainly attributable to net foreign exchange loss and/or loss on disposal of property, plant and equipment, amounted to RMB0.07 million, RMB0.02 million, RMB0.61 million and RMB0.02 million, respectively.

Selling and distribution expenses

Our selling and distribution expenses primarily consisted of advertising and marketing expenses and costs associated with participation in exhibitions and holding of sales fairs. During the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our selling and distribution expenses were RMB9.9 million, RMB9.0 million, RMB16.6 million and RMB13.7 million, respectively, representing approximately 6.1%, 3.9%, 4.0% and 5.8% of our turnover, respectively.

Administrative expenses

Our administrative expenses were RMB7.6 million, RMB10.2 million, RMB14.5 million and RMB10.3 million for the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, respectively, and consisted primarily of salary, welfare and other benefits for employees, legal and professional fees, allowance for doubtful debts, entertainment expenses and depreciation expenses of fixed assets of our Group.

FINANCIAL INFORMATION

Finance costs

Our finance costs consisted of interest expenses on bank borrowing. For the three years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, our finance costs amounted to RMB0.65 million, RMB0.77 million, RMB1.30 million and RMB0.96 million, respectively.

Income tax

During the Track Record Period, the tax of our Group was constituted by (i) current tax from our PRC subsidiaries; and (ii) deferred tax. Our Company and its subsidiaries are incorporated in different jurisdictions, with different taxation requirements which are illustrated as follows:

Cayman Islands and BVI income tax

Since our Company is incorporated in the Cayman Islands as an exempted company with limited liability, no income tax is imposed in the Cayman Islands upon us. The British Virgin Islands has no income tax applicable to a business company.

Hong Kong profits tax

No provision was made for Hong Kong Profits Tax as our Group did not earn any assessable profit subject to Hong Kong Profits Tax during the Track Record Period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

PRC income tax

During the Track Record Period, our PRC subsidiaries were subject to the following applicable tax rates:

	Applicable tax rate			
	For the year ended 31 December			For the five months ended
	2008	2009	2010	31 May 2011
Jinmaiwang Fujian	12.5%	25%	25%	25%
Luotuo Quanzhou	0%	12.5%	12.5%	12.5%
Shishi Haomai	25%	25%	25%	25%
Greiff Xiamen	—	—	25%	25%

FINANCIAL INFORMATION

According to the Corporate Income Tax Law of the PRC and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and the relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%.

Since our Group can control the quantum and timing of distribution of profits of our PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

Further information about our income tax is set out in note 6(a) to the Accountants’ Report in Appendix I to this prospectus.

COMPARISON OF THE RESULTS OF OPERATIONS

Five months ended 31 May 2011 compared to five months ended 31 May 2010

Turnover

Our turnover increased by RMB82.5 million, or approximately 53.6%, from RMB154.1 million for the five months ended 31 May 2010 to RMB236.6 million for the five months ended 31 May 2011, primarily as a result of the following:

Sales of our branded products

Revenue from the sales of our branded products increased by approximately 52.3% from RMB124.2 million for the five months ended 31 May 2010 to RMB189.2 million for the five months ended 31 May 2011. The significant increase in our revenue from sales of our branded products was mainly due to the increase in both our sales volume and average selling price of our branded products as well as the increase in the market acceptance of our two licensed brands, *Camel Active* and *Greiff*.

(i) Increase in sales volume

The total number of our branded casual footwear sold increased from 0.91 million pairs for the five months ended 31 May 2010 to 1.2 million pairs for the five months ended 31 May 2011, representing an increase of approximately 31.9%. The increase in our sales volume was primarily due to rapid expansion of the retail sales networks operated by our customers from 1,336 sales points as at 31 December 2010 to 1,562 sales points as at 31 May 2011. The successful promotion of our brands, improved product design, expansion of our product portfolio, increasing market demand for casual footwear products and rapid growth of the PRC economy also contributed to the increase in our sales volume.

FINANCIAL INFORMATION

(ii) Increase in average selling price

The increase in average selling price of our branded casual footwear also contributed to the increase in our revenue. The average selling price of our branded products increased by approximately 13.3% from RMB136.4 for the five months ended 31 May 2010 to RMB154.5 for the five months ended 31 May 2011, primarily because we were able to increase the suggested retail price of our products to our customers who in turn sell our products to end consumers as a result of the increasing recognition of our brands in the PRC casual footwear market.

(iii) Increase in market acceptance of *Camel Active* and *Greiff*

The increase in our revenue from the sales of our branded products was partially contributed by the increase in the market acceptance of two of our licensed brands, *Greiff* and *Camel Active*, which were first introduced to the market in 2009 and 2010, respectively. The total amount of sales from these two brands increased by approximately 17 times from RMB1.3 million for the five months ended 31 May 2010 to RMB23.2 million for the five months ended 31 May 2011, in which RMB6.9 million was contributed by the sales of *Greiff* branded apparel and accessory products during 2011.

Sales of OEM products

Revenue from our OEM operations increased by RMB17.5 million, or approximately 58.7%, from RMB29.9 million for the five months ended 31 May 2010 to RMB47.4 million for the five months ended 31 May 2011. The significant growth was principally due to the increase over the selling price of OEM products, by approximately 8.6% from RMB71.8 for the five months ended 31 May 2010 to RMB78.0 for the five months ended 31 May 2011, and also the increment over the sales volume from 0.4 million pairs for the five months ended 31 May 2010 to 0.6 million pairs for the respective period in 2011.

Gross profit and gross profit margin

Our gross profit increased by RMB27.9 million, or approximately 58.6%, from RMB47.6 million for the five months ended 31 May 2010 to RMB75.5 million for the five months ended 31 May 2011 primarily due to increase in sales. Our gross profit margin increased from 30.9% to 31.9% over the same period, primarily due to the increasing recognition of our brands in the market thereby allowing our Group to gain price advantage.

Gross profit and gross profit margin for our branded footwear

Gross profit for our branded footwear increased by approximately 50.0% from RMB36.9 million for the five months ended 31 May 2010 to RMB55.4 million for the same period of 2011. Gross profit margin for our branded footwear had a slight increment from 29.8% for the five months ended 31 May 2010 to 30.4% for the five months ended 31 May 2011 primarily because the pace of growth of sales of our branded footwear continuously outpaced the corresponding growth in cost of sales, as a result of (i) the increase in average selling price of our branded footwear by approximately 13.3% from RMB136.4 for the five months ended 31 May 2010 to RMB154.5 for the five months ended 31 May

FINANCIAL INFORMATION

2011, primarily due to the increasing recognition of our brands in the market hereby allowing our Group to gain price advantage; (ii) partially offset by the effect of the increase in unit cost of production, comprising mainly raw material cost and labour cost, by approximately 7.3% from RMB74.9 per unit for the five months ended 31 May 2010 to RMB80.4 per unit for the five months ended 31 May 2011; and (iii) increase in our outsourced production cost of footwear due to our production facilities reaching their maximum capacities in 2011. The proportion of our outsourced production cost of casual footwear in terms of total cost of sales increased from approximately 19.7% for the five months ended 31 May 2010 to approximately 33.9% of the same period in 2011, and the average outsourced production cost was comparatively higher than the internal production cost by approximately 24.1% and approximately 24.0%, respectively, for the same period in 2010 and 2011.

Gross profit and gross profit margin for our branded apparel

Gross profit for our branded apparel increased from RMB0.1 million for the five months ended 31 May 2010 to RMB1.1 million for the five months ended 31 May 2011, primarily due to the increase in market acceptance of our licensed brand, **Greiff** since it was first introduced to market in late 2009. Gross profit margin for our branded apparel decreased from 32.5% to 16.4% because of the expansion of product mix with the market strategy of increasing the sales volume as well as the market share by selling products with respective lower profit margin during 2011.

Gross profit and gross profit margin for our branded accessories

We commenced selling accessories under our licensed brand, **Greiff** in 2010. Gross profit and gross profit margin for our branded accessories were RMB13,000 and 8.6% for the five months ended 31 May 2011.

Gross profit and gross profit margin for OEM products

Gross profits for our OEM products increased by approximately 79.5% from RMB10.6 million for the five months ended 31 May 2010 to RMB19.0 million for the five months ended 31 May 2011, primarily due to the increase in both sales volume and selling price.

Gross profit margin for OEM products increased from 35.3% for the five months ended 31 May 2010 to 40.0% for the same period of 2011, as a result of the increase over the average selling price of OEM products by approximately 8.6% from RMB71.8 for the five months ended 31 May 2010 to RMB78.0 for the five months ended 31 May 2011. The increase in the average selling price of our OEM products was mainly attributable to increasing recognition of our OEM products' quality as a result of our improved quality control process which enabled our Group to gain price advantage. Whereas, our unit cost of production, which included labour costs and raw material costs, remained comparable for both periods in 2010 and 2011 with average cost per unit of RMB46.4 and RMB46.8 respectively.

Other revenue

Other revenue of our Group increased by RMB132,000, or approximately 120%, from RMB110,000 for the five months ended 31 May 2010 to RMB242,000 for the five months ended 31 May 2011. The increment was primarily due to receipt of PRC government subsidies in the sum of RMB100,000 during 2011.

FINANCIAL INFORMATION

Other net loss

Other net loss of our Group increased by RMB20,000 from RMB6,000 for the five months ended 31 May 2010 to RMB26,000 for the five months ended 31 May 2011. The increase was mainly due to the foreign exchange loss recorded when we received settlement from customers in USD.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB8.2 million, or approximately 147%, from RMB5.5 million for the five months ended 31 May 2010 to RMB13.7 million for the five months ended 31 May 2011, primarily as a result of additional brand promotion activities, especially for our two licensed brands, *Camel Active* and *Greiff*, which are new to the market compared to the other brands of our Group. During the five months ended 31 May 2011, we expended approximately RMB6.6 million for brand promotion activities, representing approximately 2.8% of our turnover, and we expended only approximately 1.3% of our turnover on brand promotion activities for the same period in 2010. We also incurred RMB2.5 million royalty fee paid to CMLC Asia Sdn Bhd commencing from the second half of 2010 for the exclusive licence to use the “*Camel Active*” trademark in connection with the manufacture, distribution, sale and promotion of footwear products in the PRC. In addition to these expenses, other expenses increased correspondingly with the increase in our turnover.

Administrative expenses

Our administrative expenses increased by RMB4.4 million, or approximately 76.3%, from RMB5.8 million for the five months ended 31 May 2010 to RMB10.3 million for the five months ended 31 May 2011, primarily attributable to the RMB3.0 million professional fees paid in connection with the proposed Listing, as well as increase in salary levels for senior administrative staff recruited for the expansion of our operation in connection with the proposed Listing.

Profit from operation

Our profit from operations increased by RMB15.4 million, or approximately 42.3%, from RMB36.4 million for the five months ended 31 May 2010 to RMB51.7 million for the five months ended 31 May 2011, primarily due to the factors as described above.

Finance costs

Our finance costs increased by approximately 119.4% from RMB0.44 million for the five months ended 31 May 2010 to RMB0.96 million for the five months ended 31 May 2011, primarily due to an increase in bank borrowings over the period as a result of the increase in production in 2011 and an increase in the effective interest rate for bank borrowings from 5.57% for the five months ended 31 May 2010 to 5.84% for the same period in 2011.

Income tax

Our income tax increased by RMB3.7 million, or approximately 39.0%, from RMB9.4 million for the five months ended 31 May 2010 to RMB13.1 million for the five months ended 31 May 2011, primarily as a result of the increase in our profits before tax. Our effective tax rate decreased from 26.1% for the five months ended 31 May 2010 to 25.7% for the five months ended 31 May 2011 mainly attributable to an increase in contribution by Luotuo Quanzhou, which benefited from a lower tax rate under 2+3 tax holiday since 2007.

FINANCIAL INFORMATION

Profit for the period

Our profit after taxation increased by RMB11.2 million, or approximately 42.3%, from RMB26.5 million for the five months ended 31 May 2010 to RMB37.7 million for the five months ended 31 May 2011, primarily due to the foregoing reasons.

Net profit margin decreased from 17.2% for the five months ended 31 May 2010 to 15.9% for the five months ended 31 May 2011. This is mainly due to the overall increase in selling and distribution expenses for our Group's brand promotion activities and administrative expenses incurred in connection with the preparation of Listing.

Year ended 31 December 2010 compared to year ended 31 December 2009

Turnover

Our turnover increased by RMB180.6 million, or approximately 78.1%, from RMB231.5 million for the year ended 31 December 2009 to RMB412.1 million for the year ended 31 December 2010, primarily as a result of the following:

Sales of our branded products

Revenue from the sales of our branded products increased by approximately 74.1%, from RMB189.7 million for the year ended 31 December 2009 to RMB330.3 million for the year ended 31 December 2010. The significant increase in our revenue from sales of our branded products was mainly due to the increase in both our sales volume and average selling price of our branded products as well as the increase in the market acceptance of our two licensed brands, *Camel Active* and *Greiff*.

(i) Increase in sales volume

The total number of our branded casual footwear sold increased from 1.5 million pairs for the year ended 31 December 2009 to 2.3 million pairs for the year ended 31 December 2010, representing an increase of approximately 53.3%. The increase in our sales volume was primarily due to rapid expansion of the retail sales networks operated by our customers from 782 sales points in 2009 to 1,336 sales points in 2010. The successful promotion of our brands, improved product design, e.g. functional footwear with special features added, increasing market demand for casual footwear products and rapid growth of the PRC economy also contributed to the increase in our sales volume.

(ii) Increase in average selling price

The increase in average selling price of our branded casual footwear also contributed to the increase in our revenue. The average selling price of our branded products increased by approximately 12.6% from RMB123.1 for the year ended 31 December 2009 to RMB138.6 for the year ended 31 December 2010, primarily because we were able to increase the suggested retail price of our products to our customers who in turn sell our products to end consumers as a result of the increasing recognition of our brands in the PRC casual footwear market.

FINANCIAL INFORMATION

(iii) Increase in market acceptance of *Camel Active* and *Greiff*

The increase in our revenue from the sales of our branded products was partially contributed by the increase in the market acceptance of two of our licensed brands, *Greiff* and *Camel Active*, which were first introduced to the market in 2009 and 2010, respectively. The total amount of sales from these two brands increased by approximately 28 times from RMB0.8 million for the year ended 31 December 2009 to RMB22.4 million for the year ended 31 December 2010, in which RMB11.6 million was contributed by the sales of *Greiff* branded apparel and accessory products in 2010.

Sales of OEM products

Revenue from our OEM operations increased by RMB40.0 million, or approximately 96.0%, from RMB41.8 million for the year ended 31 December 2009 to RMB81.8 million for the year ended 31 December 2010. The strong growth was principally due to the recovery of the global financial crisis since the first half of 2009, together with the increment over the selling price of OEM products after the price reduction strategy adopted during global financial crisis, with average selling price increased by approximately 7.5% from RMB69.0 for the year ended 31 December 2009 to RMB74.2 for the year ended 31 December 2010. Also, the increase in sales of our OEM business was due to the active participation of our Group in both domestic and international trade fairs, exhibitions and conferences and additional orders received from new footwear enterprises during 2010.

Gross profit and gross profit margin

Our gross profit increased by RMB65.1 million, or approximately 101.4%, from RMB64.1 million for the year ended 31 December 2009 to RMB129.2 million for the year ended 31 December 2010 primarily due to increase in sales. Our gross profit margin increased from 27.7% to 31.3% over the same period, primarily due to the increasing recognition of our brands in the market in 2010, particularly our licensed brands, *Camel Active* and *Greiff*, thereby allowing our Group to gain price advantage.

Gross profit and gross profit margin for our branded footwear

Gross profit for our branded footwear increased by approximately 70.2% from RMB55.2 million for the year ended 31 December 2009 to RMB94.0 million for the year ended 31 December 2010. Gross profit margin for our branded footwear have a slight increment from 29.3% for the year ended 31 December 2009 to 29.5% for the year ended 31 December 2010 primarily because the pace of growth of sales of our branded footwear continuously outpaced the corresponding growth in cost of sales, as a result of (i) the increase in average selling price of our branded products by approximately 12.6% from RMB123.1 for the year ended 31 December 2009 to RMB138.6 for the year ended 31 December 2010, primarily due to the increasing recognition of our brands in the market thereby allowing our Group to gain price advantage; (ii) the improved product design together with the increased number of products sold enabling our Group to achieve economies of scale with respect to our labour costs, which decreased by approximately 19.8% from RMB10.6 per unit of production for the year ended 31 December 2009 to RMB8.5 per unit of production for the year ended 31 December 2010; and (iii) partially offset by the effect of the increase in our outsourced production cost of

FINANCIAL INFORMATION

footwear due to our production facilities reaching their maximum capacities in 2010. The proportion of our outsourced production cost of casual footwear in terms of total cost of sales increased from approximately 15.7% in 2009 to approximately 24.9% in 2010, and the average outsourced production cost was comparatively higher than the internal production cost by approximately 30% and approximately 26.8%, respectively, in 2009 and 2010.

Gross profit and gross profit margin for our branded apparel

Gross profit for our branded apparel increased from RMB0.2 million for the year ended 31 December 2009 to RMB4.4 million for the year ended 31 December 2010, primarily due to the increase in market acceptance of our licensed brand, **Greiff**, which was first introduced to the market in late 2009. Gross profit margin for our branded apparel increased from 20.1% to 41.1% because of the increasing recognition of **Greiff** brand in the market, thereby allowing our Group to gain price advantage.

Gross profit and gross profit margin for our branded accessories

We commenced selling accessories under our licensed brand, **Greiff**, in 2010. Gross profit and gross profit margin for our branded accessories were RMB67,000 and 8.3% for the year ended 31 December 2010.

Gross profit and gross profit margin for OEM products

Gross profit for our OEM products increased by approximately 252.2% from RMB8.7 million for the year ended 31 December 2009 to RMB30.7 million for the year ended 31 December 2010, primarily due to the increase in sales as a result of the increasing market demand after the recovery of the global financial crisis since the first half of 2009.

Gross profit margin for OEM products increased from 20.8% for the year ended 31 December 2009 to 37.5% for the year ended 31 December 2010, as a result of the increase in the average selling price of our OEM products by approximately 7.5% from RMB69.0 for the year ended 31 December 2009 to RMB74.2 for the year ended 31 December 2010 due to the upward price adjustment over OEM sales during 2010 as against the downward price adjustment of approximately 10.3% during the global financial crisis in 2009. Increase in gross profit margin for OEM products was also attributable to more efficient production method, which enabled our Group to achieve economies of scale thereby reducing the production cost from RMB53.6 per unit for the year ended 31 December 2009 to RMB46.4 per unit for the year ended 31 December 2010.

Other revenue

Other revenue of our Group remains stable when compared between that in the year ended 31 December 2009 and that in the year ended 31 December 2010, primarily due to the comparable level of bank deposits over the same period.

FINANCIAL INFORMATION

Other net loss

Other net loss of our Group increased by RMB0.6 million from RMB0.02 million for the year ended 31 December 2009 to RMB0.6 million for the year ended 31 December 2010. The increase was mainly due to the disposal/written off for the footwear production equipment during the year.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB7.6 million, or approximately 83.2%, from RMB9.0 million for the year ended 31 December 2009 to RMB16.6 million for the year ended 31 December 2010, primarily as a result of additional brand promotion activities for our two new licensed brands, *Camel Active* and *Greiff*, which were registered in late 2009. Also, we re-engaged Dennis Rodman as the spokesman of one of our self-owned brands, namely “*Bull Titan*”, to promote its products with a 2-year contract starting from November 2009 to November 2011. The respective marketing and advertising expenses in 2010 amounted to RMB1 million. We also incurred RMB2.8 million royalty fee paid to CMLC Asia Sdn Bhd commencing from 2010 for the exclusive licence to use the *Camel Active* trademark in connection with the manufacture, distribution, sale and promotion of footwear products in the PRC. In addition to these expenses, other expenses increased correspondingly with the increase in our turnover.

Administrative expenses

Our administrative expenses increased by RMB4.3 million, or approximately 41.7%, from RMB10.2 million for the year ended 31 December 2009 to RMB14.5 million for the year ended 31 December 2010, primarily attributable to the increase in annual bonus paid to staff as a result of increase in our turnover and profit for the year and the increase in salaries, welfare and other benefits resulting from recruitment of 35 additional staff in 2010.

Profit from operation

Our profit from operations increased by RMB52.7 million, or approximately 116.8%, from RMB45.1 million for the year ended 31 December 2009 to RMB97.8 million for the year ended 31 December 2010, primarily due to the factors as described above.

Finance costs

Our finance costs increased by approximately 68.6% from RMB0.8 million for the year ended 31 December 2009 to RMB1.3 million for the year ended 31 December 2010, primarily due to an increase in bank borrowings over the year as a result of the increase in production in 2010 and an increase in the effective interest rate for bank borrowings from 5.42% for the year ended 31 December 2009 to 5.57% for the year ended 31 December 2010.

Income tax

Our income tax increased by RMB12.3 million, or approximately 96.8%, from RMB12.8 million for the year ended 31 December 2009 to RMB25.1 million for the year ended 31 December 2010, primarily as a result of the increase in our profits before tax. Our effective tax rate decreased from

FINANCIAL INFORMATION

28.8% for the year ended 31 December 2009 to 26.1% for the year ended 31 December 2010 mainly attributable to an increase in profit before taxation contributed by Luotuo Quanzhou, which benefited from a lower tax rate under 2+3 tax holiday since 2007.

Profit for the year

Our profit after taxation increased by RMB39.8 million, or approximately 126.1%, from RMB31.5 million for the year ended 31 December 2009 to RMB71.3 million for the year ended 31 December 2010, primarily due to the foregoing reasons.

Net profit margin increased from 13.6% for the year ended 31 December 2009 to 17.3% for the year ended 31 December 2010. This was mainly due to the overall increase in gross profit margin of sales as stated above, partially offset by the increase in other expenses as a percentage of our revenue and the increase in income tax expenses of RMB12.3 million from RMB12.8 million for the year ended 31 December 2009 to RMB25.1 million for the year ended 31 December 2010.

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

Turnover

Our turnover increased by RMB69.6 million, or approximately 43.0%, from RMB161.8 million for the year ended 31 December 2008 to RMB231.5 million for the year ended 31 December 2009, primarily as a result of the following:

Sales of our branded products

Revenue from the sales of our branded products increased by approximately 41.6%, from RMB134.0 million for the year ended 31 December 2008 to RMB189.7 million for the year ended 31 December 2009. The significant increase in our revenue from sales of our branded products was mainly due to the increase in both our sales volume and average selling price of our branded products.

(i) Increase in sales volume

The total number of our branded casual footwear sold increased from 1.2 million pairs for the year ended 31 December 2008 to 1.5 million pairs for the year ended 31 December 2009, representing an increase of approximately 31.5%. The increase in our sales volume was primarily due to rapid expansion of the retail sales networks operated by our customers from 518 sales points in 2008 to 782 sales points in 2009. The successful promotion of our brands, improved product design, e.g. functional footwear with special features added, increasing market demand for casual footwear products and rapid growth of the PRC economy also contributed to the increase in our sales volume.

(ii) Increase in average selling price

The increase in average selling price of our branded casual footwear also contributed to the increase in our revenue. The average selling price of our branded products increased by approximately 7.0% from RMB115.0 for the year ended 31 December 2008 to RMB123.1 for the

FINANCIAL INFORMATION

year ended 31 December 2009, primarily because we were able to increase the suggested retail price of the products to our customers who in turn sell our products to end consumers as a result of the increasing recognition of our brands in the PRC casual footwear market.

Sales of OEM products

Revenue from our OEM operations increased by RMB13.9 million, or approximately 50.0%, from RMB27.8 million for the year ended 31 December 2008 to RMB41.8 million for the year ended 31 December 2009. As we adopted a selling strategy to reduce the selling prices in order to boost up the OEM sales under global financial crisis during the first half of 2009, a significant growth in sales amount was noted with a decrease in average selling price from RMB76.9 for the year ended 31 December 2008 to RMB69.0 for the year ended 31 December 2009.

Gross profit and gross profit margin

Our gross profit increased by RMB39.6 million, or approximately 161.7%, from RMB24.5 million for the year ended 31 December 2008 to RMB64.1 million for the year ended 31 December 2009 primarily because of increase in sales and that the rate of increase in our revenue outpaced the rate of increase in our cost of sales. Our gross profit margin increased from 15.1% to 27.7% over the same period, primarily as a result of successful brand promotion and improved product design, thereby allowing our Group to gain price advantage.

Gross profit and gross profit margin for our branded footwear

Gross profit for our branded footwear increased by approximately 185.9% from RMB19.3 million for the year ended 31 December 2008 to RMB55.2 million for the year ended 31 December 2009. Gross profit margin for our branded footwear increased from 14.4% for the year ended 31 December 2008 to 29.3% for the year ended 31 December 2009 because the pace of growth of sales of our branded footwear continuously outpaced the corresponding growth in cost of sales, as a result of (i) the increase in the average selling price of our branded footwear by approximately 7.0% from RMB115.0 for the year ended 31 December 2008 to RMB123.1 for the year ended 31 December 2009, primarily due to the increasing recognition of our brands in the market thereby allowing our Group to gain price advantage; and (ii) the improved product design and manufacturing technique enabling our Group to decrease the rate of wastage during the production process, resulting in the decrease in raw material cost from RMB75.0 per unit for the year ended 31 December 2008 to RMB60.0 per unit for the year ended 31 December 2009, representing a decrease of approximately 20%. The increase in our gross profit margin for our branded footwear was partially offset by the increase in outsourced production cost due to our production facilities reaching their maximum capacities during the sales peak season in 2009. The proportion of our outsourced production cost of casual footwear increased from 0% in 2008 to approximately 15.7% in 2009, and the average outsourced production cost was comparatively higher than the internal production cost by approximately 30% in 2009.

Gross profit and gross profit margin for our branded apparel

We commenced selling apparel products in 2009. Gross profit and gross profit margin for our branded accessories were RMB206,000 and 20.1% for the year ended 31 December 2009.

FINANCIAL INFORMATION

Gross profit and gross profit margin for OEM products

Gross profit for our OEM products increased by approximately 67.5% from RMB5.2 million for the year ended 31 December 2008 to RMB8.7 million for the year ended 31 December 2009, primarily due to the increase in sales. Gross profit margin for OEM products slightly increased from 18.7% for the year ended 31 December 2008 to 20.8% for the year ended 31 December 2009, as a result of improvement in product designs for more efficient production method for OEM customers to decrease the production cost per unit from RMB63.9 for the year ended 31 December 2008 to RMB53.6 for the year ended 31 December 2009; which offset the adverse effect arising from the downward price adjustment over our OEM products during the global financial crisis in 2009 by approximately 10.3% from RMB76.9 per unit sold for the year ended 31 December 2008 to RMB69.0 per unit sold for the year ended 31 December 2009.

Other revenue

Other revenue of our Group decreased by RMB149,000, or approximately 37.5%, from RMB397,000 for the year ended 31 December 2008 to RMB248,000 for the year ended 31 December 2009. This decrease was primarily due to a decrease of RMB61,000 in interest income on bank deposits and a decrease of RMB90,000 in PRC government subsidies.

Other net loss

Other net loss of our Group decreased by RMB47,000, or approximately 68.1%, from RMB69,000 for the year ended 31 December 2008 to RMB22,000 for the year ended 31 December 2009. This decrease was mainly due to the net effect of the decrease in net foreign exchange loss.

Selling and distribution expenses

Our selling and distribution expenses slightly decreased by RMB0.8 million, or approximately 8.3%, from RMB9.8 million for the year ended 31 December 2008 to RMB9.0 million for the year ended 31 December 2009, primarily as a result of the end of the engagement contract with Dennis Rodman as the spokesman of one of our self-owned brands, namely “*Bull Titan*”, to promote our products with a 2-year contract starting from March 2007 to March 2009. The respective marketing and advertising expenses in 2009 amounted to RMB0.3 million, in compare with the same period in 2008 with the amount of RMB1.1 million. The contract was renewed in November 2009 after we re-assessed our target consumer segments and market position.

Administrative expenses

Our administrative expenses increased by RMB2.7 million, or approximately 35.1%, from RMB7.6 million for the year ended 31 December 2008 to RMB10.2 million for the year ended 31 December 2009, primarily attributable to the increase in annual bonus paid to staff and additional pre-operating cost of RMB559,000 incurred for the establishment of Greiff Xiamen in preparation for managing our two new licensed brands, *Greiff* and *Camel Active*, which were first introduced to the market in 2009 and 2010, respectively.

FINANCIAL INFORMATION

Profit from operations

Our profit from operation increased by RMB37.7 million, or approximately 508.9%, from RMB7.4 million for the year ended 31 December 2008 to RMB45.1 million for the year ended 31 December 2009, primarily due to the foregoing reasons.

Finance costs

Our finance costs increased by RMB0.12 million, or approximately 18.9%, from RMB0.65 million for the year ended 31 December 2008 to RMB0.77 million for the year ended 31 December 2009. This increase was primarily due to the increase in bank borrowings from RMB8.5 million as at 31 December 2008 to RMB20.6 million as at 31 December 2009.

Income tax

Our income tax increased by RMB10.7 million, or approximately 521.1%, from RMB2.1 million for the year ended 31 December 2008 to RMB12.8 million for the year ended 31 December 2009, primarily as a result of the increase in our profits before tax and the increase in the applicable tax rate of Jinmaiwang Fujian from 12.5% in 2008 to 25% in 2009 and Luotuo Quanzhou from 0% in 2008 to 12.5% in 2009 after expiry of the two-year full exemption tax holiday in 2009. Our effective tax rate decreased from 30.4% for the year ended 31 December 2008 to 28.8% for the year ended 31 December 2009, primarily due to a decrease in the proportion of taxable profit to non-deductible expenses brought to tax for the year ended 31 December 2009, which partially offset the effect of increase in applicable tax rate of Jinmaiwang Fujian and Luotuo Quanzhou as stated above.

Profit for the year

Our profit after taxation increased by RMB26.8 million, or approximately 570.8%, from RMB4.7 million for the year ended 31 December 2008 to RMB31.5 million for the year ended 31 December 2009.

Net profit margin increased from 2.9% for the year ended 31 December 2008 to 13.6% for the year ended 31 December 2009. This was mainly due to the overall increase in gross profit margin of sales as stated above, partially offset by the increase in other expenses as a percentage of our revenue, and the increase in income tax expenses of RMB10.7 million from RMB2.1 million for the year ended 31 December 2008 to RMB12.8 million for the year ended 31 December 2009, which arising from the change in our tax credit position of Jinmaiwang Fujian and Luotuo Quanzhou as stated above.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have financed our working capital, capital expenditure and other capital requirements primarily through cash inflow from operating activities and bank borrowings. We expect to continue to fund our future capital expenditure, working capital and other cash requirements from cash generated from our operations, the net proceeds from the Global Offering, and when necessary, bank borrowings.

FINANCIAL INFORMATION

The following table is a condensed summary of our Group's consolidated cash flow statements for the periods indicated:

	For the year ended			For the five months	
	31 December			ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(20,884)	19,980	25,490	40,288	(7,183)
Net cash used in investing activities	(16,786)	(22,029)	(3,924)	(10,599)	(10,199)
Net cash generated from/(used in) financing activities	<u>33,036</u>	<u>3,855</u>	<u>(2,599)</u>	<u>(28,012)</u>	<u>6,247</u>
Net (decrease)/increase in cash and cash equivalents	(4,634)	1,806	18,967	1,677	(11,135)
Cash and cash equivalents at beginning of the year/period	8,552	3,918	5,724	5,724	24,687
Effect of foreign exchange rate changes	<u>—</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>(7)</u>
Cash and cash equivalents at end of the year/period	<u><u>3,918</u></u>	<u><u>5,724</u></u>	<u><u>24,687</u></u>	<u><u>7,401</u></u>	<u><u>13,545</u></u>

Cash flow from operating activities

We derive our cash generated from operating activities principally from the receipt of payments for the sales of products. Our cash used in operating activities is principally for purchases of raw materials, payment of outsourcing products, salary payments, advertising and marketing expenses and other operating expenses.

For the five months ended 31 May 2011, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB53.8 million and net cash of RMB7.2 million used in operating activities. The difference of RMB61 million, excluding the income tax payment of RMB21.2 million, was attributable to increase in trade and other receivables of RMB54.4 million and increase in inventories of RMB4.1 million, both primarily due to increased sales volume and average selling price of our branded products as well as the increase in the market acceptance of our branded products, especially our two licensed brands, *Camel Active* and *Greiff*. Such cash used in operating activities was partially offset by an increase in trade and other payables of RMB18.8 million, as a result of an increase in purchase of raw materials and outsourced products in response to the increase in sales volume.

For the five months ended 31 May 2010, we had an operating profit before changes in working capital but after adjustments from non-cash expenses and income of RMB38.5 million and net cash of RMB40.3 million generated from operating activities. The difference of RMB1.8 million, excluding the income tax payment of RMB3.5 million, was attributable to increase in trade and other receivables

FINANCIAL INFORMATION

of RMB22.7 million and increase in inventories of RMB21.8 million, both primarily due to increase in sales volume and average selling price of our branded products as a result of the increasing market acceptance of our branded footwear. Such cash used in operating activities was partially offset by an increase in trade and other payables of RMB49.8 million, as a result of an increase in purchase of raw materials and outsourced products in response to the increase in sales volume.

For the financial year ended 31 December 2010, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB103 million and net cash of RMB25.5 million generated from operating activities. The difference of RMB77.5 million, excluding the income tax payment of RMB14.3 million, was attributable to an increase in trade and other receivables of RMB120 million and increase in inventories of RMB13.4 million, both primarily due to increased sales volume and average selling price of our branded products as well as the increase in the market acceptance of our two licensed brands, *Camel Active* and *Greiff*. Such cash used in operating activities was partially offset by an increase in trade and other payables of RMB70.2 million, as a result of an increase in purchase of raw materials and outsourced products amount in response to the increase in sales volume.

For the financial year ended 31 December 2009, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB50 million and net cash of RMB20.0 million generated from operating activities. The difference of RMB30.0 million, excluding the income tax payment of RMB2.7 million, was attributable to an increase in trade and other receivables of RMB15.9 million and increase in inventories of RMB15.5 million, both primarily due to increased in both sales volume and average selling price, together with the expansion of our distribution network after the successful promotion of our brands with improved product design. Such cash used in operating activities was partially offset by an increase in trade and other payables of RMB4.1 million.

For the financial year ended 31 December 2008, we had an operating profit before changes in working capital but after adjustments for non-cash expenses and income of RMB10.5 million and net cash of RMB20.9 million used in operating activities. The difference of RMB31.4 million, excluding the income tax payment of RMB1.5 million, was attributable to an decrease in inventories of RMB1.3 million and increase in trade and other payables of RMB3.5 million, primarily due to the outstanding construction cost of office premises and production plant. Such cash generated from operating activities was partially offset by an increase in trade and other receivables of RMB34.7 million, as a result of an increase in advance payment made to suppliers for the purchase of raw material in response to the increase in sales volume.

Cash flow from investing activities

We derive our cash generated from investing activities principally from interest received on bank deposits. Our cash used in investing activities is principally for purchasing property, plant and equipment and making pledged deposits relating to our bills payable which requires that we have deposit with our banks a certain percentage of the bills payable that are issued by them at our request.

FINANCIAL INFORMATION

For the five months ended 31 May 2011, we had net cash used in investing activities of RMB10.2 million, which was primarily due to increase in pledged bank deposits of RMB9.4 million partially offset by interest received of RMB122,000.

For the five months ended 31 May 2010, we had net cash used in investing activities of RMB10.6 million, which was primarily due to the increase in pledged deposits of RMB10.2 million and payment for purchase and prepayment of property, plant and equipment of RMB473,000.

For the financial year ended 31 December 2010, we had net cash used in investing activities of RMB3.9 million, which was primarily due to payment for both purchase and prepayment of property, plant and equipment of RMB881,000, and increase in pledged bank deposits of RMB3.2 million, partially offset by interest received of RMB203,000.

For the financial year ended 31 December 2009, we had net cash used in investing activities of RMB22 million, which was primarily due to payment for the construction cost of office premises and production plant and purchase of other equipment of RMB25.3 million, partially offset by interest received of RMB236,000 and decrease in pledged bank deposits of RMB3 million.

For the financial year ended 31 December 2008, we had net cash used in investing activities of RMB16.8 million, which was primarily due to payment for the construction cost of office premises and production plant and purchase and prepayment of other equipment of RMB17.5 million, partially offset by interest received of RMB297,000 and decrease in pledged bank deposits of RMB377,000.

Cash flow from financing activities

We derive cash generated from financing activities principally from proceeds from new bank loans. Our cash used in financing activities is principally for repayment of bank loans and interest payments.

For the five months ended 31 May 2011, we had net cash generated from financing activities of RMB6.2 million, which was primarily due to proceeds from bank loans of RMB35.1 million, partially offset by repayment of bank loans of RMB10.5 million, a decrease in amounts due to directors of RMB17.4 million and interest payment of RMB961,000.

For the five months ended 31 May 2010, we had net cash used in financing activities of RMB28.0 million, which was primarily due to the decrease in amount due to directors of RMB32.0 million, repayment of bank loans of RMB16.1 million and interest payment of RMB438,000, partially offset by the increase in proceeds from bank loans of RMB20.5 million.

For the financial year ended 31 December 2010, we had net cash used in financing activities of RMB2.6 million, which was primarily due to proceeds from bank loans of RMB38.5 million, partially offset by repayment of bank loans of RMB25.6 million, a decrease in amounts due to directors of RMB14.2 million and interest payment of RMB1.3 million.

FINANCIAL INFORMATION

For the financial year ended 31 December 2009, we had net cash generated from financing activities of RMB3.8 million, which was primarily due to proceeds from bank loans of RMB33.2 million, partially offset by repayment of bank loans of RMB21.1 million, a decrease in amounts due to directors of RMB7.5 million and interest payment of RMB768,000.

For the financial year ended 31 December 2008, we had net cash generated from financing activities of RMB33 million, which was primarily due to proceeds from bank loans of RMB8.5 million and an increase in amount due to directors of RMB35.7 million, partially offset by repayment of bank loans of RMB10.5 million and interest payment of RMB646,000.

Working capital

The Directors are of the opinion that, taking into account (i) the estimated net proceeds available to us from the Global Offering; (ii) the available banking facilities, cash and cash equivalents as at the Latest Practicable Date; and (iii) the expected cash flows to be generated from our operations, we have sufficient working capital for our present requirements for at least 12 months from the date of this prospectus.

NET CURRENT ASSETS

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

	As at 31 December			As at 31 May 2011	As at 31 July 2011
	2008	2009	2010	2011	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets					
Inventories	19,662	35,124	48,556	52,700	72,268
Current portion of lease prepayments	104	104	104	104	104
Trade and other receivables	77,642	92,232	211,671	265,763	292,373
Pledged deposits	8,500	5,450	8,696	18,107	37,360
Cash and cash equivalents	<u>3,918</u>	<u>5,724</u>	<u>24,687</u>	<u>13,545</u>	<u>10,714</u>
	109,826	138,634	293,714	350,219	412,819
Current liabilities					
Trade and other payables	100,623	79,935	137,347	138,908	182,457
Bank loans	8,500	20,600	33,500	58,100	70,100
Current taxation	<u>995</u>	<u>11,381</u>	<u>22,348</u>	<u>14,300</u>	<u>17,326</u>
	<u>110,118</u>	<u>111,916</u>	<u>193,195</u>	<u>211,308</u>	<u>269,883</u>
Net current (liabilities)/assets	<u>(292)</u>	<u>26,718</u>	<u>100,519</u>	<u>138,911</u>	<u>142,936</u>

FINANCIAL INFORMATION

We had net current liabilities of approximately RMB0.3 million as at 31 December 2008 and net current assets of approximately RMB26.7 million, RMB100.5 million and RMB138.9 million as at 31 December 2009 and 2010 and 31 May 2011. As at 31 July 2011, being the latest practicable date for determining our net current assets, we had current assets of approximately RMB412.8 million, current liabilities of approximately RMB269.9 million and net current assets of approximately RMB142.9 million. Such balances were comparable to those of 31 May 2011 which was primarily due to well working capital management.

Our net current assets increased by RMB27 million from net current liabilities RMB292,000 as at 31 December 2008 to net current assets RMB26.7 million as at 31 December 2009, primarily due to an increase of RMB14.6 million in trade and other receivables and an increase of RMB15.5 million in inventories as a result of the increase in sales volume. In addition, a decrease of RMB20.7 million in trade and other payables is noted due to decrease in amounts due to directors and other payables after the payment of construction cost of office premises and production plant. Such increase was partially offset by an increase of RMB12.1 million in bank loans drawn in 2009 which were used to fund our expansion of business operation, and an increase of RMB10.4 million in income tax payable due to an increase in profit for the year.

Our net current assets increased by RMB73.8 million from RMB26.7 million as at 31 December 2009 to RMB100.5 million as at 31 December 2010, primarily due to an increase of RMB119.4 million in trade and other receivables and an increase of RMB13.4 million in inventories as a result of the increase in sales volume. Such increase was partially offset by an increase of RMB57.4 million in trade and other payables due to an increase in purchase of raw materials and outsourced products amount in response to the increase in sales volume, an increase of RMB12.9 million in bank loans drawn in 2010 which were used to fund our expansion of business operation, and an increase of RMB11 million in income tax payable due to an increase in profit for the year.

Our net current assets increased by RMB38.4 million from RMB100.5 million as at 31 December 2010 to RMB138.9 million as at 31 May 2011, primarily due to an increase of RMB54.1 million in trade and other receivables, an increase of RMB4.1 million in inventories as a result of the increase in sales volume, and a decrease of RMB8.0 million in income tax payable after payment was made during 2011. Such increase was partially offset by an increase of RMB1.6 million in trade and other payables due to an increase in purchase of raw materials and outsourced products amount in response to the increase in sales volume, and an increase of RMB24.6 million in bank loans drawn in 2011 which were used to fund our expansion of business operation.

INVENTORY ANALYSIS

During the Track Record Period, inventory was one of the principal components of our current assets. The value of our inventories accounted for approximately 17.9%, 25.3%, 16.5% and 15.0% of our total current assets as at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively. We conduct full scope physical stock counts at the end of each six months period during each financial year and we record a specific provision if the estimate of the net realisable value of any inventory is

FINANCIAL INFORMATION

below the corresponding cost of such inventory, as a result of, among other things, being obsolete or damaged. During the Track Record Period, we were not required to and did not make any inventory provisions because there is no indication of long aged or obsolete inventory which net realisable value cannot substantiated or has significantly variance with the cost stated.

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

	As at 31 December			As at
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2011
				<i>RMB'000</i>
Raw materials	13,472	23,623	36,956	37,702
Work in progress	1,249	1,059	2,271	2,436
Finished goods	<u>4,941</u>	<u>10,442</u>	<u>9,329</u>	<u>12,562</u>
	<u><u>19,662</u></u>	<u><u>35,124</u></u>	<u><u>48,556</u></u>	<u><u>52,700</u></u>
 Average inventory turnover (days)	 <u><u>54⁽¹⁾</u></u>	 <u><u>60⁽¹⁾</u></u>	 <u><u>54⁽¹⁾</u></u>	 <u><u>47⁽²⁾</u></u>

Note (1): Average inventory turnover days is equal to the average of the starting and ending inventory balances of the period divided by cost of sales and multiplied by 365 days.

Note (2): Average inventory turnover days is equal to the average of the starting and ending inventory balances of the period divided by cost of sales and multiplied by 151 days.

Our inventories increased by approximately 78.6% from RMB19.7 million as at 31 December 2008 to RMB35.1 million as at 31 December 2009 and further increased by approximately 38.2% from RMB35.1 million as at 31 December 2009 to RMB48.6 million as at 31 December 2010. The increase in our inventories was primarily due to the increase in sales volume and the timing of deliveries of finished goods according to customers' preference.

As of 31 July 2011, RMB26.7 million, or 50.7%, of our inventory as of 31 May 2011 of RMB52.7 million were subsequently consumed or sold.

We are able to maintain stable inventory turnover days of around 54 to 60 days during the Track Record Period.

Our average inventory turnover days increased from 54 days for the financial year ended 31 December 2008 to 60 days for the financial year ended 31 December 2009, primarily due to increases in production volume and inventories as a result of increased sales.

FINANCIAL INFORMATION

Our average inventory turnover days decreased from 60 days for the financial year ended 31 December 2009 to 54 days for the financial year ended 31 December 2010, primarily due to our improved raw material procurement and inventory control.

Our average inventory turnover days decreased from 54 days for the financial year ended 31 December 2010 to 47 days for the five months ended 31 May 2011, primarily due to our improved raw material procurement and inventory control.

TRADE AND OTHER RECEIVABLES

The following table sets out a summary of our trade and other receivables as at the dates indicated:

	As at 31 December			As at
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables and bills receivable	36,240	59,677	149,571	132,106
Less: Allowance for doubtful debts	<u>(1,219)</u>	<u>(2,535)</u>	<u>(3,092)</u>	<u>(3,444)</u>
	35,021	57,142	146,479	128,662
Deposits and prepayments	41,812	33,061	60,831	129,111
Other receivables	<u>809</u>	<u>2,029</u>	<u>4,361</u>	<u>7,990</u>
	<u><u>77,642</u></u>	<u><u>92,232</u></u>	<u><u>211,671</u></u>	<u><u>265,763</u></u>

Our trade receivables mainly represent receivables from our customers, deposits and prepayments consisting (i) prepayment made to suppliers for purchases of raw materials and (ii) rental and utilities deposits which were not expected to be recovered within one year.

Our trade and other receivables were RMB77.6 million, RMB92.2 million, RMB211.7 million and RMB265.8 million as at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively. The increase in trade receivables during the Track Record Period was in line with our increase in sales volume. In particular, the substantial increase in trade and other receivables from RMB92.2 million as at 31 December 2009 to RMB211.7 million as at 31 December 2010 was also attributable to (i) the increase in the average unit selling prices of *Bull Titan* and *Luotuo Brand*; (ii) the significant increase in the sales volume of *Luotuo Brand* and *Jimaire* by approximately 89.2% and 98.6%, respectively, from 2009 to 2010; (iii) the granting of payment extension to some of our customers, whose extended credit period was in line with the credit terms of 60 to 90 days under our credit policy; and (iv) the increase in deposits and prepayments due to the increase of raw material and outsourced product purchases in response to the increase in sales orders placed by our customer.

FINANCIAL INFORMATION

With the improvement on our credit control in 2011, our trade and bills receivables balance (after allowance for doubtful debts) has been improved from RMB146.5 million to RMB128.7 million with average trade receivables turnover day reduced from 77 days for the year ended 31 December 2010 to 75 days for the five months ended 31 May 2011.

The table below sets out the aging analysis of trade receivables and bills receivable (net of allowance for doubtful debts) as at the dates indicated:

	As at 31 December			As at
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	21,826	41,868	100,743	93,821
Less than 60 days past due	3,675	4,477	12,898	17,463
61 days to 180 days past due	3,828	4,489	22,224	10,903
Over 180 days past due	5,692	6,308	10,614	6,475
Amounts past due	13,195	15,274	45,736	34,841
	<u>35,021</u>	<u>57,142</u>	<u>146,479</u>	<u>128,662</u>
Average trade and bills receivables turnover days	<u>55⁽¹⁾</u>	<u>62⁽¹⁾</u>	<u>77⁽¹⁾</u>	<u>75⁽²⁾</u>

Note (1): Average trade and bills receivables turnover days is equal to the average of the starting and ending trade and bills receivables balance of the period divided by turnover (include 17% VAT) and multiplied by 365 days.

Note (2): Average trade and bills receivables turnover days is equal to the average of the starting and ending trade and bills receivables balance of the period divided by turnover (include 17% VAT) and multiplied by 151 days.

As at 31 July 2011, RMB57.3 million, or 44.5% of our trade and bills receivables as at 31 May 2011 of RMB128.7 million were settled.

We generally grant our customers a credit period of 60 to 90 days from the date of billing, which is determined based on such factors as the customers' previous sales performance, credit history and expansion plans. As a matter of policy, we do not grant any credit period of over 90 days to any of our customers. However, there were instances in which we granted payment extension to certain customers, which result in payments being made to us more than 90 days after the date of billing. We granted the payment extension on a case by case basis, particularly when we believed that the greater liquidity afforded to the customers by the credit extension would assist the customers in establishing their retail shops and department store counters, thereby expanding the retail sales network of our products. Specific credit terms and repayment schedules are determined on a case by case basis with

FINANCIAL INFORMATION

each customer and with respect to each order of our products. Furthermore, we require customers with balances that are more than 1 year from the date of billing to settle all outstanding balances before we grant them any further credit. As at 31 December 2008, 2009 and 2010 and 31 May 2011, the amount of balances that aged over 1 year were RMB2.2 million, RMB3.5 million, RMB4.4 million and RMB2.5 million, respectively.

Our average trade receivables turnover days increased from 55 days for the year ended 31 December 2008 to 62 days for the year ended 31 December 2009, and further increased to 77 days for the year ended 31 December 2010 and 75 days for the five months ended 31 May 2011, primarily due to the granting of payment extensions to some of our customers to afford our customers greater liquidity, thereby encouraging them to expand the retail sales network for our branded products.

Nevertheless, the trade receivable turnover days were within the range of the credit periods of 60-90 days as granted to our customers. We strive to strengthen our credit control to ensure that the trade receivable turnover days will be in line with the credit terms of 60 to 90 days granted to our customers. Attributable to the rapid expansion of our customers' retail sales networks during the Track Record Period, we believe that our customers will no longer require credit extension from us to assist them in expanding the retail sales network for our branded products. Therefore, we currently do not intend to increase the length of credit periods that we currently offer to our customers.

Our trade receivables of RMB1.2 million, RMB2.5 million, RMB3.1 million and RMB3.4 million were individually determined to be impaired as at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively. The individually impaired receivables related to a number of customers with long outstanding balances with no subsequent settlement received or customers that were in financial difficulties and management assessed that those receivables were not recoverable. Consequently, specific allowances for doubtful debts of RMB1.2 million, RMB2.5 million, RMB3.1 million and RMB3.4 million were recognised as at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively. We do not hold any collateral over these balances.

Our deposits and prepayments represented those prepayments made to our suppliers for purchase of raw materials and outsourced products and we typically pay the full purchase price after we received the raw materials and outsourced products. Our deposits and prepayments increased from RMB33.1 million as at 31 December 2009 to RMB60.8 million as at 31 December 2010 and further increased to RMB129.1 million as at 31 May 2011. The increase was mainly attributable to the increase in our production in response to the increase in sales volume noted in 2010 and 2011.

Furthermore, the significant increase in our deposits and prepayment as at 31 May 2011 was also due to the increase in prepayment for raw materials and outsourced products for the coming production in response to the increase in sales orders received during the sales fair in April 2011.

FINANCIAL INFORMATION

TRADE AND OTHER PAYABLES

The following table sets out our trade and other payables balance as at the dates indicated:

	As at 31 December			As at
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	8,291	11,277	41,240	40,416
Bills payable	17,000	10,900	17,366	41,488
Amounts due to directors	38,907	31,313	18,064	438
Receipts in advance	10,258	15,295	39,657	37,348
Other payables and accruals	<u>26,167</u>	<u>11,150</u>	<u>21,020</u>	<u>19,218</u>
	<u>100,623</u>	<u>79,935</u>	<u>137,347</u>	<u>138,908</u>
Average trade and bills payables turnover days	<u>75⁽¹⁾</u>	<u>48⁽¹⁾</u>	<u>48⁽¹⁾</u>	<u>61⁽²⁾</u>

Note (1): Average trade and bills payables turnover days is equal to the average of the starting and ending trade and bills payables balance of the period divided by purchase of raw materials and outsourced products (include 17% VAT) and multiplied by 365 days.

Note (2): Average trade and bills payables turnover days is equal to the average of the starting and ending trade and bills payable balance of the period divided by purchase of raw materials and outsourced products (include 17% VAT) and multiplied by 151 days.

Our trade payables primarily related to the purchase of raw materials from our raw material supplies and outsourced products from contract manufacturers, and are non-interest-bearing with credit terms of 60-90 days. We may also be required to make deposits and advance payments to our suppliers. As at 30 June 2011, RMB8.2 million or 10.0% of our trade and bills payable as at 31 May 2011 were settled.

The table below sets out the aging analysis of our trade payables:

	As at 31 December			As at
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due within 1 month or on demand	3,417	6,717	16,582	14,709
Due after 1 month but within 3 months	<u>4,874</u>	<u>4,560</u>	<u>24,658</u>	<u>25,707</u>
	<u>8,291</u>	<u>11,277</u>	<u>41,240</u>	<u>40,416</u>

FINANCIAL INFORMATION

Our average trade and bills payables turnover days decreased from 75 days for the financial year ended 31 December 2008 to 48 days for both financial years ended 31 December 2009 and 2010 and 61 days for the five months ended 31 May 2011. The decreases were primarily due to our operating cash flow improved in the financial year ended 31 December 2009 and 2010 and we were able to speed up the process to settle outstanding trade payables to our suppliers.

The extent of our average trade and bills payables turnover days in the near future will primarily depend on various factors such as credit terms granted by our suppliers and our ability to satisfy payment obligations with our suppliers. Going forward, we will increase our procurement volume and strengthen relationships with our suppliers, which we expect our suppliers may offer us longer credit periods. However, if our cash flows permits, we will intend to satisfy our payment obligations with our suppliers before their due date which will cause our future average trade and bills payables turnover days comparable to that in the financial year ended 31 December 2010. We cannot give any assurance that our suppliers will not shorten our credit periods.

Bills payable are normally issued with a maturity of not more than 90 days. All the balance of bills payable as at 31 December 2008, 2009 and 2010 and 31 May 2011 were secured by pledged deposits with banks.

The balance of amounts due to directors as at 31 December 2008, 2009 and 2010 and 31 May 2011 were RMB38.9 million, RMB31.3 million, RMB18.1 million and RMB0.4 million, respectively, which were unsecured, interest free and repayable on demand. The amounts will be settled upon Listing.

Our receipt in advance represented those prepayments made by our customers for purchase of our products as our customers typically pay the full purchase price before we deliver our products. Our receipt in advance increased from RMB10.3 million as at 31 December 2008 to RMB15.3 million as at 31 December 2009 and further increased to RMB39.7 million as at 31 December 2010 and RMB37.3 million as at 31 May 2011. The increase was mainly attributable to the increase in our sales, which was also in line with the expansion of the retail sales networks operated by our customers.

The table below sets out an analysis of our other payables and accruals as at the dates indicated:

	As at 31 December			As at
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages, bonus and other accrued benefits	6,182	6,511	11,278	9,985
Payables for purchase of property, plant and equipment	17,967	782	1,202	1,202
VAT payable	437	2,070	5,246	3,313
Others	1,581	1,787	3,294	4,718
	<u>26,167</u>	<u>11,150</u>	<u>21,020</u>	<u>19,218</u>

FINANCIAL INFORMATION

Our other payables and accruals decreased by approximately 57.4% from RMB26.2 million as at 31 December 2008 to RMB11.2 million as at 31 December 2009, primarily due to the settlement of construction cost of our office premises and production plants of RMB17.2 million in 2009.

Our other payables and accruals increased by approximately 88.5% from RMB11.2 million as at 31 December 2009 to RMB21 million as at 31 December 2010, primarily because of the increase in accrued staff costs as a result of increase in salary levels and number of employees.

Our other payables and accruals decreased by approximately 8.6% from RMB21 million as at 31 December 2010 to RMB19.2 million as at 31 May 2011, primarily because of the settlement of 2010 annual bonus to staffs during 2011.

INDEBTEDNESS

Borrowings and bank facilities

Set out below is our indebtedness position as at 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011:

	As at 31 December			As at 31 May	As at 31 July
	2008	2009	2010	2011	2011
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Bank loans repayable within 1 year					
— secured	8.5	20.6	26.5	32.2	32.2
— unsecured	<u>—</u>	<u>—</u>	<u>7.0</u>	<u>25.9</u>	<u>37.9</u>
	<u>8.5</u>	<u>20.6</u>	<u>33.5</u>	<u>58.1</u>	<u>70.1</u>

The effective interest rates of our total borrowings as at 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011 were 8.04%, 5.42%, 5.57%, 5.84% and 6.39%, respectively.

FINANCIAL INFORMATION

The amounts of banking facilities and the utilisation as at 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011 are as follows:

	As at 31 December			As at	As at
	2008	2009	2010	31 May	31 July
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Banking facilities					
— secured	20.0	31.0	40.0	40.0	40.0
— unsecured	<u>—</u>	<u>10.0</u>	<u>50.0</u>	<u>60.0</u>	<u>160.0</u>
	<u>20.0</u>	<u>41.0</u>	<u>90.0</u>	<u>100.0</u>	<u>200.0</u>
Amounts utilised					
— bills payable	17.0	10.9	17.4	41.5	83.8
— less: pledged deposits	<u>(8.5)</u>	<u>(5.4)</u>	<u>(8.7)</u>	<u>(18.1)</u>	<u>(37.4)</u>
	8.5	5.5	8.7	23.4	46.4
— short-term loans	<u>8.5</u>	<u>20.6</u>	<u>33.5</u>	<u>58.1</u>	<u>70.1</u>
	<u>17.0</u>	<u>26.1</u>	<u>42.2</u>	<u>81.5</u>	<u>116.5</u>

As at 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011, our banking facilities were secured by the carrying value of the following assets:

	As at 31 December			As at	As at
	2008	2009	2010	31 May	31 July
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Pledged deposits	8.5	5.5	8.7	18.1	37.4
Buildings	38.5	39.7	37.6	36.8	36.4
Construction in progress	1.6	—	—	—	—
Lease prepayments	<u>4.9</u>	<u>4.8</u>	<u>4.7</u>	<u>4.6</u>	<u>4.6</u>
	<u>53.5</u>	<u>50.0</u>	<u>51.0</u>	<u>59.5</u>	<u>78.4</u>

FINANCIAL INFORMATION

At 31 December 2008 and 2009, all of our utilised banking facilities were secured by personal guarantee from Ms. Cai and/or Mr. Zhang at nil fee. At 31 December 2010, all of our utilised banking facilities were secured by personal guarantee from Ms. Cai, Mr. Zhang and Mr. Wu at nil fee and cross corporate guarantee given by certain subsidiaries of our Company.

At 31 May 2011, RMB10,000,000 of our Group's utilised banking facilities were secured by personal guarantee from Mr. Zhang at nil fee and corporate guarantee given by a subsidiary of our Company; and RMB71,481,000 of our Group's utilised banking facilities were secured by personal guarantee from Ms. Cai, Mr. Zhang and Mr. Wu Shulin at nil fee and cross corporate guarantee given by certain subsidiaries of our Company.

At 31 July 2011, RMB26,834,000 of our Group's utilised banking facilities were secured by personal guarantee from Mr. Zhang at nil fee and corporate guarantee given by a subsidiary of our Company; and RMB89,710,000 of our Group's utilised banking facilities were secured by personal guarantee from Ms. Cai, Mr. Zhang and Mr. Wu Shulin at nil fee and cross corporate guarantee given by certain subsidiaries of our Company.

At 31 December 2010, 31 May 2011 and 31 July 2011, certain of our Group's utilised banking facilities were also secured by a personal property owned by Ms. Cai and Mr. Zhang at nil fee. We have confirmed that the personal guarantees and/or the personal property provided by Ms. Cai, Mr. Zhang and Mr. Wu Shulin at 31 July 2011 will be replaced by our Company's corporate guarantee upon listing if the relevant bank loans are not then settled.

At 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011, all of our Group's banking facilities were subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. If our Group were to breach the covenants, the drawn down facilities would become payable on demand. Our Group regularly monitors its compliance with these covenants. Further details of our Group's management of liquidity risk are set out in note 25(b) of the Accountants' Report in Appendix I. At 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011, none of the covenants relating to drawn down facilities had been breached.

Our bank loans are denominated in RMB and are principally applied by us for working capital purposes. As at 31 July 2011, (being the latest practicable date for the purpose of indebtedness statement), we had outstanding bank loans of approximately RMB70.1 million, which was repayable within one years. The interest rate of the banking facilities ranged from 5.31% to 7.87% per annum. As at 31 July 2011, we had total banking facilities of RMB200 million, of which RMB83.5 million were unutilised.

Gearing ratios

Our gearing ratio was 5.2%, 10.4%, 9.6%, 14.3% and 15.0% as of 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011, respectively. Gearing ratio is derived by dividing interest-bearing debt incurred in the ordinary course of business by total assets.

FINANCIAL INFORMATION

Our gearing ratio increased from 5.2% as of 31 December 2008 to 10.4% as of 31 December 2009 primarily due to an increase of bank loans for working capital to cope with the expansion of business of our Group.

Our gearing ratio decreased from 10.4% as of 31 December 2009 to 9.6% as of 31 December 2010 primarily due to an increase in inventories and trade and other receivables which resulted in an increase in total assets.

Our gearing ratio increased from 9.6% as of 31 December 2010 to 14.3% as of 31 May 2011 and further to 15.0% as of 31 July 2011 primarily due to an increase of bank loans for working capital to cope with the expansion of business of our Group.

Contingent liabilities

As at 31 December 2010, 31 May 2011 and 31 July 2011, certain subsidiaries of our Company, namely Jinmaiwang Fujian, Shishi Haomai and Luotuo Quanzhou, had issued cross guarantees to a bank in respect of banking facilities granted to us in an aggregate amount of RMB90 million which remain in force so long as the subsidiaries have drawn down under the banking facilities. Under each of these cross guarantees, the relevant subsidiaries that are a party to the guarantee arrangement are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. The maximum liability of us as at 31 December 2010, 31 May 2011 and 31 July 2011 under the cross guarantees is the aggregate amount of the facilities drawn down by the subsidiaries of RMB42,170,000, RMB71,481,000 and RMB89,710,000, respectively. No cross guarantee was issued for the years ended 31 December 2008 and 2009.

As at 31 December 2010 and 31 May 2011, we do not consider it probable that a claim will be made against us under any of the above guarantees.

Capital commitments

As at 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011, we had the following capital commitments which are not provided for in our consolidated financial statements.

	As at 31 December			As at 31 May	As at 31 July
	2008	2009	2010	2011	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for	1,610	—	—	—	—
Authorised but not contracted for	3,819	—	—	—	—
	<u>5,429</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

FINANCIAL INFORMATION

Lease commitments

As at 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 December			As at	As at
	2008	2009	2010	31 May	31 July
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2011</i>	<i>2011</i>
				<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	98	149	149	344	646

We lease a number of properties under operating leases. The leases typically run for an initial period of three to ten years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

Royalty payments

As at 31 December 2008, 2009 and 2010, 31 May 2011 and 31 July 2011, we committed to pay royalties for the usage of several trademarks for manufacturing and sales of casual footwear, apparel and related accessories products. The minimum guaranteed royalty payments were payable as follows:

	As at 31 December			As at	As at
	2008	2009	2010	31 May	31 July
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2011</i>	<i>2011</i>
				<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,388	1,676	7,795	8,515	8,835
After 1 year but within 5 years	5,542	4,266	30,511	26,941	25,641
After 5 years	—	320	240	—	—
	<u>6,930</u>	<u>6,262</u>	<u>38,546</u>	<u>35,456</u>	<u>34,476</u>

We have been licensed to use a number of trademarks from Independent Third Parties for *Luotuo Brand* brand and *Camel Active* brand and a related party for *Greiff* brand. The licensing agreements for the trademarks typically run for an initial period of five to ten years respectively, at the end of which period all terms are renegotiated. Royalties payable by us are predetermined in the licensing agreements or calculated based on a percentage of sales revenue with an annual minimum guaranteed royalty payment.

Disclaimers

Save as disclosed in the section headed “Indebtedness” above, and apart from intra-group liabilities, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments,

FINANCIAL INFORMATION

liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 July 2011 (being the latest practicable date for the purpose of indebtedness statement). The Directors confirm that there has been no material change in the Company's indebtedness since 31 July 2011.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures mainly as a result of its purchase of property, plant and equipment. The following table sets out the breakdown of capital expenditure during the Track Record Period:

	For the year ended			For the five
	31 December			months ended
	2008	2009	2010	31 May
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Property, plant and equipment				
- Buildings	—	0.2	0.3	0.5
- Plant and machinery	2.5	1.6	0.2	0.4
- Furniture, fittings and equipment	0.9	2.3	0.5	0.6
- Motor vehicles	0.3	0.8	0.1	—
- Construction in progress	<u>7.7</u>	<u>5.4</u>	<u>—</u>	<u>—</u>
	<u>11.4</u>	<u>10.3</u>	<u>1.1</u>	<u>1.5</u>

MARKET RISKS

We are, in the normal course of business, exposed to various market risks, including the following:

Credit risk

Our credit risk is primarily attributable to trade and other receivables. We have a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 60-90 days from the date of billing. We also offer revolving credit to our customers. The revolving credit, which provides for a maximum

FINANCIAL INFORMATION

credit limit that may be outstanding at any one time, is determined based on such factors as current market conditions and the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration. Normally, we do not obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. At 31 December 2008, 2009 and 2010 and 31 May 2011, 0%, 2%, 9% and 1%, respectively, of the total trade and other receivables was due from our largest customer and 6%, 11%, 17% and 7%, respectively, was due from our five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

Further quantitative disclosures in respect of our exposure to credit risk arising from trade receivables are set out in note 25 of the Accountants' Report in Appendix I to this prospectus.

Liquidity risk

Our policy is to regularly monitor our liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. For further information, please see note 25 of the Accountants' Report in Appendix I to this prospectus.

Interest rate risk

Our interest rate risk arises primarily from long-term borrowings issued at fixed rates that expose us to fair value interest rate risk. We do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the relevant reporting date would not affect our profit or loss. For further information, please see note 25 of the Accountants' Report in Appendix I to this prospectus.

Currency risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in United States dollars, a currency other than the functional currency of our operations.

At 31 December 2008, 2009 and 2010 and 31 May 2011, it is estimated that a general change of 5%, 5%, 5% and 5%, respectively in foreign exchange rate, would change our profit for the year and retained profits by approximately RMB54,000, RMB13,000, RMB65,000 and RMB29,000. Other components of equity would not be affected by changes in the foreign exchange rates.

FINANCIAL INFORMATION

Results of the above analysis represent an aggregation of the instantaneous effects on each of our Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The above sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by our Group which expose our Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of the entities with functional currency other than RMB into our presentation currency. The analysis is performed on the same basis for 2008, 2009, 2010 and the five months ended 31 May 2011. For further information, please see note 25 of the Accountants' Report in Appendix I to this prospectus.

Commodity price risk

The major raw materials used in the production of our products include leather, cloth, rubber, polymers and plastics. We are exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect our financial performance. We historically have not entered into any commodity derivative instruments to hedge the potential commodity price changes.

Business risk

Our primary business is the manufacturing and sales of casual footwear, apparel and related accessories. Our financial results are influenced by the rapidity with which designs are copied by competitors and reproduced at much lower prices, as well as by our ability to continue to create new designs that find favour in the market place, maintain a larger network of customers and distributors, manufacture sufficient quantities to meet fashionable sales, and dispose of excess inventories without excessive losses. Based on these factors, we may experience significant fluctuations in our future financial results.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in the consolidated financial statements of our Group included in the Accountants' Report in Appendix I to this prospectus, the Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

FINANCIAL INFORMATION

DIVIDENDS

No dividends have been declared or paid by our Company since its incorporation.

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

Subject to the conditions set forth in the preceding paragraph, it is our Directors' current intention for the foreseeable future to recommend annually the distribution to Shareholders of not less than 30% of our Company's future annual net profits attributable to the shareholders as dividends after the Global Offering.

DISTRIBUTABLE RESERVES

The Company was incorporated on 12 February 2010 and has not carried out any business since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 31 May 2011.

The aggregate amounts of distributable reserves of our Group as at 31 December 2008, 2009 and 2010 and 31 May 2011 were RMB45,425,000, RMB76,453,000, RMB146,508,000 and RMB183,399,000, respectively.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 31 May 2011 as if the Global Offering had taken place on that date.

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 had the Global Offering been completed as at 31 May 2011 or at

FINANCIAL INFORMATION

any future date. It is prepared based on our consolidated net assets as at 31 May 2011 as derived from our consolidated financial statements set forth in the Accountants' Report in Appendix I, and adjusted as described below.

	Consolidated net tangible assets of the Company as at 31 May 2011⁽¹⁾ RMB'000	Add: Estimated net proceeds from the Global Offering⁽²⁾ RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share⁽³⁾⁽⁵⁾ RMB HK\$⁽⁴⁾	
Based on an offer price of HK\$1.20 per Share	194,953	281,308	476,261	0.40	0.48
Based on an offer price of HK\$1.83 per Share	194,953	433,359	628,512	0.52	0.63

Notes:

- (1) The consolidated net tangible assets of our Company as at 31 May 2011 have been calculated based on the consolidated net assets of the Company of RMB195.0 million as at 31 May 2011 extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on indicative offer price of HK\$1.20 and HK\$1.83 per Share after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares are in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 31 May 2011 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.83368. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars or vice versa, at that rate.
- (5) Details of valuation of our Group's properties interest as at 30 June 2011 are set out in Appendix IV of the prospectus. Our Group will not incorporate the revaluation surplus or deficit in our financial statements for the year ending 31 December 2011. It is our Group's accounting policy to state our interest in leasehold land held for own use under operating leases and property, plant and equipment at cost less accumulated depreciation/amortisation and any impairment loss in accordance with IFRSs, rather than at revalued amounts. The impairment reviews performed by our Company as at 30 June 2011 did not indicate the need to recognise any impairment loss for our interests in leasehold land held for own use under operating leases and property, plant and equipment. With reference to the valuation of our Group's property interests as set out in Appendix IV of this prospectus, there was a revaluation surplus of our Group's leasehold land and properties of approximately RMB13.8 million. If the revaluation surplus was incorporated in our Group's financial statements for the year ending 31 December 2011, an additional depreciation of RMB779,000 would be charged.

FINANCIAL INFORMATION

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2011

We forecast the consolidated profit of the Company for the year ending 31 December 2011 to be, in the absence of unforeseen circumstances, not less than RMB111.5 million (equivalent to approximately HK\$133.7 million).

Our Directors have prepared the forecast of the consolidated profit of our Company for the year ending 31 December 2011 based on the audited consolidated results of our Group for the five months ended 31 May 2011, the unaudited consolidated results based on management accounts of our Group for the one month ended 30 June 2011 and a forecast of the consolidated results of our Group for the remaining six months ending 31 December 2011.

Our forecast consolidated profit of our Company for the year ending 31 December 2011 shown above have been stated after deduction of such portion of the estimated offering expenses, being approximately RMB6 million (approximately HK\$7.2 million), as we expect to be charged to our Company's consolidated statement of comprehensive income for the year ending 31 December 2011.

The profit forecast has been prepared on the basis of bases and assumptions set out in "Appendix III — Profit Forecast" to this prospectus, and on the basis of the accounting policies consistent in all material respects with those currently adopted by us as summarised in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in the financial or trading positions or prospects of our Group since 31 May 2011, being the date to which our Group's latest audited financial statements were made up.

PROPERTY INTEREST

Details of our property interest are set out in Appendix IV to this prospectus. For the purpose of Listing, Asset Appraisal Limited, an independent property valuer, has valued the property interest of our Group as of 30 June 2011 at approximately RMB59.6 million (equivalent to HK\$71.5 million). A summary of valuation and the valuation certificate are set out in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The table below sets forth the reconciliation of the aggregate amount of net book value of our Group's property interests from our combined financial information as of 31 May 2011 to the valuation of the property interests as of 30 June 2011:

	<i>RMB'000</i>
Buildings	41,379
Land use rights	<u>4,646</u>
Net book value of property interests of our Group as of 31 May 2011	46,025
Less: Depreciation and amortization during the period from 1 June 2011 to 30 June 2011	<u>(202)</u>
Net book value of property interest of our Group as of 30 June 2011	45,823
Valuation of properties as of 30 June 2011 as set out in Appendix IV to this prospectus	<u>59,600</u>
Valuation surplus	<u><u>13,777</u></u>

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

A detailed description of the Group's future plans is set forth in the paragraphs under the section headed "Business — Strategies" in this prospectus.

USE OF PROCEEDS

The net proceeds of the Global Offering after deducting the underwriting commissions and estimated expenses in relation to the Global Offering, and assuming an Offer Price of HK\$1.52 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.20 and HK\$1.83 per Offer Share), are estimated to amount to about HK\$428.6 million. Our Directors intend to apply the net proceeds in the following manner:

- 1) approximately HK\$39.0 million, representing about 9.1% of the net proceeds from the Global Offering, will be used for developing and increasing awareness of our Group's brand through:
 - approximately HK\$26.0 million will be used on media advertising or engaging spokesmen for respective brands;
 - approximately HK\$9.5 million will be used in other promotional activities, including attending/organising annual sales fairs, fashion shows, various footwear exhibitions in the PRC and regional promotional activities;
 - the remaining amount of approximately HK\$3.5 million will be used on general advertising designs and related supporting activities;
- 2) approximately HK\$132.0 million, representing about 30.8% of the net proceeds from the Global Offering, will be used for establishing a new production facility in Jiangsu Province, the PRC for our Group's branded products. The new production facility will include factory buildings, dormitory and the required machinery for five production lines with an annual production capacity of approximately 3 million pieces of footwear and a small portion of apparel. As of the Latest Practicable Date, we did not enter into any binding agreement for any commitment on the construction of these facilities;
- 3) approximately HK\$8.6 million, representing about 2% of the net proceeds from Global Offering will be used for the expansion of our Group's original production capacity in Fujian Province, the PRC by upgrading seven production lines and increase the aggregate annual production capacity to approximately 4,557,000 pairs of footwear;
- 4) approximately HK\$132.0 million, representing about 30.8% of the net proceeds from the Global Offering, will be used for establishing 25 self-owned and operated flagship stores in prime locations in major and fast-growing provinces and cities of the PRC, such as Fujian, Shanghai, Beijing, Jiangsu, Zhejiang, Sichuan and Guangdong. It is estimated that the average budget for opening each flagship store will be approximately RMB4.4 million based on approximately RMB1.4 million for renovation, RMB1.6 million for rental deposit and remaining RMB1.4 million for general working capital for each store. It is currently intended that the first flagship store for each of *Camel Active* and *Greiff* will be opened in 2011, followed by the first flagship store for each of *Jimaine*, *Bull Titan* and *Luotuo Brand*

FUTURE PLANS AND USE OF PROCEEDS

to be opened in 2012. Thereafter, additional four flagship stores for each of our self-owned and licensed brands will be opened in 2013. Please refer to the section headed “Business — Sales and distribution — Establishment of our own retail sales network” of this prospectus for further details;

- 5) approximately HK\$52.7 million, representing about 12.3% of the net proceeds from the Global Offering, will be used for establishing a new product testing and research and development laboratory in Guangzhou;
- 6) approximately HK\$10.7 million, representing about 2.5% of the net proceeds from the Global Offering, will be used for the expansion of the product research and development teams with addition of product designers, computer-aided design equipment and new machines on footwear design and prototyping;
- 7) approximately HK\$10.7 million, representing about 2.5% of the net proceeds from the Global Offering, will be used for the building up of the information technology network connecting with the systems of all sales points operated by our customers as well as and our future flagship stores; and
- 8) the remaining of approximately HK\$42.9 million, representing about 10% of the net proceeds from the Global Offering, will be used towards working capital and other general corporate purposes.

In the event that the Offer Price is determined at the high end of the indicative Offer Price range, being HK\$1.83 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will increase to approximately HK\$519.8 million. In such case, our Directors intend to apply the additional net proceeds to finance items (1), (4) and (8) above on a pro-rata basis.

In the event that the Offer Price is determined at the low end of the indicative Offer Price range, being HK\$1.20 per Share, the net proceeds from the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease to approximately HK\$337.4 million. In such case, the amount of net proceeds proposed to be used for items (1), (4) and (8) above will be reduced on a pro rata basis after the full utilisation of our Company’s general working capital for the above purposes.

Should the Over-allotment Option be exercised in full, our Company will receive additional net proceeds of approximately HK\$79.5 million (assuming the Offer Price of HK\$1.83 per Share). Our Directors presently intend to apply the additional net proceeds to finance items (1), (4) and (8) above on a pro-rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short term deposits with licensed banks and/or authorised financial institutions in Hong Kong and/or the PRC.

UNDERWRITING

HONG KONG UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
Ample Orient Capital Limited
Cinda International Securities Limited
Ever-Long Securities Company Limited
Hong Kong International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offer.

Grounds for termination

The Global Coordinator, at its sole and absolute discretion, may, for itself and on behalf of the Hong Kong Underwriters, upon the giving of notice in writing to the Company and/or our Controlling Shareholders, terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Global Coordinator that:
 - (i) any statement, estimate, forecast or expression of opinion, intention or expectation contained in this prospectus or any other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offer and the International Placing (including any supplement or amendment thereto) (the “Offer Documents”) considered by the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Global Coordinator, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom considered by the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (iii) any of the representations and warranties given by the Company or our Controlling Shareholders or the executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached and considered by the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
 - (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements; or
 - (v) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospectus of any of the Group companies; or
 - (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) the Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of the Company or our Controlling Shareholders or the executive Directors pursuant to the indemnities contained in the Hong Kong Underwriting Agreement; or
 - (ix) any one of KPMG, Hills & Co., Conyers Dill & Pearman or Asset Appraisal Limited (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and

UNDERWRITING

foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the Cayman Islands, the BVI, the United States, the United Kingdom, Canada, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**”); or

- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including without limitation Severe Acute Respiratory Syndrome, avian influenza A (H5N1) and swine influenza (H1N1)), in or affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium or commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (viii) any material adverse change or development or event involving a prospective material adverse change in the Group’s assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

UNDERWRITING

- (ix) the commencement by any judicial or regulatory body or organisation of any public action against a Director or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or
- (x) other than with the approval of the Global Coordinator, the issue or requirement to issue by the Company of a supplementary prospectus or offering document pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Global Coordinator materially adverse to the marketing for or implementation of the Global Offering; or
- (xi) a petition is presented for the winding up or liquidation of the Company or any of its subsidiaries, or the Company or any of its subsidiaries make any compromise or arrangement with the Company's or its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its subsidiaries or anything analogous thereto occurs in respect of the Company or any of its subsidiaries; or
- (xii) a valid demand by any creditor for repayment or payment of any of the Company's indebtedness or those of any of its subsidiaries or in respect of which the Company or any of its subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by the Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiii) any material litigation or claim being threatened or instigated against the Company or any of its subsidiaries or our Controlling Shareholders,

and which, in any of the above cases and in the sole opinion of Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (1) is or may or will be or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Company or its subsidiaries as a whole; or
- (2) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged; or
- (3) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Under Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that the Company will not issue any further Shares or securities convertible into equity securities of the Company (whether or not of a class already issued) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities of the Company will be completed within six months from the Listing Date), except under the Global Offering (including the exercise of the Over-allotment Option) or the Capitalisation Issue for the circumstances provided under Rule 10.08(1) to 10.08(4) of the Listing Rules.

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Global Coordinator, the Bookrunner, the Sponsor, the Lead Manager and the Hong Kong Underwriters that except pursuant to the Global Offering, the Over-allotment Option and options which may be granted under any share option scheme of any member of the Group or with the prior written consent of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, the Company will not, at any time within the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the date which is six months from the Listing Date (the “**First Six-month Period**”), (a) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any such share capital or other securities of the Company or any interest therein (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein; or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) above; whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of the Global Coordinator, the Bookrunner, the Sponsor, the Lead Manager, the Company and the Hong Kong Underwriters that:

- (i) during the First Six-month Period, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless pursuant to the Stock Borrowing Agreement or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge (other than any pledge or charge of the Company’s issued share capital after the Global Offering (assuming the Over-allotment Option is not

UNDERWRITING

exercised) in favour of an authorised institution as defined in the Banking Ordinance (Cap. 155 of the Laws of Hong Kong) for a bona fide commercial loan), sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction is to be settled by delivery of such capital or securities, in cash or otherwise;

- (ii) during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will not enter into any of the transactions specified in (i)(a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal, it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and
- (iii) until the expiry of the Second Six-month Period, in the event that it enters into any such transactions or agrees or contracts to, or publicly announces any intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has further undertaken to each of the Company, the Global Coordinator, the Bookrunner, the Sponsor, the Lead Manager and the Hong Kong Underwriters that, from the date of the Hong Kong Underwriting Agreement up to and including the expiry of the Second Six-month Period, it will:

- (i) when it pledges or charges any securities or interests in the securities of the Company, immediately inform the Company and the Global Coordinator in writing of such pledge or charge together with the number of securities and nature of interest so pledged or charged; and
- (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Global Coordinator in writing of such indications.

The Company will inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by any of our Controlling Shareholders and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERWRITING

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Global Coordinator, the Company and the Stock Exchange that it will not, and shall procure that any other registered holder (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

- (i) during the First Six-month Period, dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the Second Six-month Period, dispose of, nor enter into any agreement to dispose or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Each of our Controlling Shareholders has further undertaken to each of the Stock Exchange, the Company, the Global Coordinator, the Sponsor, and the Hong Kong Underwriters that within the period commencing from the date by reference to which disclosure of its shareholding in the Company is made in this prospectus up to and including the date which is 12 months from the Listing Date, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares beneficially owned by it will be sold, transferred or disposed of, immediately inform the Company in writing of such indications.

Hong Kong Underwriters’ interests in the Company

Save as disclosed in this prospectus and save for their interests and obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested beneficially or non-beneficially in any shares in any member of the Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of the Group.

The International Placing

In connection with the International Placing, it is expected that the Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for the International Placing Shares being offered pursuant to the International Placing or procure subscribers to subscribe for such International Placing Shares.

UNDERWRITING

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Global Coordinator on behalf of the International Underwriters on or before the date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer, to require the Company to issue up to and not more than 45,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing.

Commission

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commission. In addition, the Sponsor will receive a sponsorship and documentation fee in relation to the Global Offering. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.52 (being the mid-point of Offer Price range between HK\$1.20 per Offer Share and HK\$1.83 per Offer Share), are estimated to amount to approximately HK\$428.6 million in total (assuming that the Over-allotment Option is not being exercised).

Indemnity

The Company and our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

STRUCTURE OF THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Global Coordinator (for itself and on behalf of the Underwriters) and the Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on 21 September 2011 and, in any event, not later than 26 September 2011.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$1.83 per Offer Share and is expected to be not less than HK\$1.20 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of the Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Hong Kong Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.activegroup-int.com notices of reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon with the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.activegroup-int.com of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon by the Global Coordinator (for itself and on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Global Coordinator (for itself and on behalf of the Underwriters) and the Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on 27 September 2011.

STRUCTURE OF THE GLOBAL OFFERING

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.83 per Offer Share and is expected to be not less than HK\$1.20 per Offer Share. Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$1.83 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. That means a total of HK\$3,696.89 is payable for one board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$1.83 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. **Listing**

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. **Underwriting Agreements**

- (i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and
- (ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

3. **Price determination**

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your monies” in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 300,000,000 Offer Shares will be made available under the Global Offering, of which 270,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 30,000,000 Hong Kong Offer Shares (subject to re-allocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

The Company is expected to offer initially 270,000,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters subject to the Offer Price is agreed on or before the Price Determination Date. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK\$1.83 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy of the Offer Price.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of the Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

STRUCTURE OF THE GLOBAL OFFERING

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offer.

The Company, the Directors, the Sponsor and the Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Global Offering” of this section.

Hong Kong Public Offer

The Company is initially offering 30,000,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by members of the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters subject to the Offer Price is agreed on or before Price Determination Date. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$1.83 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 15,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares available in pool B will consist of 15,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

STRUCTURE OF THE GLOBAL OFFERING

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 90,000,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Global Offering;
- (b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 120,000,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Global Offering; and
- (c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 150,000,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Global Offering.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Global Coordinator.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant to the Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Company may be required by the Global Coordinator (for itself and on behalf of the International Underwriters) to allot and issue up to and not more than 45,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Festive Boom or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 45,000,000 new Shares will represent approximately 3.6% of the Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, the Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 45,000,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Festive Boom or through a combination of these means or otherwise. However, there is no obligation on the Global Coordinator, its affiliates or any person acting for it to conduct any such stabilisation action. Such

STRUCTURE OF THE GLOBAL OFFERING

stabilisation action, if commenced, will be conducted at the absolute discretion of the Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“primary stabilising action”) with respect to any Shares during the stabilisation period, which should end on 21 October 2011, being the 30th day after the last day for lodging application under the Hong Kong Public Offer:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;
 - (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
 - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
 - (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Global Coordinator;

STRUCTURE OF THE GLOBAL OFFERING

- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the earlier of the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer or the commencement of trading of the Shares on the Stock Exchange, that the stabilising period is expected to expire on 21 October 2011, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Global Coordinator may over-allocate up to and not more than an aggregate of 45,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Global Coordinator may borrow up to 45,000,000 Shares from Festive Boom, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Share to be borrowed from Festive Boom will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed will be returned to Festive Boom or its nominees (as the case may be) within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Festive Boom in relation to such stock borrowing arrangement.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. CHANNELS TO APPLY FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- giving **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf;
- by means of **WHITE Form eIPO** by submitting applications online through the designated website at **www.eipo.com.hk**. Use **WHITE Form eIPO** if you want the Shares issued in your own name.

You or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **WHITE Form eIPO** Service Provider.

2. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a US Person (as defined in Regulation S of the US Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors or those who have obtained approval from competent regulatory authorities).

If you wish to apply for Hong Kong Offer Shares online through the designated website at **www.eipo.com.hk** under the **WHITE Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **WHITE Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **WHITE Form eIPO** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If an application is made by a person duly authorised under a valid power of attorney, the Company, the Sponsor and the Global Coordinator (or its agents or nominees) may accept it at their discretion, and subject to any conditions as any of them may think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

The Company, the Sponsor and the Global Coordinator (for itself and on behalf of the Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, the Directors, or chief executives or their respective associates or any other connected persons (as defined in the Listing Rules) of the Company or persons who will become connected persons of the Company immediately upon completion of the Global Offering and the Capitalisation Issue.

You should also note that you may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Placing, but may not do both.

3. WHICH APPLICATION CHANNEL YOU SHOULD USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) **Apply through the designated WHITE Form eIPO service**

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **WHITE Form eIPO** by submitting applications online through the designated website at www.eipo.com.hk. Use **WHITE Form eIPO** if you want the Hong Kong Offer Shares to be registered in your own name.

(c) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

(d) **Instruct HKSCC to make an electronic application on your behalf**

Instead of using a **WHITE** or **YELLOW** Application Form or **WHITE Form eIPO** service, you may give **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Note: Except in the circumstances permitted under the Listing Rules, the Hong Kong Offer Shares are not available to existing beneficial owners of Shares, the Directors or chief executive of the Company or any of its subsidiaries or associates or connected persons or persons who do not have a Hong Kong address.

4. WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 16 September 2011 until 12:00 noon on Wednesday, 21 September 2011 from:

any of the following Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Ample Orient Capital Limited
Unit A, 14/F.,
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

Cinda International Securities Limited
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Ever-Long Securities Company Limited
18/F, Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

Hong Kong International Securities Limited
23rd Floor Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

any of the following sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch name	Branch address
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
	King's Road Sub-Branch	67-71 King's Road

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

	Branch name	Branch address
Kowloon:	Shamshuipo Sub-Branch	G/F., Shop 1, Golden Centre, 94 Yen Chow Street
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories:	Kwai Chung Sub-Branch	G/F., 93-99 Tai Loong Street
	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road
	Tiu Keng Leng Sub-Branch	Unit L2-064 & 065, Metro Town Shopping Mall, 8 King Ling Road

any of the following branches of Wing Lung Bank Limited:

	Branch name	Branch address
Hong Kong Island:	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon:	Mongkok Branch	B/F Bank Centre, 636 Nathan Road
	Lamtin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street
	Yuen Long Branch	37 On Ning Road

- (b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 16 September 2011 until 12:00 noon on Wednesday, 21 September 2011 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or your broker may have **YELLOW** Application Forms and this prospectus available.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

(a) WHITE or YELLOW Application Forms

Your completed **WHITE** or **YELLOW** Application Form, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Wednesday, 21 September 2011, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Friday, 16 September 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, 17 September 2011 — 9:00 a.m. to 1:00 p.m.
Monday, 19 September 2011 — 9:00 a.m. to 5:00 p.m.
Tuesday, 20 September 2011 — 9:00 a.m. to 5:00 p.m.
Wednesday, 21 September 2011 — 9:00 a.m. to 12:00 noon

(b) Electronic application instructions to HKSCC

CCASS Clearing Participants or CCASS Custodian Participants should input **electronic application instructions** at the following times:

Friday, 16 September 2011 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 17 September 2011 — 9:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 19 September 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 20 September 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 21 September 2011 — 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 16 September 2011 until 12:00 noon on Wednesday, 21 September 2011.

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 21 September 2011 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(c) **WHITE Form eIPO**

You may submit your application to the designated **WHITE Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 16 September 2011 until 11:30 a.m. on Wednesday, 21 September 2011 or such later time as described under the sub-paragraph headed “Effects of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 21 September 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the subparagraph headed “Effects of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application to the designated **WHITE Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(d) **Application lists**

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, 21 September 2011, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) **Effect of bad weather conditions on the opening of the application lists**

The application lists will be opened between 11:45 a.m. and 12:00 noon on Wednesday, 21 September 2011, subject to weather conditions. The application lists will not be open in relation to the Hong Kong Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 21 September 2011. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

6. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Hong Kong Offer Shares you want to purchase. Calculate the amount you must pay in accordance with the table of numbers and payments set out in the Application Forms on the basis of the maximum Offer Price of HK\$1.83 per Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%.
- (d) Complete the Application Form and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorised attorney, the Company, the Sponsor and the Global Coordinator (or its agents or nominees) may accept or reject the application at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of your attorney. The Global Coordinator in its capacity as agent of the Company has full discretion to accept or reject any application, in full or in part, without assigning any reasons therefor.
- (e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form. If you pay by cheque, the cheque must:
 - be in Hong Kong dollars;
 - not be post-dated;
 - be drawn on your Hong Kong dollar bank account in Hong Kong;
 - show your account name, which must either be pre-printed on the cheque, or be endorsed on the reverse of the cheque by an authorised signatory of the bank. This account name must correspond with the name of the applicant on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- be made payable to “Bank of Communications (Nominee) Co. Ltd. — Active Group Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on the first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the reverse of the banker’s cashier order must be the same as the name of the first-named joint applicant;
- not be post-dated;
- be in Hong Kong dollars;
- be made payable to “Bank of Communications (Nominee) Co. Ltd. — Active Group Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your banker’s cashier order does not meet all these requirements.

- (f) Lodge your **WHITE** or **YELLOW** Application Forms in one of the collection boxes by the time and at one of the locations, as respectively referred to in subparagraph 4(a) above.
- (g) The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Wednesday, 21 September 2011. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of e-Refund payment instructions/refund cheques). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.
- (h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed “How many applications you can make” in this section.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(i) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the application form. Only written signatures will be accepted.

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by an individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain your full name and your Hong Kong Identity Card number; and
 - the CCASS Investor Participant should insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by a joint individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
 - the CCASS Participant I.D. must be inserted in the appropriate box on the **YELLOW** Application Form.
- If you are applying as a corporate CCASS Investor Participant:
 - the **YELLOW** Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
 - the CCASS Participant I.D. and company chop (bearing the CCASS Investor Participant's company name) must be inserted in the appropriate box on the **YELLOW** Application Form.
- Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (j) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are required to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

7. HOW TO APPLY THROUGH THE WHITE FORM eIPO SERVICE

- (a) You may apply through **WHITE Form eIPO** by submitting an application through the designated website at **www.eipo.com.hk**. If you apply through **WHITE Form eIPO**, the Shares will be issued in your own name. For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **WHITE Form eIPO** service to the **WHITE Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.
- (b) Detailed instructions for application through the **WHITE Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **WHITE Form eIPO** Service Provider and may not be submitted to the Company.
- (c) The designated **WHITE Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **WHITE Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **WHITE Form eIPO** Service Provider through the **WHITE Form eIPO** service, you are deemed to have authorised the designated **WHITE Form eIPO** Service Provider to transfer the details of your application to the Company and the Hong Kong Share Registrar.
- (e) You may submit an application through the **WHITE Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.
- (f) You should give **electronic application instructions** through **WHITE Form eIPO** at the times set out in paragraph (b) of the paragraph headed “When to apply for the Hong Kong Offer Shares” of this section.
- (g) You should make payment for your application made by **WHITE Form eIPO** service in accordance with the methods and instructions set out in the designated website at **www.eipo.com.hk**. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 21 September 2011, or

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

such later time as described under the paragraph headed “Effects of bad weather conditions on the opening of the application lists” in the section headed “When to apply for the Hong Kong Offer Shares” above, the designated **WHITE Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

- (h) **Warning: The application for Hong Kong Offer Shares through the WHITE Form eIPO service is only a facility provided by the designated WHITE Form eIPO Service Provider to public investors. The Company, the Directors, the Sponsor, the Global Coordinator, the Underwriters, the WHITE Form eIPO Service Provider and other parties involved in the Global Offering take no responsibility for such applications, and provide no assurance that applications through the WHITE Form eIPO service will be submitted to the Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 per each “Active Group Holdings Limited” White Form eIPO application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **WHITE Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **WHITE Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS. See “How many applications you can make” below.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange for payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.
- (d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your designated CCASS Clearing Participant or CCASS Custodian Participant to the Company and the Hong Kong Share Registrar.
- (e) You may give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table on the Application Form.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:
- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form and/or this prospectus; and
 - (ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in the paragraph headed “Effect of making any application” below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.
- (h) For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (i) The paragraph headed “Personal data” below applies to any personal data held by the Sponsor, the Global Coordinator, the Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.
- (j) For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instruction** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

Application for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sponsor, the Global Coordinator, the Underwriters and all other parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) **submit the WHITE or YELLOW Application Form (as appropriate); or**
- (b) **go to HKSCC’s Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 21 September 2011 or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” above.**

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. RESULTS OF ALLOCATIONS

The Company expects to publish the announcement on the Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allotment of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.activegroup-int.com on Tuesday, 27 September 2011. Results of allocations in the Hong Kong Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where appropriate) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** Application Forms, or **YELLOW** Application Forms or the designated **WHITE Form eIPO** Service Provider through the designated **WHITE Form eIPO** website or by giving **electronic application instructions** to HKSCC via CCASS will be made available at the times and dates and in the manner specified below:

- Results of allocations for the Hong Kong Public Offer will be available from the results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Tuesday, 27 September 2011 to 12:00 midnight on Monday, 3 October 2011. A "Search by ID" function will be available on the results of allocations website at www.iporesults.com.hk. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from the Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 27 September 2011 to Friday, 30 September 2011;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual receiving bank branches and sub-branches from Tuesday, 27 September 2011 to Thursday, 29 September 2011 at all the receiving bank branches and subbranches at the addresses set out in the section headed "Where to collect the Application Forms" above.
- Results of allocations for the Hong Kong Public Offer can be found in the announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.activegroup-int.com on Tuesday, 27 September 2011.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

10. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Hong Kong Offer Shares only if:
- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.
 - Multiple or suspected multiple applications are liable to be rejected.
- (b) Save as referred to (a) above, all of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **WHITE Form eIPO** Service Provider; or
 - both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** Application Form or one (or more) **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **WHITE Form eIPO** Service Provider; or
 - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **WHITE Form eIPO** Service Provider for more than 100% of the Hong Kong Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed “Structure of the Global Offering” in this prospectus; or

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.
- (c) All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application on a **WHITE** or a **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **WHITE Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk) is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:
- (i) the principal business of that company is dealing in securities; and
 - (ii) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- (i) control the composition of the board of directors of that company; or
 - (ii) control more than half of the voting power of that company; or
 - (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).
- (d) If you apply by means of **WHITE Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **WHITE Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **WHITE Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **WHITE Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **WHITE Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

11. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- instruct and authorise the Company and/or the Global Coordinator (or its agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Articles;
 - represent and warrant that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing and submitting the Application Form and you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S of the US Securities Act);
 - confirm that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, the Directors, the Sponsor, the Global Coordinator and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;
 - agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
 - (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
 - (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **WHITE Form eIPO** Service Provider via **WHITE Form eIPO** service (www.eipo.com.hk);

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, or to the designated **WHITE Form eIPO** Service Provider via **WHITE Form eIPO** service (www.eipo.com.hk), and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by the Company;
- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to the Company, the Hong Kong Share Registrar, receiving bankers, the Sponsor, the Global Coordinator and the Underwriters and any of their respective officers, advisers and agents any personal data and information which they require about you or the person(s) for whose benefit you have made the application;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- undertake and agree to accept the Hong Kong Offer Shares applied for, or any less number allocated to you under the application;
- authorise the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or the first-named applicant (in case of joint applicants) in the application by ordinary post at your own risk to the address stated in your application (unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your application that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person may do so from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Tuesday, 27 September 2011;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- authorise the Company to despatch e-Refund payment instructions to the application payment account if you have completed payment of the **WHITE Form eIPO** application monies from a single bank account; or authorise the Company to issue and despatch refund cheque(s) to the address given on the **WHITE Form eIPO** application if you have completed payment of the application monies from multi-bank accounts;
 - if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, the Global Coordinator and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Form and in this prospectus;
 - agree that the Company, the Sponsor, the Global Coordinator and the Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to the prospectus;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
 - agree with the Company and each Shareholder that Shares are freely transferable by the holders thereof;
 - confirm that you are aware of the restrictions on the Hong Kong Offer Shares described in this prospectus;
 - understand that these declarations and representations will be relied upon by the Company, the Sponsor and the Global Coordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration; and
 - agree that the processing of your application, may be done by any of the Company's receiving banks and is not restricted to the bank at which your application was lodged.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:
- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allocated Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allocated Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allocated Hong Kong Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees may adjust the number of allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees;
 - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things:
- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
 - instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$1.83 per Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
 - instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;
 - (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf the following:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
- undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
- understand that the above declaration will be relied upon by the Company and the Sponsor and the Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send share certificates and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;
- agree that the Company, the Sponsor and the Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for, and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bankers, the Sponsor, the Global Coordinator and the Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the fifth day after the closing of the application lists under the Hong Kong Public Offer such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that the Company will not offer any Hong Kong Offer Shares to any person before the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the closing of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offer made available by the Company; and
- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or the **WHITE Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the expiration of the fifth day after the closing of the application lists under the Hong Kong Public Offer. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated **WHITE Form eIPO** Service Provider. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the closing of the application lists under the Hong Kong Public Offer (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(b) If the allocation of the Hong Kong Offer Shares is void:

Your allocation of the Hong Kong Offer Shares (and the allocation to HKSCC Nominees, as the case may be) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Hong Kong Public Offer as well as the International Placing:

By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC via CCASS or to the designated **WHITE Form eIPO** Service Provider, you agree not to apply for International Placing Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer.

(d) If the Company, the Sponsor, the Global Coordinator or the WHITE Form eIPO Service Provider or their respective agents or nominees exercise their discretion to reject your application:

The Company, the Sponsor, the Global Coordinator (for itself and on behalf of the Underwriters) or the **WHITE Form eIPO** Service Provider (where applicable) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(e) If:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form);
- your **electronic application instructions** through the **WHITE Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares under the International Placing;
- your application is for more than 15,000,000 Offer Shares, being 50% of the Hong Kong Offer Shares initially being available under the Hong Kong Public Offer as referred to under the section headed “Structure of the Global Offering” in this prospectus;
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof or otherwise; or
- the Company, the Sponsor, the Global Coordinator (for itself and on behalf of the Underwriters) and the **WHITE Form eIPO** Service Provider or their respective agents believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed.

13. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price of the Hong Kong Offer Shares is HK\$1.83 each. You must also pay a brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.003%. The proposed board lot for trading in the Shares is 2,000 Shares. This means that for one board lot of 2,000 Hong Kong Offer Shares, you will pay HK\$3,696.89. The Application Forms have tables showing the exact amount payable for numbers of Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% in full when you apply for the Hong Kong Offer Shares.

If your application is successful, the brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than HK\$1.83 per Share, appropriate refund payments (including brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedures for refund are set out in the paragraph headed “Refund of your money — additional information” below.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

14. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

- (a) If you are applying using a **WHITE** Application Form:
- Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated on their Application Forms that they wish to collect share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar may collect share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 September 2011.
 - Refund cheque(s) and share certificate(s) for these applicants who apply for less than 1,000,000 Hong Kong Offer Shares or apply for 1,000,000 or more Hong Kong Offer Shares and have not indicated on your Application Form that you will collect share certificate(s) and/or refund cheque(s) (where applicable) in person are expected to be despatched on Tuesday, 27 September 2011 to the address being the address specified in the relevant Application Form.
 - Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's respective chops. Both individuals and authorised representatives (where applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
 - Uncollected share certificate(s) and refund cheque(s) (where applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms.
- (b) If: (i) you are applying on a **YELLOW** Application Form; or (ii) you are giving **electronic application instructions** to HKSCC, and in each case you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), on Tuesday, 27 September 2011 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

The Company is expected to make available the results of the Hong Kong Public Offer, including the results of CCASS Investor Participants' applications, in the manner described above in the paragraph headed "Results of allocations" on Tuesday, 27 September 2011. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 27 September 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

- **If you have given electronic application instructions to HKSCC:**

The Company is expected to make available the application results of the Hong Kong Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, the Company shall include information relating to the beneficial owner), your Hong Kong Identity Card number or passport number or Hong Kong business registration number or other identification code (as appropriate) in the manner described above in the paragraph headed "Results of allocations" on Tuesday, 27 September 2011. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 27 September 2011 or any other date HKSCC or HKSCC Nominees chooses.

- **If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

You can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- **If you are applying as a CCASS Investor Participant by giving electronic application instruction to HKSCC:**

You can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 27 September 2011. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

- (c) **If you are applying through WHITE Form eIPO:**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **WHITE Form eIPO** service by submitting an electronic application to the designated **WHITE Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 27 September 2011, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **WHITE Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **WHITE Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** on Tuesday, 27 September 2011 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be despatched to the application payment account on or before Tuesday, 27 September 2011.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **WHITE Form eIPO** Service Provider on or before Tuesday, 27 September 2011, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **WHITE Form eIPO** Service Provider set out below in “Refund of your money — additional information.”

No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.

15. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of e-Refund payment instructions/refund cheques will be retained for the benefit of the Company) if:
- your application is not successful, in which case the Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
 - your application is accepted only in part, in which case the Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
 - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by you on application, in which case the Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
 - the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Global Offering” under the section headed “Structure of the Global Offering” in this prospectus.
- (b) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect your refund cheque (where applicable) in person from the Hong Kong Share Registrar on Tuesday, 27 September 2011. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Hong Kong Offer Shares is successful (in whole or in part)” in this section.

If you have applied for 1,000,000 Hong Kong Offer Shares or more and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Tuesday, 27 September 2011, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (c) If you are applying by giving **electronic application instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing Participant or CCASS Custodian Participant) on Tuesday, 27 September 2011.
- (d) If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **WHITE Form eIPO** Service Provider, the designated **WHITE Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **WHITE Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in this section shall be made pursuant to the arrangements described above in “If your application for the Hong Kong Offer Shares is successful (in whole or in part) — If you are applying through **WHITE Form eIPO**.”

- (e) Refund cheque will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, where applicable. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.
- (f) e-Refund payment instructions/refund cheques are expected to be despatched on or before Tuesday, 27 September 2011. The Company intends to make special efforts to avoid undue delays in refunding money.

16. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to the Company and the Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of e-Refund payment instructions/refund cheque(s) to which you are entitled.

It is important that holders of securities inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of the Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of the Company, such as dividends, rights issues and bonus issues;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) **Transfer of personal data**

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but the Company and the Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as the Company and the Hong Kong Share Registrar consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- the Company's appointed agents such as financial advisers, receiving bankers and its principal share registrar and the Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to the Company and/or the Hong Kong Share Registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **WHITE Form eIPO**, you agree to all of the above.

(d) **Access and correction of personal data**

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether the Company and/or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, the Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

or for information regarding policies and practices or the kinds of data held should be addressed to the Company for the attention of the company secretary or (as the case may be) the Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

17. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Wednesday, 28 September 2011.
- The Shares will be traded in board lots of 2,000 Shares.
- The stock code of the Shares is 1096.
- Any share certificates in respect of Hong Kong Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

(b) Shares will be eligible for admission into CCASS

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

16 September 2011

The Directors
Active Group Holdings Limited

Guotai Junan Capital Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Active Group Holdings Limited (formerly known as Active Group International Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 (the "Relevant Period"), and the consolidated balance sheets of the Group as at 31 December 2008, 2009 and 2010 and 31 May 2011, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 16 September 2011 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 12 February 2010 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 2 February 2011 (the "Reorganisation") as detailed in the section headed "Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Chuang Wei Limited as they are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date, except for Jinmaiwang Group Limited which adopted 30 June as its financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 27 of Section C. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) or the relevant requirements of the Accounting Standards for Business Enterprises and Accounting Regulations for Business Enterprises (the “PRC GAAP”) issued by the Ministry of Finance of the People’s Republic of China (the “PRC”).

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the “Underlying Financial Statements”). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 May 2011.

Opinion

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and 31 May 2011.

Corresponding financial information

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended 31 May 2010, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PREPARATION

The companies that took part in the Reorganisation now comprising the Group were controlled by the same group of ultimate equity shareholders, Cai Xiu Man and Zhang Wen Bin (together referred to as the "Controlling Parties") before and after the Reorganisation. The control is not transitory and, consequently there was a continuation of the risks and benefits to the Controlling Parties and, therefore, the Reorganisation is considered as a business combination under common control. The Financial Information has been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the companies now comprising the Group are consolidated using the existing book values from the Controlling Parties' perspective.

The Financial Information relating to the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section B include the results of operations of the companies now comprising the Group for the Relevant Period (or where the companies were incorporated/established at a date later than 1 January 2008, for the period from their respective dates of incorporation/establishment to 31 May 2011) as if the current group structure had been in existence throughout the Relevant Period. The consolidated balance sheets of the Group as at 31 December 2008, 2009 and 2010 and 31 May 2011 as set out in Section B have been prepared to present the state of affairs of the companies now comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated in preparing the Financial Information.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies or, if incorporated/established outside Hong Kong, have substantially the same characteristics as a Hong Kong private company. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Chuang Wei Limited	The British Virgin Islands ("BVI") 5 January 2010	United States dollars ("US\$") 10,000	100%	—	Investment holding
Jinmaiwang Group Limited ("Jinmaiwang Hong Kong") 金邁王控股有限公司	Hong Kong 5 June 2008	Hong Kong dollars ("HK\$") 10,000	—	100%	Investment holding
Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. 福建金邁王鞋服製品有限公司 ("Fujian Jinmaiwang") (notes (i) and (iii))	The PRC 22 September 2003	HK\$8,600,000	—	100%	Manufacturing and sales of casual footwear
Shishi Haomai Shoes Industrial Co., Ltd. 石獅市豪邁鞋業有限公司 ("Shishi Haomai") (notes (ii) and (iii))	The PRC 24 November 1995	Renminbi ("RMB") 1,500,000	—	100%	Manufacturing and sales of casual footwear

Name of company	Place and date of incorporation/ establishment	Issued and fully paid up capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Luotuo (Quanzhou) Shoes and Garments Co., Ltd. 駱駝(泉州)鞋服有限公司 ("Luotuo Quanzhou") (notes (i) and (iii))	The PRC 22 December 2005	US\$1,000,000	—	100%	Manufacturing, sales and trading of casual footwear, apparel and related accessories
Greiff (Xiamen) International Limited 哥雷夫(廈門)國際貿易 有限公司 ("Greiff Xiamen") (notes (ii) and (iii))	The PRC 17 April 2009	RMB8,000,000	—	100%	Trading of casual footwear, apparel and related accessories

Notes:

- (i) These entities are wholly foreign-owned enterprises established in the PRC.
- (ii) These entities are limited liability companies established in the PRC.
- (iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

B FINANCIAL INFORMATION**1 Consolidated income statements**

	<i>Section C Note</i>	Years ended 31 December			Five months ended 31 May	
		2008	2009	2010	2010	2011
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
Turnover	2, 3	161,833	231,461	412,138	154,093	236,640
Cost of sales		<u>(137,326)</u>	<u>(167,336)</u>	<u>(282,984)</u>	<u>(106,472)</u>	<u>(161,135)</u>
Gross profit		24,507	64,125	129,154	47,621	75,505
Other revenue	4(a)	397	248	267	110	242
Other net loss	4(b)	(69)	(22)	(613)	(6)	(26)
Selling and distribution expenses		(9,864)	(9,041)	(16,560)	(5,545)	(13,699)
Administrative expenses		<u>(7,566)</u>	<u>(10,223)</u>	<u>(14,482)</u>	<u>(5,826)</u>	<u>(10,273)</u>
Profit from operations		7,405	45,087	97,766	36,354	51,749
Finance costs	5(a)	<u>(646)</u>	<u>(768)</u>	<u>(1,295)</u>	<u>(438)</u>	<u>(961)</u>
Profit before taxation	5	6,759	44,319	96,471	35,916	50,788
Income tax	6(a)	<u>(2,057)</u>	<u>(12,777)</u>	<u>(25,142)</u>	<u>(9,390)</u>	<u>(13,054)</u>
Profit for the year/period		<u>4,702</u>	<u>31,542</u>	<u>71,329</u>	<u>26,526</u>	<u>37,734</u>
Earnings per share						
Basic and diluted (RMB)	10	<u>0.01</u>	<u>0.04</u>	<u>0.08</u>	<u>0.03</u>	<u>0.04</u>

The accompanying notes form part of the Financial Information.

2 Consolidated statements of comprehensive income

	<i>Section C Note</i>	Years ended 31 December			Five months ended 31 May	
		2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit for the year/period		4,702	31,542	71,329	26,526	37,734
Other comprehensive income for the year/period						
Currency translation differences		<u>—</u>	<u>129</u>	<u>608</u>	<u>59</u>	<u>262</u>
Total comprehensive income for the year/period		<u>4,702</u>	<u>31,671</u>	<u>71,937</u>	<u>26,585</u>	<u>37,996</u>

The accompanying notes form part of the Financial Information.

3 Consolidated balance sheets

	<i>Section C</i>	At 31 December			At
	<i>Note</i>	2008	2009	2010	31 May
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets					
Property, plant and equipment	11	47,777	54,477	50,863	50,639
Lease prepayments	12	4,794	4,690	4,586	4,542
Non-current prepayments for acquisitions of property, plant and equipment		2,264	—	216	—
Deferred tax assets	13(b)	305	634	773	861
		<u>55,140</u>	<u>59,801</u>	<u>56,438</u>	<u>56,042</u>
Current assets					
Inventories	14	19,662	35,124	48,556	52,700
Current portion of lease prepayments	12	104	104	104	104
Trade and other receivables	15	77,642	92,232	211,671	265,763
Pledged deposits	16	8,500	5,450	8,696	18,107
Cash and cash equivalents	17(a)	3,918	5,724	24,687	13,545
		<u>109,826</u>	<u>138,634</u>	<u>293,714</u>	<u>350,219</u>
Current liabilities					
Trade and other payables	18	100,623	79,935	137,347	138,908
Bank loans	19	8,500	20,600	33,500	58,100
Current taxation	13(a)	995	11,381	22,348	14,300
		<u>110,118</u>	<u>111,916</u>	<u>193,195</u>	<u>211,308</u>
Net current (liabilities)/assets		<u>(292)</u>	<u>26,718</u>	<u>100,519</u>	<u>138,911</u>
Total assets less current liabilities		<u>54,848</u>	<u>86,519</u>	<u>156,957</u>	<u>194,953</u>
NET ASSETS		<u>54,848</u>	<u>86,519</u>	<u>156,957</u>	<u>194,953</u>
CAPITAL AND RESERVES					
Capital	20	1,509	1,509	10	85
Reserves	21	53,339	85,010	156,947	194,868
TOTAL EQUITY		<u>54,848</u>	<u>86,519</u>	<u>156,957</u>	<u>194,953</u>

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

		Attributable to equity shareholders of the Company					
		Capital	Other	Exchange	Statutory	Retained	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Section C</i>	<i>Note</i>	<i>Note 20</i>	<i>Note 20</i>	<i>Note 21(a)</i>	<i>Note 21(b)</i>		
At 1 January 2008		18,362	—	—	5,368	40,926	64,656
Changes in equity for 2008:							
Profit and total comprehensive income for the year		—	—	—	—	4,702	4,702
Appropriations to statutory reserve		—	—	—	203	(203)	—
Arising from Reorganisation	20	(16,853)	2,343	—	—	—	(14,510)
At 31 December 2008 and 1 January 2009		1,509	2,343	—	5,571	45,425	54,848
Changes in equity for 2009:							
Profit for the year		—	—	—	—	31,542	31,542
Other comprehensive income		—	—	129	—	—	129
Total comprehensive income for the year		—	—	129	—	31,542	31,671
Appropriations to statutory reserve		—	—	—	514	(514)	—
At 31 December 2009 and 1 January 2010		1,509	2,343	129	6,085	76,453	86,519
Changes in equity for 2010:							
Profit for the year		—	—	—	—	71,329	71,329
Other comprehensive income		—	—	608	—	—	608
Total comprehensive income for the year		—	—	608	—	71,329	71,937
Appropriations to statutory reserve		—	—	—	1,274	(1,274)	—
Arising from Reorganisation	20	(1,499)	—	—	—	—	(1,499)
At 31 December 2010 and 1 January 2011		10	2,343	737	7,359	146,508	156,957

		Attributable to equity shareholders of the Company					
		Capital	Other	Exchange	Statutory	Retained	Total
<i>Section C</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Note</i>		<i>Note 20</i>	<i>Note 20</i>	<i>Note 21(a)</i>	<i>Note 21(b)</i>		
	At 31 December 2010 and 1 January 2011	10	2,343	737	7,359	146,508	156,957
	Changes in equity for the five months ended 31 May 2011:						
	Profit for the period	—	—	—	—	37,734	37,734
	Other comprehensive income	—	—	262	—	—	262
	Total comprehensive income for the period	—	—	262	—	37,734	37,996
	Appropriations to statutory reserve	—	—	—	843	(843)	—
	Arising from Reorganisation	20	75	(75)	—	—	—
	At 31 May 2011	<u>85</u>	<u>2,268</u>	<u>999</u>	<u>8,202</u>	<u>183,399</u>	<u>194,953</u>
	(Unaudited)						
	At 1 January 2010	1,509	2,343	129	6,085	76,453	86,519
	Changes in equity for the five months ended 31 May 2010:						
	Profit for the period	—	—	—	—	26,526	26,526
	Other comprehensive income	—	—	59	—	—	59
	Total comprehensive income for the period	—	—	59	—	26,526	26,585
	Appropriations to statutory reserve	—	—	—	345	(345)	—
	Arising from Reorganisation	20	1	—	—	—	1
	At 31 May 2010	<u>1,510</u>	<u>2,343</u>	<u>188</u>	<u>6,430</u>	<u>102,634</u>	<u>113,105</u>

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	Section C Note	Years ended 31 December			Five months ended 31 May	
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2010 RMB'000	2011 RMB'000
Operating activities						
Cash (used in)/generated from operations	17(b)	(19,409)	22,700	39,804	43,786	14,007
Income tax paid		<u>(1,475)</u>	<u>(2,720)</u>	<u>(14,314)</u>	<u>(3,498)</u>	<u>(21,190)</u>
Net cash (used in)/generated from operating activities		<u>(20,884)</u>	<u>19,980</u>	<u>25,490</u>	<u>40,288</u>	<u>(7,183)</u>
Investing activities						
Payment for the purchase of property, plant and equipment		(16,668)	(25,315)	(665)	(473)	(910)
Payment for non-current prepayments of property, plant and equipment		(792)	—	(216)	—	—
Interest received		297	236	203	49	122
Changes in pledged deposits		<u>377</u>	<u>3,050</u>	<u>(3,246)</u>	<u>(10,175)</u>	<u>(9,411)</u>
Net cash used in investing activities		<u>(16,786)</u>	<u>(22,029)</u>	<u>(3,924)</u>	<u>(10,599)</u>	<u>(10,199)</u>
Financing activities						
Proceeds from new bank loans		8,500	33,200	38,500	20,500	35,100
Repayment of bank loans		(10,500)	(21,100)	(25,600)	(16,100)	(10,500)
Interest paid		(646)	(768)	(1,295)	(438)	(961)
Changes in amounts due to directors		<u>35,682</u>	<u>(7,477)</u>	<u>(14,204)</u>	<u>(31,974)</u>	<u>(17,392)</u>
Net cash generated from/(used in) financing activities		<u>33,036</u>	<u>3,855</u>	<u>(2,599)</u>	<u>(28,012)</u>	<u>6,247</u>
Net (decrease)/increase in cash and cash equivalents		(4,634)	1,806	18,967	1,677	(11,135)
Cash and cash equivalents at beginning of the year/period		8,552	3,918	5,724	5,724	24,687
Effect of foreign exchange rate changes		<u>—</u>	<u>—</u>	<u>(4)</u>	<u>—</u>	<u>(7)</u>
Cash and cash equivalents at end of the year/period	17(a)	<u>3,918</u>	<u>5,724</u>	<u>24,687</u>	<u>7,401</u>	<u>13,545</u>

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION**1 Significant accounting policies****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with IFRSs, as issued by the IASB. IFRSs include International Accounting Standards (“IASs”) and all applicable interpretations. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 May 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2011 are set out in note 29.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the five months ended 31 May 2010 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

(c) Basis of measurement

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 26.

(e) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(f) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

Buildings	— The shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
Plant and machinery	— 5 to 10 years
Furniture, fittings and equipment	— 5 years
Motor vehicles	— 5 to 10 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(i)). Cost comprises direct costs of construction and installation during the construction period. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of the construction in progress until it is substantially completed and ready for its intended use.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets**(i) Impairment of investments in subsidiaries and trade and other receivables**

Investments in subsidiaries and trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For other current receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated recoverable amount.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments; and
- non-current prepayments for acquisitions of property, plant and equipment.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using an effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) *Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(p) *Income tax*

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences

relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income from bank deposits is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

The results of operations with functional currency other than Renminbi are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation with functional currency other than Renminbi, the cumulative amount of the exchange differences relating to that operation with functional currency other than Renminbi is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) *Related parties*

For the purposes of this Financial Information, a related party is a person or entity that is related to the Group.

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity, or vice versa.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly-controlled by a person identified in (i).
 - (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Turnover

The principal activities of the Group are manufacturing and sales of casual footwear, apparel and related accessories in the PRC.

Turnover represents the sales value of goods sold to customers less returns, discounts, and value added taxes and other sales tax, which is analysed as follows:

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Footwear	161,833	230,435	400,545	153,688	229,708
Apparel and related accessories	—	1,026	11,593	405	6,932
	<u>161,833</u>	<u>231,461</u>	<u>412,138</u>	<u>154,093</u>	<u>236,640</u>

The Group's customer base is diversified and no individual customer had transactions which has exceeded 10% of the Group's revenue for the years ended 31 December 2008, 2009 and 2010 and for the five months ended 31 May 2010 (unaudited) and 2011.

Further details regarding the Group's principal activities are disclosed in note 3.

3 Segment reporting

The Group manages its businesses by its operating subsidiaries in the PRC, which are engaged in the manufacturing and sales of casual footwear, apparel and related accessories. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments, namely, Fujian Jinmaiwang, Shishi Haomai, Luotuo Quanzhou and Greiff Xiamen. No operating segments have been aggregated to form the above reporting segments.

- Fujian Jinmaiwang: this segment manufactures and sells the "Jimaire" branded as well as original equipment manufacturing casual footwear products. The "Jimaire" brand was launched in 1996 and is developed and owned by the Group. The brand is positioned to target the consumer segment of middle to upper-middle class and offers a range of casual footwear in business classic and practical style.
- Shishi Haomai: this segment manufactures and sells the "Bull Titan" branded casual footwear products. The brand was launched in 1996 and is developed and owned by the Group. The brand is positioned to target the youth market segment and offers casual footwear in sporty and trendy style.
- Luotuo Quanzhou: this segment manufactures and sells the "Luotuo" branded casual footwear, apparel and related accessories products. The brand was licensed to the Group in 2003. The brand offers functional outdoor footwear with special features, such as water-proof hiking shoes and air-breathable shoes.
- Greiff Xiamen: this segment sells the "Camel Active" branded and the "Greiff" branded casual footwear, apparel and related accessories products. The "Camel Active" brand was licensed to the Group in 2010. The brand is positioned to target the more affluent consumer segment and offers casual footwear in premium style. The "Greiff" brand was licensed to the Group in 2009. The brand is positioned to target the affluent consumer segment and offers casual footwear, apparel and related accessories in grand and elegant style.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is “profit after taxation”. To arrive at reportable segment profit, the Group’s profit is further adjusted for items not specially attributed to individual segments and other head office or corporate administrative costs.

A measurement of segment assets and liabilities is not provided regularly to the Group’s most senior executive management and accordingly, no segment assets or liabilities information is presented.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Period is set out below:

	Year ended 31 December 2008				
	Fujian	Shishi	Luotuo	Greiff	Total
	Jinmaiwang	Haomai	Quanzhou	Xiamen	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue derived from the Group’s external customers	<u>68,215</u>	<u>68,055</u>	<u>25,563</u>	<u>—</u>	<u>161,833</u>
Reportable segment (loss)/profit					
(Loss)/profit after taxation	<u>(510)</u>	<u>3,180</u>	<u>2,032</u>	<u>—</u>	<u>4,702</u>
	Year ended 31 December 2009				
	Fujian	Shishi	Luotuo	Greiff	Total
	Jinmaiwang	Haomai	Quanzhou	Xiamen	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue derived from the Group’s external customers	<u>103,770</u>	<u>92,776</u>	<u>34,111</u>	<u>804</u>	<u>231,461</u>
Reportable segment profit/(loss)					
Profit/(loss) after taxation	<u>10,024</u>	<u>17,650</u>	<u>5,148</u>	<u>(274)</u>	<u>32,548</u>

	Year ended 31 December 2010				Total RMB'000
	Fujian Jinmaiwang RMB'000	Shishi Haomai RMB'000	Luotuo Quanzhou RMB'000	Greiff Xiamen RMB'000	
	Reportable segment revenue derived from the Group's external customers	<u>202,336</u>	<u>118,576</u>	<u>68,835</u>	
Reportable segment profit Profit after taxation	<u>35,626</u>	<u>24,512</u>	<u>12,378</u>	<u>370</u>	<u>72,886</u>
	Five months ended 31 May 2010 (unaudited)				Total RMB'000
	Fujian Jinmaiwang RMB'000	Shishi Haomai RMB'000	Luotuo Quanzhou RMB'000	Greiff Xiamen RMB'000	
	Reportable segment revenue derived from the Group's external customers	<u>79,423</u>	<u>51,520</u>	<u>21,876</u>	
Reportable segment profit/(loss) Profit/(loss) after taxation	<u>13,241</u>	<u>10,795</u>	<u>3,457</u>	<u>(765)</u>	<u>26,728</u>
	Five months ended 31 May 2011				Total RMB'000
	Fujian Jinmaiwang RMB'000	Shishi Haomai RMB'000	Luotuo Quanzhou RMB'000	Greiff Xiamen RMB'000	
	Reportable segment revenue derived from the Group's external customers	<u>113,167</u>	<u>57,332</u>	<u>42,971</u>	
Reportable segment profit Profit after taxation	<u>21,320</u>	<u>11,414</u>	<u>7,734</u>	<u>685</u>	<u>41,153</u>

(b) *Reconciliations of reportable segment revenue and profit or loss*

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Revenue					
Reportable segment revenue and consolidated turnover	<u>161,833</u>	<u>231,461</u>	<u>412,138</u>	<u>154,093</u>	<u>236,640</u>
Profit					
Reportable segment profit derived from the Group's external customers	4,702	32,548	72,886	26,728	41,153
Unallocated head office and corporate expenses	<u>—</u>	<u>(1,006)</u>	<u>(1,557)</u>	<u>(202)</u>	<u>(3,419)</u>
Consolidated profit after taxation	<u>4,702</u>	<u>31,542</u>	<u>71,329</u>	<u>26,526</u>	<u>37,734</u>

(c) *Geographic information*

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods delivered.

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
PRC	153,396	225,280	395,872	150,988	229,940
Korea	5,793	4,909	9,942	2,681	2,011
Other countries	<u>2,644</u>	<u>1,272</u>	<u>6,324</u>	<u>424</u>	<u>4,689</u>
	<u>161,833</u>	<u>231,461</u>	<u>412,138</u>	<u>154,093</u>	<u>236,640</u>

4 Other revenue and other net loss

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
(a) Other revenue					
Interest income on bank deposits	297	236	203	49	122
Government subsidies	100	10	64	61	120
Sundry income	—	2	—	—	—
	<u>397</u>	<u>248</u>	<u>267</u>	<u>110</u>	<u>242</u>

The Group was entitled to unconditional government subsidies of RMB100,000, RMB10,000, RMB64,000, RMB61,000 (unaudited) and RMB120,000 for the years ended 31 December 2008, 2009 and 2010 and for the five months ended 31 May 2010 and 2011, respectively. These government subsidies were recognised as other revenue when they became receivable.

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
(b) Other net loss					
Net foreign exchange loss	(68)	(11)	(98)	(6)	(26)
Loss on disposal of property, plant and equipment	—	—	(515)	—	—
Others	<u>(1)</u>	<u>(11)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(69)</u>	<u>(22)</u>	<u>(613)</u>	<u>(6)</u>	<u>(26)</u>

5 Profit before taxation

Profit before taxation is arrived at after charging:

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
(a) Finance costs:					
Interest expense on bank loans wholly repayable within five years	<u>646</u>	<u>768</u>	<u>1,295</u>	<u>438</u>	<u>961</u>
(b) Staff costs:					
Salaries, wages and other benefits	22,918	28,073	33,247	12,651	17,179
Contributions to defined contribution retirement schemes	<u>446</u>	<u>672</u>	<u>1,954</u>	<u>739</u>	<u>867</u>
	<u>23,364</u>	<u>28,745</u>	<u>35,201</u>	<u>13,390</u>	<u>18,046</u>

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local authorities whereby the subsidiaries are required to make contributions to the Schemes based on a percentage of the eligible employees' salaries during the Relevant Period. Contributions to the Schemes vest immediately. Under the Schemes, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

The Group also operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
(c) Other items:					
Cost of inventories #					
(note 14(b))	137,326	167,336	282,984	106,472	161,135
Depreciation of property, plant and equipment	2,624	3,694	4,184	1,774	1,770
Amortisation of lease prepayments	104	104	104	44	44
Impairment loss on trade receivables	571	1,316	557	407	352
Operating lease charges in respect of properties	394	570	1,007	420	402
Operating lease charges in respect of trademarks - minimum lease payments	1,115	1,282	4,278	578	3,115
Research and development costs	285	529	978	442	558
Auditors' remuneration	<u>11</u>	<u>386</u>	<u>694</u>	<u>79</u>	<u>834</u>

Cost of inventories includes RMB19,278,000, RMB24,157,000 and RMB26,939,000, RMB10,008,000 (unaudited) and RMB13,643,000 for the years ended 31 December 2008, 2009 and 2010, and for the five months ended 31 May 2010 and 2011 respectively relating to staff costs, depreciation and amortisation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 Income tax in the consolidated income statements**(a) Taxation in the consolidated income statements represents:**

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Current tax — PRC corporate income tax					
Provision for the year/period	2,200	13,106	25,281	9,492	13,142
Deferred tax					
Origination and reversal of temporary differences (note 13(b))	<u>(143)</u>	<u>(329)</u>	<u>(139)</u>	<u>(102)</u>	<u>(88)</u>
	<u>2,057</u>	<u>12,777</u>	<u>25,142</u>	<u>9,390</u>	<u>13,054</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the Relevant Period. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.
- (iii) Effective from 1 January 2008, the Group's PRC subsidiaries are subject to PRC corporate income tax at the statutory rate of 25% unless otherwise specified.

Prior to 1 January 2008, Fujian Jinmaiwang, being a production-oriented foreign investment enterprise ("FIE"), was entitled to a two-year full exemption followed by a three-year 50% reduction of income tax rate ("2+3 tax holiday") starting from the first profit-making year from a PRC tax perspective. Fujian Jinmaiwang started its 2+3 tax holiday in 2004. Further, Luotuo Quanzhou, being a production-oriented FIE, was also entitled to a 2+3 tax holiday. Luotuo Quanzhou started its 2+3 tax holiday in 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new Corporate Income Tax Law ("the new tax law") of the PRC. The new tax law was effective on 1 January 2008. Under the new tax law and its relevant regulations, the 2+3 tax holidays were grandfathered until they expire. Accordingly, Fujian Jinmaiwang is subject to income tax at 12.5% for 2008 and 25% from 2009 onwards; and Luotuo Quanzhou is subject to income tax at 0% for 2008, 12.5% from 2009 to 2011 and 25% from 2012 onwards.

- (iv) According to the Corporate Income Tax Law of the PRC and its implementation rules, dividends receivable by non-PRC-resident corporate investors from PRC-resident enterprises are subject to withholding income tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and the relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds a 25% equity interest or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%.

Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Profit before taxation	<u>6,759</u>	<u>44,319</u>	<u>96,471</u>	<u>35,916</u>	<u>50,788</u>
Notional tax on profit before taxation, calculated at the rates applicable in the tax jurisdictions concerned	1,690	11,165	24,257	9,001	12,991
Effect of non-deductible expenses	2,115	2,704	3,444	1,093	1,277
Effect of tax concessions	<u>(1,748)</u>	<u>(1,092)</u>	<u>(2,559)</u>	<u>(704)</u>	<u>(1,214)</u>
Actual tax expense	<u>2,057</u>	<u>12,777</u>	<u>25,142</u>	<u>9,390</u>	<u>13,054</u>

7 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2008				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	
<i>Executive directors</i>					
Zhang Wen Bin	—	72	30	4	106
Cai Xiu Man	—	144	30	—	174
Huang Jian Ren	—	60	20	6	86
Chen Yuan Jian	—	—	—	—	—
	—	276	80	10	366
<i>Independent non-executive directors</i>					
Wu Xiao Qiu	—	—	—	—	—
Ye Lin	—	—	—	—	—
Lee Ho Yiu Thomas	—	—	—	—	—
	—	—	—	—	—
	—	276	80	10	366

	Year ended 31 December 2009				
	Directors' fees	Salaries, allowances and benefit in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Zhang Wen Bin	—	78	35	8	121
Cai Xiu Man	—	144	30	—	174
Huang Jian Ren	—	60	20	7	87
Chen Yuan Jian	—	30	18	4	52
	—	312	103	19	434
<i>Independent non-executive directors</i>					
Wu Xiao Qiu	—	—	—	—	—
Ye Lin	—	—	—	—	—
Lee Ho Yiu Thomas	—	—	—	—	—
	—	—	—	—	—
	—	312	103	19	434

	Year ended 31 December 2010				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>					
Zhang Wen Bin	—	100	38	11	149
Cai Xiu Man	—	148	36	—	184
Huang Jian Ren	—	63	32	11	106
Chen Yuan Jian	—	63	38	11	112
	—	374	144	33	551
<i>Independent non-executive directors</i>					
Wu Xiao Qiu	—	—	—	—	—
Ye Lin	—	—	—	—	—
Lee Ho Yiu Thomas	—	—	—	—	—
	—	—	—	—	—
	—	374	144	33	551

	Five months ended 31 May 2010 (unaudited)				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive directors</i>					
Zhang Wen Bin	—	41	16	5	62
Cai Xiu Man	—	61	15	—	76
Huang Jian Ren	—	26	13	4	43
Chen Yuan Jian	—	26	16	4	46
	—	154	60	13	227
<i>Independent non-executive directors</i>					
Wu Xiao Qiu	—	—	—	—	—
Ye Lin	—	—	—	—	—
Lee Ho Yiu Thomas	—	—	—	—	—
	—	—	—	—	—
	—	154	60	13	227

	Five months ended 31 May 2011				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Executive directors</i>					
Zhang Wen Bin	—	39	18	6	63
Cai Xiu Man	—	72	22	—	94
Huang Jian Ren	—	33	18	6	57
Chen Yuan Jian	—	35	22	6	63
	—	179	80	18	277
<i>Independent non-executive directors</i>					
Wu Xiao Qiu	—	—	—	—	—
Ye Lin	—	—	—	—	—
Lee Ho Yiu Thomas	—	—	—	—	—
	—	—	—	—	—
	—	179	80	18	277

During the Relevant Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three, three, two, two and three are directors for the years ended 31 December 2008, 2009 and 2010 and for the five months ended 31 May 2010 and 2011, respectively, whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Salaries and other emoluments	133	142	620	258	231
Discretionary bonuses	45	55	72	30	20
Retirement scheme contributions	<u>8</u>	<u>16</u>	<u>33</u>	<u>14</u>	<u>10</u>
	<u>186</u>	<u>213</u>	<u>725</u>	<u>302</u>	<u>261</u>

The above individuals' emoluments are within the following band:

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>

9 Dividends

No dividends have been declared or paid by the Company since its incorporation.

10 Earnings per share

The calculation of basic earnings per share for the Relevant Period is based on the profit attributable to equity shareholders of the Company for each of the years ended 31 December 2008, 2009 and 2010 and for the five months ended 31 May 2010 and 2011 and on the assumption that 900,000,000 shares of the Company are in issue and issuable, comprising 1,000,000 shares in issue at the date of the Prospectus and 899,000,000 shares to be issued pursuant to the capitalisation issue as set out in Appendix VI to the Prospectus as if the shares were outstanding throughout the entire Relevant Period.

There were no potential dilutive ordinary shares during the Relevant Period and, therefore, diluted earnings per share are the same as the basic earnings per share.

11 Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<i>Cost:</i>						
At 1 January 2008	29,000	3,634	460	2,855	6,049	41,998
Additions	—	2,488	864	353	7,659	11,364
Transfers	12,098	—	—	—	(12,098)	—
At 31 December 2008	41,098	6,122	1,324	3,208	1,610	53,362
At 1 January 2009	41,098	6,122	1,324	3,208	1,610	53,362
Additions	200	1,600	2,338	827	5,429	10,394
Transfers	7,039	—	—	—	(7,039)	—
At 31 December 2009	48,337	7,722	3,662	4,035	—	63,756
At 1 January 2010	48,337	7,722	3,662	4,035	—	63,756
Additions	297	192	475	121	—	1,085
Disposals	(200)	(800)	(232)	—	—	(1,232)
At 31 December 2010	48,434	7,114	3,905	4,156	—	63,609
At 1 January 2011	48,434	7,114	3,905	4,156	—	63,609
Additions	551	354	641	—	—	1,546
At 31 May 2011	48,985	7,468	4,546	4,156	—	65,155
<i>Accumulated depreciation:</i>						
At 1 January 2008	689	1,265	158	849	—	2,961
Charge for the year	1,617	458	171	378	—	2,624
At 31 December 2008	2,306	1,723	329	1,227	—	5,585
At 1 January 2009	2,306	1,723	329	1,227	—	5,585
Charge for the year	2,050	672	456	516	—	3,694
At 31 December 2009	4,356	2,395	785	1,743	—	9,279
At 1 January 2010	4,356	2,395	785	1,743	—	9,279
Charge for the year	2,301	734	650	499	—	4,184
Written back on disposals	(17)	(549)	(151)	—	—	(717)
At 31 December 2010	6,640	2,580	1,284	2,242	—	12,746
At 1 January 2011	6,640	2,580	1,284	2,242	—	12,746
Charge for the period	966	281	324	199	—	1,770
At 31 May 2011	7,606	2,861	1,608	2,441	—	14,516
<i>Net book value:</i>						
At 31 December 2008	38,792	4,399	995	1,981	1,610	47,777
At 31 December 2009	43,981	5,327	2,877	2,292	—	54,477
At 31 December 2010	41,794	4,534	2,621	1,914	—	50,863
At 31 May 2011	41,379	4,607	2,938	1,715	—	50,639

- (a) Buildings which are held for own use are situated in the PRC. At 31 December 2008, 2009 and 2010 and 31 May 2011, buildings with net book value of RMB38,535,000, RMB39,726,000 and RMB37,634,000 and RMB36,760,000 respectively were mortgaged to banks for certain banking facilities granted to the Group (see note 19(c)).
- (b) Construction in progress comprises costs incurred on property, plant and equipment not yet completed at the end of respective reporting period. Construction in progress with carrying amount of RMB1,610,000, RMBNil and RMBNil and RMBNil was mortgaged to banks for certain banking facilities granted to the Group at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively (see note 19(c)).

12 Lease prepayments

	At 31 December			At 31 May
	2008	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	5,002	4,898	4,794	4,690
Less: amortisation for the year/period	<u>(104)</u>	<u>(104)</u>	<u>(104)</u>	<u>(44)</u>
	<u>4,898</u>	<u>4,794</u>	<u>4,690</u>	<u>4,646</u>
				At
				31 May
	2008	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease prepayments	4,898	4,794	4,690	4,646
Less: current portion of lease prepayments	<u>(104)</u>	<u>(104)</u>	<u>(104)</u>	<u>(104)</u>
Non-current portion of lease prepayments	<u>4,794</u>	<u>4,690</u>	<u>4,586</u>	<u>4,542</u>

The lease prepayments represent cost of the land use rights in respect of land located in the PRC, on which the Group built its production premises and buildings. The lease expires in September 2055.

At 31 December 2008, 2009 and 2010 and 31 May 2011, land use rights with an aggregate carrying amount of RMB4,898,000, RMB4,794,000 and RMB4,690,000 and RMB4,646,000, respectively were pledged as securities for certain banking facilities granted to the Group (see note 19(c)).

13 Income tax in the consolidated balance sheets

(a) Current taxation in the consolidated balance sheets represents:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
At 1 January	270	995	11,381	22,348
Provision for PRC corporate income tax for the year/period	2,200	13,106	25,281	13,142
PRC corporate income tax paid	<u>(1,475)</u>	<u>(2,720)</u>	<u>(14,314)</u>	<u>(21,190)</u>
	<u>995</u>	<u>11,381</u>	<u>22,348</u>	<u>14,300</u>

(b) Deferred tax assets recognised

Movements in deferred tax assets arising from allowance for impairment of trade receivables during the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011 are as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
At 1 January	162	305	634	773
Credited to profit or loss (note 6(a))	<u>143</u>	<u>329</u>	<u>139</u>	<u>88</u>
	<u>305</u>	<u>634</u>	<u>773</u>	<u>861</u>

(c) Deferred tax liabilities not recognised

As at 31 December 2008, 2009 and 2010 and 31 May 2011, temporary differences relating to the undistributed profits of the Group's PRC subsidiaries amounted to RMB5,009,000, RMB36,807,000 and RMB108,145,000 and RMB148,453,000, respectively. No deferred tax liabilities in respect of these undistributed profits have been recognised as the Company controls the dividend policy of these subsidiaries and the directors have determined that these profits are not likely to be distributed in the foreseeable future.

14 Inventories

(a) *Inventories in the consolidated balance sheets comprise:*

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
Raw materials	13,472	23,623	36,956	37,702
Work in progress	1,249	1,059	2,271	2,436
Finished goods	4,941	10,442	9,329	12,562
	<u>19,662</u>	<u>35,124</u>	<u>48,556</u>	<u>52,700</u>

(b) *The analysis of the amount of inventories recognised as an expense and included in the consolidated income statements is as follows:*

	Years ended 31 December			Five months	
	2008	2009	2010	ended 31 May	
	RMB'000	RMB'000	RMB'000	2010	2011
				RMB'000	RMB'000
				(unaudited)	
Carrying amount of inventories sold	<u>137,326</u>	<u>167,336</u>	<u>282,984</u>	<u>106,472</u>	<u>161,135</u>

15 Trade and other receivables

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
Trade receivables and bills receivable	36,240	59,677	149,571	132,106
Less: allowance for doubtful debts	<u>(1,219)</u>	<u>(2,535)</u>	<u>(3,092)</u>	<u>(3,444)</u>
	35,021	57,142	146,479	128,662
Deposits and prepayments (notes (i) and (ii))	41,812	33,061	60,831	129,111
Other receivables	<u>809</u>	<u>2,029</u>	<u>4,361</u>	<u>7,990</u>
	<u>77,642</u>	<u>92,232</u>	<u>211,671</u>	<u>265,763</u>

Notes:

- (i) Included in the deposits as at 31 December 2008, 2009 and 2010 and 31 May 2011 were rental and utilities deposits of RMB100,000, RMB147,000, and RMBNil and RMB228,000 respectively which were not expected to be recovered within one year.
- (ii) Prepayments consist of advance payments made to suppliers for purchases of raw materials.

All of the trade and other receivables, apart from (i) above, are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting periods:

	At 31 December			At
	2008	2009	2010	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2011</i>
				<i>RMB'000</i>
Current	21,826	41,868	100,743	93,821
Less than 60 days past due	3,675	4,477	12,898	17,463
61 days - 180 days past due	3,828	4,489	22,224	10,903
Over 180 days past due	5,692	6,308	10,614	6,475
Amounts past due	13,195	15,274	45,736	34,841
	<u>35,021</u>	<u>57,142</u>	<u>146,479</u>	<u>128,662</u>

Trade receivables are normally due within 60 to 90 days from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on such factors as the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration. Further details of the Group's credit policy are set out in note 25(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(i)(i)).

The movement in the allowance for doubtful debts during the Relevant Period, including both specific and collective loss components, is as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
At 1 January	648	1,219	2,535	3,092
Impairment loss recognised	<u>571</u>	<u>1,316</u>	<u>557</u>	<u>352</u>
	<u>1,219</u>	<u>2,535</u>	<u>3,092</u>	<u>3,444</u>

The Group's trade receivables of RMB1,219,000, RMB2,535,000 and RMB3,092,000 and RMB3,444,000 were individually determined to be impaired as at 31 December 2008, 2009 and 2010 and 31 May 2011 respectively. The individually impaired receivables related to a number of customers with long outstanding balances with no subsequent settlement received or customers that were in financial difficulties and management assessed that those receivables were not recoverable. Consequently, specific allowances for doubtful debts of RMB1,219,000, RMB2,535,000 and RMB3,092,000 and RMB3,444,000 were recognised as at 31 December 2008, 2009 and 2010 and 31 May 2011 respectively. The Group does not hold any collateral over these balances.

(c) *Trade receivables that are not impaired*

Receivables that were neither past due nor impaired (disclosed as current in the table given in note 15(a)) relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired (as shown in the table in note 15(a)) relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16 Pledged deposits

Pledged deposits with banks have been placed as security for bills payable issued by the Group (see notes 18(b) and 19(c)).

17 Cash and cash equivalents

(a) *Cash and cash equivalents in the consolidated balance sheets and consolidated cash flow statements comprise:*

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
Cash at bank and in hand	<u>3,918</u>	<u>5,724</u>	<u>24,687</u>	<u>13,545</u>

As at 31 December 2008, 2009 and 2010 and 31 May 2011, cash and cash equivalents in the amount of RMB3,831,000, RMB5,579,000 and RMB24,407,000 and RMB13,014,000 respectively are denominated in RMB and are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) *Reconciliation of profit before taxation to cash (used in)/generated from operations:*

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	6,759	44,319	96,471	35,916	50,788
Adjustments for:					
- Interest expense	646	768	1,295	438	961
- Depreciation	2,624	3,694	4,184	1,774	1,770
- Amortisation of lease prepayments	104	104	104	44	44
- Net foreign exchange loss	68	11	98	6	26
- Interest income	(297)	(236)	(203)	(49)	(122)
- Impairment loss on trade receivables	571	1,316	557	407	352
- Loss on disposal of property, plant and equipment	—	—	515	—	—
Changes in working capital:					
- Decrease/(increase) in inventories	1,326	(15,462)	(13,432)	(21,802)	(4,144)
- Increase in trade and other receivables	(34,711)	(15,905)	(120,026)	(22,710)	(54,444)
- Increase in trade and other payables	<u>3,501</u>	<u>4,091</u>	<u>70,241</u>	<u>49,762</u>	<u>18,776</u>
Cash (used in)/generated from operations	<u>(19,409)</u>	<u>22,700</u>	<u>39,804</u>	<u>43,786</u>	<u>14,007</u>

18 Trade and other payables

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Trade payables	8,291	11,277	41,240	40,416
Bills payable (note 18(b))	17,000	10,900	17,366	41,488
Amounts due to directors (note 18(c))	38,907	31,313	18,064	438
Receipts in advance	10,258	15,295	39,657	37,348
Other payables and accruals (note 18(d))	<u>26,167</u>	<u>11,150</u>	<u>21,020</u>	<u>19,218</u>
	<u>100,623</u>	<u>79,935</u>	<u>137,347</u>	<u>138,908</u>

All of the above balances are expected to be settled within one year or repayable on demand.

(a) *An ageing analysis of the trade payables of the Group is analysed as follows:*

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Due within 1 month or on demand	3,417	6,717	16,582	14,709
Due after 1 month but within 3 months	<u>4,874</u>	<u>4,560</u>	<u>24,658</u>	<u>25,707</u>
	<u>8,291</u>	<u>11,277</u>	<u>41,240</u>	<u>40,416</u>

(b) Bills payable are normally issued with a maturity of not more than three months.

Bills payable are secured by pledged deposits with banks (note 16).

(c) The balances can be analysed as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Zhang Wen Bin	24,454	15,091	1,246	—
Cai Xiu Man	<u>14,453</u>	<u>16,222</u>	<u>16,818</u>	<u>438</u>
	<u>38,907</u>	<u>31,313</u>	<u>18,064</u>	<u>438</u>

The amounts due to directors were unsecured, interest-free and repayable on demand. The amounts will be repaid upon the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(d) *An analysis of the other payables and accruals of the Group is analysed as follows:*

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
Salaries, wages, bonus and other accrued benefits	6,182	6,511	11,278	9,985
Payables for the purchase of property, plant and equipment	17,967	782	1,202	1,202
VAT payable	437	2,070	5,246	3,313
Others	<u>1,581</u>	<u>1,787</u>	<u>3,294</u>	<u>4,718</u>
	<u>26,167</u>	<u>11,150</u>	<u>21,020</u>	<u>19,218</u>

19 Bank loans

(a) At 31 December 2008, 2009 and 2010, and 31 May 2011 the bank loans were repayable as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
Within 1 year	<u>8,500</u>	<u>20,600</u>	<u>33,500</u>	<u>58,100</u>

(b) At 31 December 2008, 2009 and 2010, and 31 May 2011 the bank loans were secured as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
Bank loans (note 19(c))				
— secured	8,500	20,600	26,500	32,160
— unsecured	<u>—</u>	<u>—</u>	<u>7,000</u>	<u>25,940</u>
	<u>8,500</u>	<u>20,600</u>	<u>33,500</u>	<u>58,100</u>

(c) The amounts of banking facilities and the utilisation at 31 December 2008, 2009 and 2010 and 31 May 2011 are set out as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Banking facilities				
— secured	20,000	31,000	40,000	40,000
— unsecured	—	10,000	50,000	60,000
	<u>20,000</u>	<u>41,000</u>	<u>90,000</u>	<u>100,000</u>
Amounts utilised				
— bills payable	17,000	10,900	17,366	41,488
less: pledged deposits	<u>(8,500)</u>	<u>(5,450)</u>	<u>(8,696)</u>	<u>(18,107)</u>
	8,500	5,450	8,670	23,381
— short-term loans	<u>8,500</u>	<u>20,600</u>	<u>33,500</u>	<u>58,100</u>
	<u>17,000</u>	<u>26,050</u>	<u>42,170</u>	<u>81,481</u>

The secured banking facilities were secured by the carrying value of the following assets:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Pledged deposits (note 16)	8,500	5,450	8,696	18,107
Buildings (note 11(a))	38,535	39,726	37,634	36,760
Construction in progress (note 11(b))	1,610	—	—	—
Lease prepayments (note 12)	<u>4,898</u>	<u>4,794</u>	<u>4,690</u>	<u>4,646</u>
	<u>53,543</u>	<u>49,970</u>	<u>51,020</u>	<u>59,513</u>

At 31 December 2008 and 2009, all of the Group's utilised banking facilities were secured by personal guarantee from Cai Xiu Man and/or Zhang Wen Bin at nil fee.

At 31 December 2010, all of the Group's utilised banking facilities were secured by personal guarantee from Cai Xiu Man, Zhang Wen Bin and Wu Shu Lin at nil fee and cross corporate guarantee given by certain subsidiaries of the Company.

At 31 May 2011, RMB10,000,000 of the Group's utilised banking facilities were secured by personal guarantee from Zhang Wen Bin at nil fee and corporate guarantee given by a subsidiary of the Company and RMB71,481,000 of the Group's utilised banking facilities were secured by personal guarantee from Cai Xiu Man, Zhang Wen Bin and Wu Shu Lin at nil fee and cross corporate guarantee given by certain subsidiaries of the Company.

At 31 December 2010 and 31 May 2011, certain of the Group's utilised banking facilities were also secured by a personal property owned by Cai Xiu Man and Zhang Wen Bin at nil fee. The directors have confirmed that the personal guarantees and/or the personal property provided by Cai Xiu Man, Zhang Wen Bin and Wu Shu Lin at 31 May 2011 will be replaced by the Company's corporate guarantee upon listing if the relevant bank loans are not then settled.

At 31 December 2008, 2009 and 2010 and 31 May 2011, all of the Group's banking facilities were subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). At 31 December 2008, 2009 and 2010 and 31 May 2011, none of the covenants relating to drawn down facilities had been breached.

20 Capital and other reserve

On 19 December 2008, the Controlling Parties transferred 100% of their equity interests in Fujian Jinmaiwang and Luotuo Quanzhou to Jinmaiwang Hong Kong for considerations of HK\$8,600,000 (approximately RMB7,622,000) and US\$1,000,000 (approximately RMB6,897,000), respectively. The difference between the historical carrying value of the capital of Fujian Jinmaiwang and Luotuo Quanzhou acquired and the acquisition consideration paid by Jinmaiwang Hong Kong is recorded in "Other reserve".

On 3 December 2010, the Controlling Parties transferred 100% of their equity interests in Shishi Haomai to Fujian Jinmaiwang for a consideration of RMB1,500,000.

On 2 February 2011, the Group completed the Reorganisation to rationalise the Group's structure in preparing for the listing of the Company's shares on the Main Board of the Stock Exchange. Further details of the Reorganisation are set out in the section headed "Reorganisation" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 2 February 2011. The difference of the nominal value of shares of the subsidiaries acquired and the nominal value of the shares issued by the Company in exchange under the Reorganisation of the Group was recorded in "Other reserve".

As disclosed in Section A, the Financial Information has been prepared under the merger accounting method in that financial statements of the companies comprising the Group during the Relevant Period were consolidated as if the current group structure had been in existence throughout the Relevant Period.

For the purpose of this report, capital in the consolidated balance sheets as at 31 December 2008, 2009 and 2010 and 31 May 2011 represented the aggregate amount of capital of the companies now comprising the Group, after elimination of investments in subsidiaries.

21 Reserves

(a) Exchange reserve

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements with functional currency other than Renminbi. The reserve is dealt with in accordance with the accounting policy set out in note 1(s).

(b) Statutory reserve

Transfers from retained profits to PRC statutory reserve are made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to appropriate 10% of its after-tax profit, as determined in accordance with the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(c) Distributable reserves

The Company was incorporated on 12 February 2010 and has not made any profits since its date of incorporation. Accordingly, there was no reserve available for distribution to shareholders as at 31 May 2011.

On the basis set out in Section A above, the aggregate amounts of distributable reserves of the companies comprising the Group at 31 December 2008, 2009 and 2010 and 31 May 2011 were RMB45,425,000, RMB76,453,000, and RMB146,508,000 and RMB183,399,000 respectively.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurate with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions affecting the Group.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debts as total bank loans less cash and cash equivalents. The Group defines "capital" as including all components of equity.

The net debt-to-capital ratio was as follows:

		At 31 December			At
	Note	2008	2009	2010	31 May
		RMB'000	RMB'000	RMB'000	2011
					RMB'000
Bank loans	19	8,500	20,600	33,500	58,100
Less: cash and cash equivalents	17	<u>(3,918)</u>	<u>(5,724)</u>	<u>(24,687)</u>	<u>(13,545)</u>
Net debt		<u>4,582</u>	<u>14,876</u>	<u>8,813</u>	<u>44,555</u>
Total equity		<u>54,848</u>	<u>86,519</u>	<u>156,957</u>	<u>194,953</u>
Net debt-to-capital ratio		<u>8.4%</u>	<u>17.2%</u>	<u>5.6%</u>	<u>22.9%</u>

Except for the banking facilities which require the fulfilment of certain covenants as disclosed in note 19, neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

22 Commitments

- (a) Capital commitments outstanding at 31 December 2008, 2009 and 2010 and 31 May 2011 not provided for in this Financial Information were as follows:

		At 31 December			At
		2008	2009	2010	31 May
		RMB'000	RMB'000	RMB'000	2011
					RMB'000
Contracted for		1,610	—	—	—
Authorised but not contracted for		<u>3,819</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>5,429</u>	<u>—</u>	<u>—</u>	<u>—</u>

- (b) At 31 December 2008, 2009 and 2010 and 31 May 2011, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Within 1 year	<u>98</u>	<u>149</u>	<u>149</u>	<u>344</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of three to ten years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

- (c) At 31 December 2008, 2009 and 2010 and 31 May 2011, the Group committed to pay royalties for the usage of several trademarks for manufacturing and sales of footwear, apparel and related accessories products. The minimum guaranteed royalty payments were payable as follows:

	At 31 December			At
	2008	2009	2010	31 May
	RMB'000	RMB'000	RMB'000	2011
				RMB'000
Within 1 year	1,388	1,676	7,795	8,515
After 1 year but within 5 years	5,542	4,266	30,511	26,941
After 5 years	<u>—</u>	<u>320</u>	<u>240</u>	<u>—</u>
	<u>6,930</u>	<u>6,262</u>	<u>38,546</u>	<u>35,456</u>

The Group licenses a number of trademarks from independent third parties and a related party (“the Licensors”). The licensing agreements for the trademarks typically run for an initial period of five to ten years respectively, at the end of which period all terms are renegotiated. Royalties payable to the Licensors are pre-determined in the licensing agreements or calculated based on a percentage of sales revenue with an annual minimum guaranteed royalty payment. Further details of the licensing agreement with the related party are disclosed in note 24(b).

- (d) In November 2009, the Group entered into a binding contract with an advertising company to license the use of image of a sports celebrity for promotional purposes for an initial period of two years, at the end of which period all terms are renegotiated. The Group has committed to pay RMB1,000,000 per year according to the contract.

23 Contingent liabilities

At 31 December 2010 and 31 May 2011, certain subsidiaries of the Company had issued cross guarantees to a bank in respect of banking facilities which remain in force so long as the subsidiaries have drawn down under the banking facilities. Under each of these cross guarantees, certain subsidiaries that are a party to the guarantee arrangement are jointly and severally liable for all and any of the borrowings of each of them from the bank which is the beneficiary of the guarantee. No cross guarantee was issued for the years ended 31 December 2008 and 2009.

As at 31 December 2010 and 31 May 2011, the directors did not consider it probable that a claim will be made against the Group under any of the above guarantees. The maximum liability of the Group as at 31 December 2010 and 31 May 2011 under the cross guarantees is the aggregate amount of the facilities drawn down by the subsidiaries of RMB42,170,000 and RMB71,481,000 respectively.

24 Related party transactions

In addition to the related party information disclosed in notes 7, 8, 18(c), 19 and 20 of this Financial Information, the Group entered into the following significant related party transactions during the Relevant Period.

(a) Name and relationship with related parties

During the Relevant Period, the directors are of the view that related parties of the Group include the following individuals/entity:

<i>Name of party</i>	<i>Relationships</i>
Zhang Wen Bin * 張文彬	One of the Controlling Parties and key management personnel
Cai Xiu Man * 蔡秀滿	One of the Controlling Parties and key management personnel
Huang Cong Ming * 黃聰明	Key management personnel and brother in-law to Zhang Wen Bin
Wu Shu Lin * 吳樹林	Key management personnel and brother in-law to Zhang Wen Bin
Zhang Li Zhu * 張禮祝	Father of Zhang Wen Bin
Zhang Wen Zhi * 張文質	Brother of Zhang Wen Bin
UK Greiff Company Ltd ("UK Greiff")	A private company wholly-owned by Cai Xiu Man

* The English translation of the name is for reference only. The official name of these related parties is in Chinese.

(b) Significant related party transactions

Particulars of significant related party transactions during the Relevant Period are as follows:

(i) Lease of properties

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Rental payable/paid to:					
– Zhang Wen Bin, Zhang Li Zhu and Zhang Wen Zhi	254	254	254	106	21
– Huang Cong Ming	<u>140</u>	<u>140</u>	<u>140</u>	<u>58</u>	<u>12</u>
	<u>394</u>	<u>394</u>	<u>394</u>	<u>164</u>	<u>33</u>

(unaudited)

The rental agreements with the related parties were terminated in January 2011.

(ii) Use of trademark

During the year ended 31 December 2009, UK Greiff granted a license to Greiff Xiamen for the use of the trademark “Greiff” for an initial period of ten years for a royalty of RMB80,000 per annum, at the end of which period all terms are renegotiated. The licensing agreement was subsequently terminated and replaced by a revised licensing agreement signed on 10 February 2011 for granting Greiff Xiamen a sole and exclusive license to use the trademark “Greiff” for a term from 10 February 2011 to 27 January 2019. Pursuant to the revised licensing agreement, no charge will be payable on the use of the trademark by the Group.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended 31 December			Five months ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term employee benefits	595	691	1,309	543	612
Retirement scheme contributions	<u>22</u>	<u>43</u>	<u>76</u>	<u>32</u>	<u>39</u>
	<u>617</u>	<u>734</u>	<u>1,385</u>	<u>575</u>	<u>651</u>

Total remuneration was included in "staff costs" (see note 5(b)).

25 Financial risk management and fair values

Exposure to credit, liquidity, interest rate, currency, commodity price and business risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables.

Management has a credit policy in place and the exposure to these credit risks is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 60-90 days from the date of billing. The Group also offers revolving credit to its customers. The revolving credit, which provides for a maximum credit limit that may be outstanding at any one time, is determined based on such factors as current market conditions and the customers' credit history and current ability to pay. The funding need of a customer for the purpose of expanding its sales network is also taken into consideration. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2008, 2009 and 2010 and 31 May 2011, 0%, 2%, 9% and 1%, respectively, of the total trade and other receivables was due from the Group's largest customer and 6%, 11%, 17% and 7%, respectively, was due from the five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated balance sheets after deducting any impairment allowance.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 15.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at 31 December 2008, 2009 and 2010 and 31 May 2011 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest date the Group can be required to pay.

	At 31 December 2008		
	Within 1 year or on demand	Total contractual undiscounted cash flow	Balance sheet carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	8,616	8,616	8,500
Trade and other payables	<u>90,365</u>	<u>90,365</u>	<u>90,365</u>
	<u>98,981</u>	<u>98,981</u>	<u>98,865</u>

At 31 December 2009

	Within 1 year or on demand	Total contractual undiscounted cash flow	Balance sheet carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	20,870	20,870	20,600
Trade and other payables	<u>64,640</u>	<u>64,640</u>	<u>64,640</u>
	<u>85,510</u>	<u>85,510</u>	<u>85,240</u>

At 31 December 2010

	Within 1 year or on demand	Total contractual undiscounted cash flow	Balance sheet carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	34,472	34,472	33,500
Trade and other payables	<u>97,690</u>	<u>97,690</u>	<u>97,690</u>
	<u>132,162</u>	<u>132,162</u>	<u>131,190</u>

At 31 May 2011

	Within 1 year or on demand	Total contractual undiscounted cash flow	Balance sheet carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	59,872	59,872	58,100
Trade and other payables	<u>101,560</u>	<u>101,560</u>	<u>101,560</u>
	<u>161,432</u>	<u>161,432</u>	<u>159,660</u>

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from long-term borrowings issued at fixed rates that expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's total borrowings at 31 December 2008, 2009 and 2010 and 31 May 2011:

	2008		At 31 December 2009		2010		At 31 May 2011	
	<i>Effective</i>	<i>Amount</i>	<i>Effective</i>	<i>Amount</i>	<i>Effective</i>	<i>Amount</i>	<i>Effective</i>	<i>Amount</i>
	<i>interest rate</i>	<i>RMB'000</i>	<i>interest rate</i>	<i>RMB'000</i>	<i>interest rate</i>	<i>RMB'000</i>	<i>interest rate</i>	<i>RMB'000</i>
	%		%	%		%	%	
Fixed rate borrowings:								
RMB bank loans	8.04	8,500	5.42	20,600	5.57	33,500	5.68	43,000
Variable rate borrowings:								
RMB bank loans	—	—	—	—	—	—	6.31	15,100
Total net borrowings		<u>8,500</u>		<u>20,600</u>		<u>33,500</u>		<u>58,100</u>
Net fixed rate borrowings as a percentage of total net borrowings		100%		100%		100%		74%

(ii) *Sensitivity analysis*

At 31 May 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB113,000.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group. The impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting periods would not affect profit or loss in relation to these financial statements.

(d) *Currency risk*

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in United States dollars, a currency other than the functional currency of the entity to which they relate.

(i) *Exposure to currency risk*

The following table details the Group's exposure at 31 December 2008, 2009 and 2010 and 31 May 2011 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of the reporting periods. Differences resulting from the translation of the financial statements of the entities with functional currency other than RMB into the Group's presentation currency are excluded.

	At 31 December			At 31 May
	2008	2009	2010	2011
	<i>United States Dollars</i>	<i>United States Dollars</i>	<i>United States Dollars</i>	<i>United States Dollars</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other receivables	1,984	3,061	3,327	3,195
Cash and cash equivalents	4	134	116	515
Trade and other payables	<u>(3,213)</u>	<u>(2,784)</u>	<u>(5,144)</u>	<u>(3,104)</u>
Net exposure arising from recognised assets and liabilities	<u>(1,225)</u>	<u>411</u>	<u>(1,701)</u>	<u>606</u>

(ii) *Sensitivity analysis*

At 31 December 2008, 2009 and 2010 and 31 May 2011, it is estimated that a general change of 5%, 5%, 5% and 5%, respectively in foreign exchange rate of United States dollars, would decrease/increase/decrease/increase the Group's profit for the year/period and retained profits by approximately RMB54,000, RMB13,000, and RMB65,000 and RMB29,000. Other components of equity would not be affected by changes in the foreign exchange rates.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2008, 2009 and 2010 and five months ended 31 May 2011.

(e) Commodity price risk

The major raw materials used in the production of the Group's products include leather, cloth, rubber, polymers and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(f) Business risk

The Group's primary business is the manufacturing and sales of casual footwear, apparel and related accessories. The Group's financial results are influenced by the rapidity with which designs are copied by competitors and reproduced at much lower prices, as well as by the Group's ability to continue to create new designs that find favour in the market place, maintain a larger network of customers and distributors, manufacture sufficient quantities to meet fashionable sales, and dispose of excess inventories without excessive losses. Based on these factors, the Group may experience significant fluctuations in its future financial results.

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008, 2009 and 2010 and 31 May 2011.

26 Accounting judgements and estimates***Key sources of estimation uncertainty***

The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or changes in market conditions. Management reassesses these estimations at the end of the reporting periods to ensure inventory is shown at the lower of cost and net realisable value.

(ii) Impairment of trade receivables

The management determines the impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. If the financial conditions of the customers were to deteriorate, actual write-off would be higher than estimated. Management reassesses the impairment of trade receivables at the end of the reporting periods.

(iii) *Depreciation*

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(iv) *Income tax*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of these transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets, if any, are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

27 Financial information of the Company*Company balance sheet*

	<i>Note</i>	At 31 December 2010 <i>RMB'000</i>	At 31 May 2011 <i>RMB'000</i>
Non-current assets			
Investments in subsidiaries	(i)	—	165,053
Current liabilities			
Amount due to a director		47	69
Net current liabilities		(47)	(69)
NET (LIABILITIES)/ASSETS		(47)	164,984
CAPITAL AND RESERVES			
Share capital	(ii)	1	85
Other reserve	(iii)	—	164,969
Accumulated loss		(48)	(70)
TOTAL EQUITY		(47)	164,984

(i) *Investments in subsidiaries*

Investments in subsidiaries are stated at cost. Details of subsidiaries are set out in Section A of the Financial Information.

The statutory financial statements of the companies now comprising the Group, which were subject to audit during the Relevant Period, were either prepared in accordance with HKFRSs issued by the HKICPA or PRC GAAP issued by the Ministry of Finance of the PRC. The respective statutory auditors of these financial statements are indicated below:

Name of company	Financial period	Statutory auditors
Jinmaiwang Hong Kong	Period ended 30 June 2009 and year ended 30 June 2010	S.W.Chan & Co.
Fujian Jinmaiwang	Year ended 31 December 2008	Fujian Bairun Associated Certified Public Accountants * 福建百潤聯合會計師事務所
	Years ended 31 December 2009 and 2010	Jinjiang Chao Qun Link Certified Public Accountants * 晉江市超群聯合會計師事務所
Shishi Haomai	Year ended 31 December 2008	Fujian Bairun Associated Certified Public Accountants * 福建百潤聯合會計師事務所
	Years ended 31 December 2009 and 2010	Jinjiang Chao Qun Link Certified Public Accountants * 晉江市超群聯合會計師事務所
Luotuo Quanzhou	Year ended 31 December 2008	Fujian Bairun Associated Certified Public Accountants * 福建百潤聯合會計師事務所
	Years ended 31 December 2009 and 2010	Jinjiang Chao Qun Link Certified Public Accountants * 晉江市超群聯合會計師事務所
Greiff Xiamen	Period ended 31 December 2009	Xiamen Yongda Certified Public Accountants * 廈門永大會計師事務所有限公司
	Year ended 31 December 2010	Jinjiang Chao Qun Link Certified Public Accountants * 晉江市超群聯合會計師事務所

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

- (ii) The Company was incorporated on 12 February 2010 with an authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.1 each. On the same date, the Company issued 10,000 shares at par value of HK\$0.1.
- (iii) Pursuant to the Reorganisation, the Company became holding company of the Group on 2 February 2011. The excess of the consolidated net assets of the subsidiaries acquired over the nominal value of 990,000 shares issued by the Company in exchange under the Reorganisation was recorded in "Other reserve".

28 Immediate and ultimate controlling parties

The directors consider the immediate and ultimate controlling parties of the Company as at 31 May 2011 to be Cai Xiu Man and Zhang Wen Bin.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Period

Up to the date of issue of these Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the five months ended 31 May 2011 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

*Effective for accounting
periods beginning on or
after*

IFRS 9, <i>Financial instruments</i>	1 January 2015
IFRS 10, <i>Consolidated financial statements</i>	1 January 2013
IFRS 12, <i>Disclosure of interests in other entities</i>	1 January 2013
IFRS 13, <i>Fair value measurement</i>	1 January 2013
Amendments to IAS 12, <i>Income taxes</i>	1 January 2012
Amendments to IFRS 7, <i>Financial instruments: Disclosures - Transfers of financial assets</i>	1 July 2011

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 May 2011:

(a) Share option scheme

Pursuant to the written resolution of the shareholders of the Company passed on 4 September 2011, the Company has conditionally adopted a share option scheme (the "Share Option Scheme"). The principal terms of the Share Option Scheme are set out in section headed "Share Option Scheme" in Appendix VI to the Prospectus. No option was granted as at the date of this report.

(b) Increase of authorised share capital

Pursuant to the resolutions in writing of all the shareholders of the Company passed on 4 September 2011, the authorised share capital of the Company was increased from HK\$100,000 to HK\$1,000,000,000 by the creation of an additional 9,999,000,000 shares.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 May 2011.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the "Financial Information" in this prospectus and the "Accountants' Report" as set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 31 May 2011 as if the Global Offering had taken place on that date.

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 had the Global Offering been completed as at 31 May 2011 or at any future date. It is prepared based on our consolidated net assets as at 31 May 2011 as derived from our consolidated financial information set forth in the Accountants' Report in Appendix I, and adjusted as described below.

	Consolidated net tangible assets of the Company as at 31 May 2011⁽¹⁾ RMB'000	Add: Estimated net proceeds from the Global Offering⁽²⁾ RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share⁽³⁾⁽⁵⁾ RMB HK\$⁽⁴⁾	
Based on an offer price of HK\$1.20 per Share	194,953	281,308	476,261	0.40	0.48
Based on an offer price of HK\$1.83 per Share	194,953	433,359	628,312	0.52	0.63

Notes:

- (1) The consolidated net tangible assets of our Company as at 31 May 2011 have been calculated based on the consolidated net assets of the Company of RMB195.0 million as at 31 May 2011 extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on indicative offer price of HK\$1.20 and HK\$1.83 per Share after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares are in issue assuming that the Global Offering and the Capitalisation Issue have been completed on 31 May 2011 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.83368. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars or vice versa, at that rate.

- (5) Details of valuation of our Group's properties interest as at 30 June 2011 are set out in Appendix IV of the prospectus. Our Group will not incorporate the revaluation surplus or deficit in our financial statements for the year ending 31 December 2011. It is our Group's accounting policy to state our interest in leasehold land held for own use under operating leases and property, plant and equipment at cost less accumulated depreciation/amortisation and any impairment loss in accordance with IFRSs, rather than at revalued amounts. The impairment reviews performed by our Company as at 30 June 2011 did not indicate the need to recognise any impairment loss for our interests in leasehold land held for own use under operating leases and property, plant and equipment. With reference to the valuation of our Group's property interests as set out in Appendix IV of this prospectus, there was a revaluation surplus of our Group's leasehold land and properties of approximately RMB13.8 million. If the revaluation surplus was incorporated in our Group's financial statements for the year ending 31 December 2011, an additional depreciation of RMB779,000 would be charged.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2011. The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

For the year ending 31 December 2011

Forecast consolidated profit of the Company
for the year ending 31 December 2011⁽¹⁾ Not less than RMB111.5 million
(approximately HK\$133.7 million)⁽³⁾

Unaudited pro forma forecast earnings per Share
for the year ending 31 December 2011⁽²⁾ Not less than RMB0.09
(approximately HK\$0.11)⁽³⁾

Notes:

- (1) The forecast consolidated profit of our Company for the year ending 31 December 2011 are extracted from the section headed “Financial Information — Profit Forecast for the year ending 31 December 2011”. The bases and assumptions on which the above profit forecast has been prepared are summarised in “Appendix III — Profit Forecast” to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share for the year ending 31 December 2011 is calculated by dividing the forecast consolidated profit of our Company for the year ending 31 December 2011 by 1,200,000,000 Shares as if such Shares had been in issue since 1 January 2011 and during the entire year. The number of Shares used in this calculation includes the Shares in issue as of the date of this prospectus and the Shares to be issued pursuant to the Global Offering and the Capitalisation Issue but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (3) The forecast consolidated profit of our Company, and unaudited pro forma forecast earnings per Share in RMB are converted to Hong Kong dollars at the rate of HK\$1.00 to RMB0.83368. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars or vice versa, at that rate.

**C. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, prepared for the sole purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

16 September 2011

The Directors
Active Group Holdings Limited

Dear Sirs

Active Group Holdings Limited (the "Company")

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of the Company and its subsidiaries (the "Group") set out on pages II-1 to II-3 in Appendix II of the prospectus of the Company dated 16 September 2011 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed initial public offering in Hong Kong of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Parts A and B of Appendix II of the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 4.29(7) of the Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 May 2011 or any future date; or
- the earnings per share of the Group for year ending 31 December 2011 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described under “Use of Proceeds” set out in the section “Future Plans and Use of Proceeds” of the Prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- (a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group, and
- (c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

The forecast of the consolidated profit of our Company for the year ending 31 December 2011 is set out in the paragraph headed “Profit Forecast for the Year Ending 31 December 2011” in the section headed “Financial Information” in this prospectus.

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit of our Company for the year ending 31 December 2011 based on the audited consolidated results of our Group for the five months ended 31 May 2011, the unaudited consolidated results based on management accounts of the Group for the one month ended 30 June 2011 and a forecast of the consolidated results of our Group for the remaining six months ending 31 December 2011. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by our Group as summarised in Appendix I to this prospectus and is based on the following principal assumptions:

- (i) there will be no material changes in the existing government policies, political, legal, fiscal, market or economic conditions in Hong Kong and the PRC or any other country or territory where our Group carries on business and/or incorporated;
- (ii) there will be no material changes in policies, legislation, regulations or rules in the PRC or any other country or territory where our Group carries on its business or with which it has arrangements or agreements, which may have a material adverse effect on business;
- (iii) there will be no material changes in the bases or rates of taxation or duties, both direct or indirect, in the PRC or any other country or territory where our Group carries on business, except as otherwise disclosed in this prospectus;
- (iv) there will be no material changes in the rates of inflation, interest, or foreign currency exchange from those prevailing as at the date of last audited statement of financial position (i.e. 31 May 2011);
- (v) our Group’s operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of our Group, including but not limited to the occurrence of natural disasters, epidemics or serious accidents;
- (vi) our Group’s operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in “Risk Factors” in this prospectus;
- (vii) there will be no material change in accounting standards or financial reporting requirements which will have significant impact on the preparation of the profit forecast; and
- (viii) there will be no abnormal or extraordinary items during the profit forecast period.

B. LETTERS

Set out below are texts of letters received by our Directors from (i) KPMG, our auditors and reporting accountants, and (ii) the Sponsor prepared for the purpose of incorporation in this prospectus in connection with the forecast of our consolidated profit of our Company for the year ending 31 December 2011.

(i) Letter from the Reporting Accountants

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

16 September 2011

The Directors
Active Group Holdings Limited

Guotai Junan Capital Limited

Dear Sirs

We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the forecast of the consolidated profit attributable to equity holders of Active Group Holdings Limited (the "Company") for the year ending 31 December 2011 (the "Profit Forecast"), for which the directors of the Company are solely responsible, as set forth in the section headed Financial Information in the prospectus of the Company dated 16 September 2011 (the "Prospectus").

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the five months ended 31 May 2011, the unaudited consolidated results based on management accounts of the Group for the one month ended 30 June 2011 and a forecast of the consolidated results of the Group for the remaining six months ending 31 December 2011.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the assumptions made by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 16 September 2011, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

(ii) Letter from the Sponsor

The following is the text of a letter received from Guotai Junan Capital Limited, the Sponsor, in connection with the forecast of the consolidated profit of our Company for the year ending 31 December 2011, for the purpose of incorporation in this prospectus.

**Guotai Junan Capital Limited**

16 September 2011

The Board of Directors
Active Group Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit of Active Group Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) for the year ending 31 December 2011 (the “**Profit Forecast**”), as set out under the paragraph headed “Profit forecast for the year ending 31 December 2011” in the section headed “Financial Information” in the prospectus issued by the Company dated 16 September 2011 (the “**Prospectus**”).

The Profit Forecast, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by you based on the audited consolidated results of the Group for the five months ended 31 May 2011, the unaudited consolidated results based on management accounts of the Group for the one month ended 30 June 2011, and a forecast of the consolidated results of the Group for the remaining six months ending 31 December 2011.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 16 September 2011 addressed to you and us from KPMG regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
for and on behalf of
Guotai Junan Capital Limited
Ivan Chan
Director

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 June 2011 of the Properties held by the Group.



Asset Appraisal Limited
資產評值顧問有限公司

Rm 901 9/F On Hong Commercial Building
No. 145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號
安康商業大廈9樓901室
Tel: (852) 2529 9448
Fax: (852) 3521 9591

16 September 2011

The Board of Directors
Active Group Holdings Limited
Shoes Industrial Park
Baogai Town
Shishi City
Fujian Province
The People's Republic of China

Dear Sirs,

Re: Valuation of various properties in the People's Republic of China (the "PRC")

In accordance with the instructions from **Active Group Holdings Limited** (the "Company") to value the property interests (the "Properties") of the Company and its subsidiaries (hereinafter together referred to as the "Group") in the PRC, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 June 2011 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely Hills & Co. Law Firm (君道律師事務所) (the “PRC legal adviser”), to the Company on the relevant laws and regulations in the PRC, on the nature of the Group’s interests in the Properties. Its material content has been summarised in the valuation certificate attached herewith.

VALUATION METHODOLOGY

Due to the nature of the buildings and structures of properties numbered 1 in Group I and the particular locations in which they are situated, no relevant market for them can be identified and hence no relevant market comparable transaction is available for comparison. The property interests have therefore been valued by depreciation replacement cost method.

Depreciation replacement cost is defined as the current cost of replacement (reproduction) of a property of identical or closely similar utility with deductions for physical depreciation and all relevant forms of obsolescence and optimisation. It is based on an estimate of the market value for the existing use of the land portion plus the current costs of replacement (reproduction) of the land improvement erected thereon less physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business underlying the property interests.

We have attributed no commercial value to the property interests in Group II, which are properties rented by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the properties in Group I on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the properties in Group I are held by the owner by means of long term Land Use Rights granted by the People’s Government of Shishi City (石獅市人民政府), we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services for the development site of the Properties. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Remarks

In valuing the properties, we have complied with all the requirements contained in Chapter 5, Practice Note 12 and Practice Note 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1st January 2005.

All monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

TSE Wai Leung is a member of the Royal Institute of Chartered Surveyors, Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 30 June 2011	Interest attributable to the Company	Value of property interest attributable to the Company as at 30 June 2011
Group I — Property interests held by the Group for self occupation			
1. Land and buildings situated in Shoes Industrial Park, Baogai Town, Shishi City, Fujian Province, the PRC.	RMB59,600,000	100%	RMB59,600,000
Total:	RMB59,600,000		RMB59,600,000
Group II — Properties rented by the Group			
2. A factory complex situated in Baogai Science and Technology Park, Baogai Town, Shishi City, Fujian Province, the PRC.	No commercial value	100%	No commercial value
3. Zone G, Level 19, Zhongmin Building, No. 72 Hubin North Road, Siming District, Xiamen City, Fujian Province, the PRC	No commercial value	100%	No commercial value
4. Office C on 21st Floor, Legend Tower, No. 7 Shing Yip Street, Kowloon	No commercial value	100%	No commercial value
Grand Total:	RMB59,600,000		RMB59,600,000

VALUATION CERTIFICATE

Group I — Property interests held by the Group for self occupation

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 June 2011 RMB
1. Land and buildings situated in Shoes Industrial Park, Baogai Town, Shishi City, Fujian Province, the PRC.	The property comprises a parcel of industrial land with an area of 21,117.64 sq.m. on which the following major buildings are erected:	The property is occupied by the Group as production workshops, warehouses, administrative offices, exhibition and marketing centre and staff dormitory.	59,600,000 (100% interest attributable to the Group: 59,600,000)
(福建省石獅市寶蓋鎮鞋業工業園區的土地和建築物)	Use	No. of Storey	Gross Floor Area(m²)
Lot No. B7	Office Building	6	3,652.56
	Workshop Building	5	25,137.00
	Dormitory Building #1	7	3,281.24
	Dormitory Building #2	7	10,447.36
	Workshop Building #2 (Exhibition and Marketing Center)	3	1,928.13
	Total		44,446.29
	The above buildings were completed in between 2007 to 2009.		
	The land use rights of the property have been granted for a term expiring on 4 September 2055 for industrial use.		

Notes:

- As stipulated in a Land Use Rights Certificate (Ref. Shi Bao Guo Yong (2005) Di No. 0039 (獅寶國用(2005)第0039號)) dated 30 December 2005, the land use rights of the subject land parcel (Lot No. B7) of the property with a site area of 21,117.64 sq.m. are held by Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. (福建金邁王鞋服製品有限公司), an indirect wholly-owned subsidiary of the Company, for a term expiring on 4 September 2055 for industrial use. As confirmed by the Company, the land parcel has been acquired by the Group at a total costs of RMB5,211,743.
- As stipulated in four Building Ownership Certificates (Ref. Shi Jian Fang Quan Zheng Bao Gai Zi Di Nos. 00729 to 00732 (獅建房權證寶蓋字第00729-00732號)) all dated 7 July 2009 and a Building Ownership Certificate (Ref. Shi Jian Fang Quan Zheng Bao Gai Zi Di No. 012716 (獅建房權證寶蓋字第012716號)) dated 1 April 2011, the subject buildings of the property are held by Fujian Jinmaiwang Shoes & Garments Products Co., Ltd. (福建金邁王鞋服製品有限公司).
- A Planning Permit for Construction Land (建設用地規劃許可證) (Ref. Shi Gui (2004) No. 149 (獅規(2004)149號)) dated 20 October 2004 and two Planning Permits of Construction Work (建設工程規劃許可證) (ref. Shi Jian (2005) No. 171 and Jian Zi Di 350581201000010 (獅建(2005)171號及建字第350581201000010)) dated 10 November 2005 and 19 January 2010 were issued in the name of Fujian Jinmaiwang Shoes & Garments Products Co., Ltd for the land use of industrial and for the construction of the subject buildings of the property.

4. A Construction Works Commencement Permit (建築工程施工許可證) (ref. no. 359002200511110201) dated 11 November 2005 were issued by State-owned Land Planning Bureau of Shishi City (石獅市國土規劃建設局) in the name of Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. for commencing the construction work of the 4 subject buildings (Office Building, Workshop Building, Dormitory Building #1 and Dormitory Building #2) of the property.
5. The completion of construction works of the 4 subject buildings (Office Building, Workshop Building, Dormitory Building #1 and Dormitory Building #2) have been accepted to the satisfaction of the relevant Government authority as evidenced by the Shishi City Construction Work Completion, Inspection and Acceptance Certificate (石獅市建設工程竣工驗收備案證明書) issued by the Shishi City Planning Bureau (石獅市規劃建設局) on 3 April 2009.
6. As confirmed by the Company, the subject buildings have been constructed at a total costs of approximately RMB48,138,000.
7. The property is pledged to Industrial Bank Co., Ltd. - Shishi Baohu Sub-Branch (興業銀行股份有限公司石獅寶湖支行) for a banking facilities of RMB40,000,000.
8. Pursuant to a tenancy agreement dated 12 January 2011, Luotuo (Quanzhou) Shoes and Garments Co., Ltd. (駱駝(泉州)鞋服有限公司), an indirect wholly-owned subsidiary of the Company, rented a portion of the property (Level 4 of the workshop building) with a gross floor area of 5,000 sq.m. from Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. (福建金邁王鞋服製品有限公司) for a lease term of 5 years commencing on 1 February 2011 and expiring on 31 January 2016 for production and operation (生產經營) purposes at a annual rental of RMB450,000 exclusive of management fees and other outgoings.
9. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the Company's legal adviser on the PRC law is as follows:

Land Use Rights Certificate	:	Yes
Building Ownership Certificates	:	Yes
Planning Permit for Construction of Land	:	Yes
Planning Permits of Construction Work	:	Yes
10. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
 - 10.1 Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. has been issued the Land Use Rights Certificate for the subject land parcel for a land use right term of 50 years expiring on 4 September 2055 for industrial uses. It has the rights to use, transfer, lease and charge the subject land parcel in whole or in partial throughout the unexpired land use right term;
 - 10.2 The land acquisition costs (including land premium, urban facility provision fee and title deed tax) have been settled in full;

- 10.3 Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. has obtained Construction Land Use Planning Permit (建設用地規劃許可證), Construction Project Planning Permit (建設工程規劃許可證) and Construction Works Commencement Permit (建築工程施工許可證) for the development of the 4 subject buildings with a total gross floor area of 42,518.16 sq.m.. 4 sets of Building Ownership Certificate have also been issued in the name of Fujian Jinmaiwang Shoes and Garments Products Co., Ltd.. As such, Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. is the legal holder of the 4 subject buildings and it has the rights to use, transfer, lease or charge the 4 subject buildings; and
- 10.4 Fujian Jinmaiwang Shoes and Garments Products Co., Ltd. has obtained Construction Land Use Planning Permit and Construction Project Planning Permit for the development of the Workshop Building # 2 with a gross floor area of 1,928.13 sq.m.. A Building Ownership Certificate has also been issued in the name of Fujian Jinmaiwang Shares and Garments Products Co., Ltd.. Under the PRC Construction Laws (中華人民共和國建築法), the carrying out of construction work before obtaining Construction Works Commencement Permit or approval on construction work start report (開工報告) is violating the laws and is punishable with fine or rectification order. Based on the written confirmation from the Group, for the application and issuance of Building Ownership Certificate for the Workshop Building #2, the Company has not been imposed with any administrative penalty by the PRC government even though the Workshop Building #2 has been constructed without Construction Work Commencement Permit. Given the issuance of Building Ownership Certificate to the Workshop Building #2, the PRC legal adviser considers that the likelihood of imposing penalty by the PRC government should be very low.
- 10.5 As confirmed by the Company, save for item 7 above, the land and buildings of the property is free from any liens, mortgages, leases, licenses or other encumbrances or third party rights that would adversely impact to the use, transfer or assign of the property. The property is also not subject to any unusual covenant or restriction of onerous in nature.

VALUATION CERTIFICATE

Group II — Properties rented by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 June 2011 RMB															
2. A factory complex situated in Baogai Science and Technology Park, Baogai Town, Shishi City, Fujian Province, the PRC. (福建省石獅市寶蓋鎮寶蓋科技園廠房)	<p>The property comprises a parcel of land with a site area of approximately 5,037.88 sq.m. on which the following major buildings are erected:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>No. of Storey</th> <th>Gross Floor Area (m²)</th> </tr> </thead> <tbody> <tr> <td>Office Building</td> <td>5</td> <td>1,934.65</td> </tr> <tr> <td>Workshop Building</td> <td>5</td> <td>4,708.67</td> </tr> <tr> <td>Dormitory Building</td> <td>4</td> <td>3,474.51</td> </tr> <tr> <td>Total</td> <td></td> <td>10,117.83</td> </tr> </tbody> </table>	Use	No. of Storey	Gross Floor Area (m ²)	Office Building	5	1,934.65	Workshop Building	5	4,708.67	Dormitory Building	4	3,474.51	Total		10,117.83	The property is occupied by the Group as production workshops, warehouses, administrative offices and staff dormitory.	No commercial value
Use	No. of Storey	Gross Floor Area (m ²)																
Office Building	5	1,934.65																
Workshop Building	5	4,708.67																
Dormitory Building	4	3,474.51																
Total		10,117.83																

The above buildings were completed in 2002.

The property is rented by the Group under a tenancy for a lease term of 5 years commencing on 20 January 2011 and expiring on 19 January 2016 for production and operation (生產經營) purposes at an annual rental of RMB910,604.72 exclusive of management fees and other outgoings.

Notes:

- As stipulated in a Land Use Rights Certificate (Ref. Shi Bao Guo Yong (2003) Di No. 0002 (獅寶國用(2003)第0002號)) dated 17 January 2003, the land use rights of the property with a site area 5,037.88 sq.m. are held by Shishi Mushimei Shoes and Garments Development Co., Ltd. (石獅市木仕美鞋服發展有限公司), an independent third party, for a term expiring on 6 December 2050 for industrial uses.
- As stipulated in three Building Ownership Certificates (Ref. Shi Fang Quan Zheng Bao Gai Zi Di Nos. 00066 to 00068 (獅房權証寶蓋字第00066-00068號)) all dated 17 January 2003, the subject buildings of the property with a total gross floor area of 10,117.83 sq.m. are held by Shishi Mushimei Shoes and Garments Development Co., Ltd. (石獅市木仕美鞋服發展有限公司).
- Pursuant to a tenancy agreement dated 15 January 2011, Shishi Haomai Shoes Industrial Co., Ltd. (石獅市豪邁鞋業有限公司), an indirect wholly-owned subsidiary of the Company, rented the property from Shishi Mushimei Shoes and Garments Development Co., Ltd. (石獅市木仕美鞋服發展有限公司) for a lease term of 5 years commencing on 20 January 2011 and expiring on 19 January 2016 for production and operation (生產經營) purposes at an annual rental of RMB910,604.72 exclusive of management fees and other outgoings.

4. We have been provided with a legal opinion regarding the property interests by the PRC legal adviser, which contains, inter alia, the followings:
 - 4.1 The legal title to the property is held by Shishi Mushimei Shoes and Garments Development Co., Ltd. (石獅市木仕美鞋服發展有限公司) which is entitled to let the property;
 - 4.2 As confirmed by the Company, Shishi Haomai Shoes Industrial Co., Ltd. (石獅市豪邁鞋業有限公司) rented the property for production purposes and did not let, license, grant and dispose any part of the property to any third party;
 - 4.3 As confirmed by Shishi Haomai Shoes Industrial Co., Ltd. (石獅市豪邁鞋業有限公司), the tenancy has been duly performed without any breach of the conditions by either party; and
 - 4.4 As confirmed by Shishi Haomai Shoes Industrial Co., Ltd. (石獅市豪邁鞋業有限公司), the property is free from any governments' notices, orders and proposal that would adversely impact to the continuous use of the property. The property is also not subject to any unusual covenant or restriction of onerous in nature.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 June 2011 RMB
3. Zone G, Level 19, Zhongmin Building, No. 72 Hubin North Road, Siming District, Xiamen City, Fujian Province, the PRC. (福建省廈門市思明區湖濱北路72號中閩大廈19樓G區)	<p>The property comprises an office portion on Level 19 of a 47-storey commercial building which was completed in about 2006.</p> <p>The gross floor area of the property is approximately 60 sq.m..</p> <p>The property is rented by the Group under a tenancy for a term commencing on 20 March 2009 and expiring on 19 March 2012 for office use at a monthly rental of RMB3,600 exclusive of management fees and other outgoings.</p>	The property is occupied by the Group as offices.	No commercial value

Notes:

1. As stipulated in a Building and Land Ownership Certificate (Ref. Xia Guo Tu Fang Zheng Di No. 00607064 (廈國土房証第00607064號)) dated 25 February 2008, the property is held by Xiamen Xiixin Investment Group Co., Ltd. for office use.
2. Pursuant to a tenancy agreement dated 27 March 2009, Greiff (Xiamen) International Limited (哥雷夫(廈門)國際貿易有限公司), an indirect wholly-owned subsidiary of the Company, rented the property from Xiamen Xiixin Investment Group Co., Ltd. (廈門廈信投資集團有限公司) for a term commencing on 27 March 2009 and expiring on 19 March 2012 for office use at a monthly rental of RMB3,600.00. exclusive of management fees and other outgoings.
3. We have been provided with a legal opinion regarding the property interests by the PRC legal adviser, which contains, inter alia, the followings:
 - 3.1 Greiff (Xiamen) International Limited (哥雷夫(廈門)國際貿易有限公司) signed a tenancy agreement with Xiamen Xiixin Investment Group Co., Ltd. (廈門廈信投資集團有限公司) on 27 March 2009. Xiamen Xiixin Investment Group Co., Ltd. leased to Greiff (Xiamen) International Limited the property with a gross floor area of 60 sq.m. for a term commencing on 20 March 2009 and expiring on 19 March 2012 for corporate operation (公司經營住所) purposes at a monthly rental of RMB3,600 exclusive of management fees and other outgoings;
 - 3.2 The legal title to the property is held by Xiamen Xiixin Investment Group Co., Ltd. (廈門廈信投資集團有限公司) which is entitled to let the property;
 - 3.3 As confirmed by the Company, Greiff (Xiamen) International Limited (哥雷夫(廈門)國際貿易有限公司) rented the property for corporate operation (公司經營住所) purposes and did not let, license, grant and dispose any part of the property to any third party;
 - 3.4 As confirmed by Greiff (Xiamen) International Limited (哥雷夫(廈門)國際貿易有限公司), the tenancy has been duly performed without any breach of the conditions by either party; and
 - 3.5 As confirmed by Greiff (Xiamen) International Limited (哥雷夫(廈門)國際貿易有限公司), the property is free from any governments' notices, orders and proposal that would adversely impact to the continuous use of the property. The property is also not subject to any unusual covenant or restriction of onerous in nature.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 June 2011 HKD
4. Office C on 21st Floor, Legend Tower, No. 7 Shing Yip Street, Kowloon 133/50,000th shares of and in the Remaining Portion of Kun Tong Inland Lot No. 89	<p>The property comprises an office unit on 21st floor of a 36-storey office building completed in about 2010.</p> <p>The gross floor area of the Property is approximately 1,329 sq.ft. and the saleable area of the Property is approximately 930 sq.ft..</p> <p>The property is leased to the Group from Cai Xiuman, a related party to the Group, for a term of 3 years commencing from 1 August 2011 and expiring on 31 July 2014 at a monthly rent of HK\$25,200 exclusive of rates, government rent, management fee, air-conditioning, water, electricity charges and all other charges and outgoing.</p> <p>The Remaining Portion of Kun Tong Inland Lot No. 89 is held under Government Lease for a term of 21 years renewable for 21 years commencing from 1 July 1955 and had been statutorily extended without premium until 30 June 2047 and that the government rent of three per cent. of rateable value of the property is charged from the date of extension.</p>	The property is occupied by the Group for office use.	No commercial value

Notes:

1. The registered owner of the property is Cai Xiuman vide memorial no. 11042800380044 dated 31 March 2011.
2. The lessee of the property, Jinmaiwang Group Limited, is an indirect wholly-owned subsidiary of the Company.
3. The property is subject to mortgage in favour of China Construction Bank (Asia) Corporation Limited vide memorial no. 11042800380056 dated 31 March 2011 and assignment of rentals in favour of China Construction Bank (Asia) Corporation Limited vide memorial no. 11042800380062 dated 31 March 2011.
4. The property lies within an area zoned "Other Specified Uses (Business)" under Kwun Tong (South) Outline Zoning Plan No. S/K14S/16.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 12 February 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Memorandum of Association (the “**Memorandum**”) and the Articles of Association (the “**Articles**”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 4 September 2011. The following is a summary of certain provisions of the Articles:

(a) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 per cent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) **Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE CAYMAN ISLANDS COMPANY LAW**

- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 23 February 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability in the Cayman Islands on 12 February 2010. Our Company has established a principal place of business in Hong Kong at Office C, 21st Floor, Legend Tower, No. 7 Shing Yip Street, Kowloon, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance. Miss Yau Suk Yan has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. Our Company changed its name from Active Group International Limited 動感集團國際有限公司 to Active Group Holdings Limited on 18 August 2011.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises a memorandum of association and the Articles. A summary of certain provisions of the Company's constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

2. Change in share capital of the Company

As at the date of incorporation, the authorised share capital of our Company was HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each. On 12 February 2010, one subscriber Share was allotted and issued to Codan Trust Company (Cayman) Limited at par and such Share was transferred to Ms. Cai on the same date at par value. On the same date, 9,999 Shares were allotted and issued to Ms. Cai at par.

On 2 February 2011, all the 10,000 Shares held by Ms. Cai were transferred to Festive Boom at par. On the same date, our Company acquired the entire issued share capital in Chuang Wei from Ms. Cai in consideration of the allotment and issue of 990,000 Shares, credited as fully paid, as to 750,800 Shares to Festive Boom (as directed by Ms. Cai) and 239,200 Shares to Ms. Cai. In pursuance of the terms and conditions of the Loans, Ms. Cai transferred a total of 239,200 Shares to the Pre-IPO Investors, as to 80,000 Shares to Hong Kong Investments, 62,300 Shares to Sea Dragon, 48,900 Shares to Fu Tak Investments, 8,000 Shares to Oceanid Investment and 40,000 Shares to Prime Star.

Pursuant to the resolutions in writing of all the Shareholders passed on 4 September 2011, the authorised share capital of our Company was increased from HK\$100,000 to HK\$1,000,000,000 by the creation of an additional 9,999,000,000 Shares.

Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the issued share capital of the Company will be HK\$120,000,000 divided into 1,200,000,000 Shares, all fully paid or credited as fully paid and 8,800,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed "Resolutions in writing of all the Shareholders passed on 4 September 2011" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all the Shareholders passed on 4 September 2011

On 4 September 2011, resolutions in writing were passed by all the Shareholders, pursuant to which, among other things:

- (a) the authorised share capital of our Company was increased from HK\$100,000 to HK\$1,000,000,000 by the creation of an additional 9,999,000,000 Shares;
- (b) our Company approved and adopted the Articles;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme); (ii) the Offer Price has been determined by the Company and the Global Coordinator by entering into the Price Determination Agreement by the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option);
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and
 - (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$89,900,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 899,000,000 Shares, such Shares to be allotted and issued to the Shareholders whose names appearing on the register of members of our Company at the close of business on 4 September 2011 (or as such Shareholders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company.
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with

the Articles or pursuant to the Over-allotment Option and the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the shareholders of the Company in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of the Shareholders at a general meeting of our Company, whichever occurs first;

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of the Shareholders at a general meeting of our Company, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing, after which our Company became the holding company of our Group. The Reorganisation involved the following principal steps:

- incorporation of our Company, Chuang Wei and Festive Boom, all of which were owned by Ms. Cai as to 100% at incorporation;
- acquisition of 100% equity interests in Shishi Haomai by Jinmaiwang Fujian;

- acquisition of 100% shareholding interests in Jinmaiwang Hong Kong by Chuang Wei;
- acquisition of 100% shareholding interest in Chuang Wei by our Company from Ms. Cai in consideration of the allotment and issue of a total of 990,000 Shares, credited as fully paid, as to 750,800 Shares to Festive Boom (as directed by Ms. Cai) and 239,200 Shares to Ms. Cai, after which the Company was owned as to 76.08% and 23.92% by Festive Boom and Ms. Cai, respectively; and
- transfer of a total of 239,200 Shares from Ms. Cai to the Pre-IPO Investors, after which our Company is owned as to 76.08% and 23.92% by Festive Boom and the Pre-IPO Investors, respectively, immediately prior to the Global Offering and the Capitalisation Issue.

Details of the Reorganisation are set forth in the section headed “Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries of our Group

Subsidiaries of our Company are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Details of our Company’s subsidiaries are set forth in “History and Development” in this prospectus. Save as disclosed in the sections headed “History and Development” and “Reorganisation” in this prospectus, there has been no alteration in the share capital of any subsidiary of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of Shares by our Company

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders’ approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by the Shareholders on 4 September 2011, the Repurchase Mandate was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next

annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles to be held or when such mandate is revoked or varied or renewed by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No connected person (as defined in the Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Schemes, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 120,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of the Controlling Shareholders of our Company, will be increased to approximately 63.4% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. In the event that the Repurchase Mandate is exercised in full, the number of Shares held by the public would fall below 25% of the total number of Shares in issue. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the trademark license agreement dated 27 October 2009 entered into between CMLC Asia Sdn Bhd and Greiff Xiamen (as amended and supplemented by a side letter dated 10 May 2011), pursuant to which CMLC Asia Sdn Bhd granted an exclusive licence to Greiff Xiamen for the use of the *Camel Active* trademarks as set out in the schedule to the

- agreement in connection with footwear products in the PRC. In consideration for the licence, Greiff Xiamen has to pay to CMLC Asia Sdn Bhd a royalty equivalent to 12% of the sale amount. Particulars of this trademark license agreement are set out in the section headed “Business — Our License Agreements”;
- (b) the equity transfer agreement dated 3 December 2010 entered into between Mr. Zhang and Jinmaiwang Fujian, pursuant to which Mr. Zhang transferred 80% equity interests in Shishi Haomai to Jinmaiwang Fujian for a consideration of RMB1,200,000;
 - (c) the equity transfer agreement dated 3 December 2010 entered into between Mr. Huang Congming and Jinmaiwang Fujian, pursuant to which Mr. Huang Congming transferred 20% equity interests in Shishi Haomai to Jinmaiwang Fujian for a consideration of RMB300,000;
 - (d) a sale and purchase agreement dated 2 February 2011 entered into between Ms. Cai, Mr. Zhang and our Company, pursuant to which our Company agreed to acquire the entire issued share capital in Chuang Wei from Ms. Cai in exchange for the allotment and issue of an aggregate of 990,000 new Shares as consideration to Ms. Cai and/or any party as may be nominated by Ms. Cai;
 - (e) the trademark license agreement dated 10 February 2011 entered into between Greiff (UK) and Greiff Xiamen, pursuant to which Greiff (UK) granted an exclusive licence to Greiff Xiamen for the use of the *Greiff* trademark (Registration Number 1242732) at nil consideration, particulars of which are set out in the section headed “Business — Our License Agreements”;
 - (f) the trademark license agreement dated 13 July 2011 entered into between Shishi Haomai and Camel California, pursuant to which Camel California granted a licence to Shishi Haomai for the use of the *Luotuo Brand* trademark (Registration Number 101337) in the PRC at a royalty fee of approximately RMB133,000 for the period from 1 July 2011 to 31 July 2011, approximately RMB1.8 million for the period from August 2011 to July 2012 and approximately RMB1.2 million for the period from August 2012 to February 2013, particulars of which are set out in the section headed “Business — Our License Agreements”;
 - (g) the deed of indemnity dated 4 September 2011 entered into between the Indemnifiers and our Company, pursuant to which the Indemnifiers agreed to give certain indemnities in favour of our Company subject to and in accordance with the terms and conditions set out therein, particulars of which are set out in the paragraph headed “Other Information — Estate duty, tax and other indemnities” in this Appendix; and
 - (h) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

(i) As at the Latest Practicable Date, the Group has the following registered trademarks:









Trademark	Name of Proprietor	Class	Registration Number	Effective Period	Place of Registration
	Shishi Haomai	25	1283267	14 June 2009 to 13 June 2019	PRC
Ground work	Shishi Haomai	25	2006069	21 January 2003 to 20 January 2013	PRC
	Shishi Haomai	25	3410506	21 January 2005 to 20 January 2015	PRC
	Shishi Haomai	25	3410507	14 November 2004 to 13 November 2014	PRC
	Shishi Haomai	25	3740848	14 April 2010 to 13 April 2020	PRC
BULL TITAN US	Shishi Haomai	25	5291540	28 July 2009 to 27 July 2019	PRC
	Shishi Haomai	25	6750256	7 August 2010 to 6 August 2020	PRC
	Shishi Haomai	25	6750257	7 August 2010 to 6 August 2020	PRC
	Shishi Haomai	18	6750258	14 September 2010 to 13 September 2020	PRC

Trademark	Name of Proprietor	Class	Registration Number	Effective Period	Place of Registration
	Shishi Haomai	25	300072756	4 September 2003 to 3 September 2013	Hong Kong
	Jinmaiwang Fujian	25	1021232	7 June 2007 to 6 June 2017	PRC
	Jinmaiwang Fujian	25	1705487	28 January 2002 to 27 January 2012	PRC
	Jinmaiwang Fujian	25	1932735	21 August 2002 to 20 August 2012	PRC
	Jinmaiwang Fujian	25	1933960	21 November 2002 to 20 November 2012	PRC
	Jinmaiwang Fujian	25	1933965	28 October 2002 to 27 October 2012	PRC
	Jinmaiwang Fujian	25	3132024	7 August 2003 to 6 August 2013	PRC
	Jinmaiwang Fujian	18	3144956	7 September 2003 to 6 September 2013	PRC
	Jinmaiwang Fujian	25	3293658	28 March 2004 to 27 March 2014	PRC
	Jinmaiwang Fujian	35	3295565	21 April 2004 to 20 April 2014	PRC
	Jinmaiwang Fujian	25	3308710	7 March 2005 to 6 March 2015	PRC
	Jinmaiwang Fujian	25	3742338	28 July 2006 to 27 July 2016	PRC

Trademark	Name of Proprietor	Class	Registration Number	Effective Period	Place of Registration
	Jinmaiwang Fujian	25	4336696	7 October 2008 to 6 October 2018	PRC
	Jinmaiwang Fujian	25	4613061	7 February 2009 to 6 February 2019	PRC
	Jinmaiwang Fujian	18	4613062	7 January 2009 to 6 January 2019	PRC
	Jinmaiwang Fujian	14	4613063	14 August 2008 to 13 August 2018	PRC
	Jinmaiwang Fujian	3	4613064	14 August 2008 to 13 August 2018	PRC
	Jinmaiwang Fujian	18	4613066	28 November 2009 to 27 November 2019	PRC
	Jinmaiwang Fujian	25	4613067	7 January 2009 to 6 January 2019	PRC
	Jinmaiwang Fujian	25	5475402	28 August 2009 to 27 August 2019	PRC
	Jinmaiwang Fujian	18	5475403	7 September 2009 to 6 September 2019	PRC
	Jinmaiwang Fujian	18	6941678	21 November 2010 to 20 November 2020	PRC
	Shishi Haomai	25	7425808	14 March 2011 to 13 March 2021	PRC
	Shishi Haomai	33	7963096	14 February 2011 to 13 February 2021	PRC

Trademark	Name of Proprietor	Class	Registration Number	Effective Period	Place of Registration
	Shishi Haomai	18	8053928	21 April 2011 to 20 April 2021	PRC



- (ii) As at the Latest Practicable Date, the Group has applied for registration of the following trademarks:










Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
	Jinmaiwang Hong Kong	35	302007729	17 August 2011	Hong Kong
	Shishi Haomai	25	7425798	26 May 2009	PRC
	Shishi Haomai	3	7958593	30 December 2009	PRC
	Shishi Haomai	5	7958644	30 December 2009	PRC
	Shishi Haomai	9	7958727	30 December 2009	PRC
	Shishi Haomai	16	7958842	30 December 2009	PRC
	Shishi Haomai	28	7962914	31 December 2009	PRC
	Shishi Haomai	29	7962956	31 December 2009	PRC









Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
	Shishi Haomai	30	7963000	31 December 2009	PRC
	Shishi Haomai	34	7963128	31 December 2009	PRC
	Shishi Haomai	41	7963176	31 December 2009	PRC
	Shishi Haomai	18	8053949	4 February 2010	PRC
	Shishi Haomai	25	8287450	11 May 2010	PRC
	Shishi Haomai	18	8393070	13 June 2010	PRC
	Shishi Haomai	25	8393155	13 June 2010	PRC
BULLJOKING 公牛巨王	Shishi Haomai	25	8393177	13 June 2010	PRC
K-BULLTITAN 金牛巨人	Shishi Haomai	25	8393229	13 June 2010	PRC
GOLDBULLTITAN 金牌公牛巨人	Shishi Haomai	25	8534584	2 August 2010	PRC
EASTBULLTITAN 东方公牛巨人	Shishi Haomai	25	8534599	2 August 2010	PRC
LEISUREBULLTITAN 休闲公牛巨人	Shishi Haomai	25	8534641	2 August 2010	PRC






Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
MEOBULLTITAN 猛牛巨人	Shishi Haomai	25	8534661	2 August 2010	PRC
HUNTBULLTITAN 猎牛巨人	Shishi Haomai	25	8534675	2 August 2010	PRC
MUBULLTITAN 牧牛巨人	Shishi Haomai	25	8534700	2 August 2010	PRC
BULLBABY 公牛宝贝	Shishi Haomai	25	8539502	3 August 2010	PRC
BULLDAMAN 公牛达人	Shishi Haomai	25	8539509	3 August 2010	PRC
BULLCHOOMAN 公牛潮人	Shishi Haomai	25	8539511	3 August 2010	PRC
BULLOONMAN 公牛浪人	Shishi Haomai	25	8539514	3 August 2010	PRC
BULLKOOMAN 公牛狂人	Shishi Haomai	25	8539517	3 August 2010	PRC
FIGHTBULLTITAN 斗牛巨人	Shishi Haomai	25	8572792	13 August 2010	PRC
BULLHUNTER 公牛猎人	Shishi Haomai	25	8572839	13 August 2010	PRC
BULLMINMAN 公牛名人	Shishi Haomai	25	8572870	13 August 2010	PRC
BULLMOMAN 公牛魔人	Shishi Haomai	25	8572977	13 August 2010	PRC
BONBULLTITAN 犇牛巨人	Shishi Haomai	25	8573024	13 August 2010	PRC
BULLSTRONGMAN 公牛强人	Shishi Haomai	25	8578015	16 August 2010	PRC
BULLFLYMAN 公牛飞人	Shishi Haomai	25	8578032	16 August 2010	PRC
WILDBULLTITAN 野牛巨人	Shishi Haomai	25	8578067	16 August 2010	PRC
MOBULLTITAN 魔牛巨人	Shishi Haomai	25	8578094	16 August 2010	PRC

Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
HOOBULLTITAN 豪牛巨人	Shishi Haomai	25	8578108	16 August 2010	PRC
Z.Z.BULLTITAN 至尊公牛巨人	Shishi Haomai	25	8578131	16 August 2010	PRC
ROYBULLTITAN 御牛巨人	Shishi Haomai	25	8578149	16 August 2010	PRC
BULLJORMAN 公牛举人	Shishi Haomai	25	8578218	16 August 2010	PRC
MOVINGBULLTITAN 动感公牛巨人	Shishi Haomai	25	8578284	16 August 2010	PRC
PROMBULLTITAN 豪门公牛巨人	Shishi Haomai	25	8582131	17 August 2010	PRC
REDBULLTITAN 红色公牛巨人	Shishi Haomai	25	8582171	17 August 2010	PRC
BULLTITANDYNASTY 公牛巨人王朝	Shishi Haomai	25	8582210	17 August 2010	PRC
SPORTBULLTITAN 运动公牛巨人	Shishi Haomai	25	8582234	17 August 2010	PRC
OUTBULLTITAN 户外公牛巨人	Shishi Haomai	25	8582256	17 August 2010	PRC
BULLTITANSKY 公牛巨人世家	Shishi Haomai	25	8582276	17 August 2010	PRC
WESTBULLTITAN 西城公牛巨人	Shishi Haomai	25	8582284	17 August 2010	PRC
ROYALBULLTITAN 皇家公牛巨人	Shishi Haomai	25	8582311	17 August 2010	PRC
KINGBULLTITAN 王牌公牛巨人	Shishi Haomai	25	8582325	17 August 2010	PRC
FASHIONBULLTITAN 时尚公牛巨人	Shishi Haomai	25	8582339	17 August 2010	PRC
BULLTITANTIMES 公牛巨人时代	Shishi Haomai	25	8585880	18 August 2010	PRC
 BULL TITAN US	Shishi Haomai	25	8692528	21 September 2010	PRC




Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
	Shishi Haomai	25	8692561	21 September 2010	PRC
	Shishi Haomai	25	8692584	21 September 2010	PRC
	Shishi Haomai	25	8692602	21 September 2010	PRC
	Shishi Haomai	25	8692608	21 September 2010	PRC
	Shishi Haomai	25	8692615	21 September 2010	PRC
	Shishi Haomai	25	8692629	21 September 2010	PRC
	Shishi Haomai	25	8697447	25 September 2010	PRC
	Shishi Haomai	25	8697511	25 September 2010	PRC
	Shishi Haomai	25	8697608	25 September 2010	PRC
	Shishi Haomai	25	8697641	25 September 2010	PRC


Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
	Shishi Haomai	25	8697677	25 September 2010	PRC
	Shishi Haomai	25	8697693	25 September 2010	PRC
	Shishi Haomai	25	8697560	25 September 2010	PRC
	Shishi Haomai	25	8741436	14 October 2010	PRC
	Shishi Haomai	25	7425825	26 May 2009	PRC
	Shishi Haomai	25	7954437	29 December 2009	PRC
	Shishi Haomai	11	7958767	30 December 2009	PRC
	Shishi Haomai	23	7958976	30 December 2009	PRC
	Shishi Haomai	24	7959023	30 December 2009	PRC
	Shishi Haomai	26	7959067	30 December 2009	PRC

Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
	Shishi Haomai	32	7963013	31 December 2009	PRC
	Shishi Haomai	35	7963149	31 December 2009	PRC
	Shishi Haomai	18	8194159	9 April 2010	PRC
	Shishi Haomai	25	9324663	11 April 2011	PRC
	Shishi Haomai	25	7418060	22 May 2009	PRC
	Shishi Haomai	25	4629616	27 April 2005	PRC
	Shishi Haomai	25	7422381	25 May 2009	PRC
	Shishi Haomai	25	3410507	19 December 2002	PRC
吉普王子	Jinmaiwang Fujian	25	6834573	11 July 2008	PRC

Trademark	Name of Applicant	Class	Application Number	Application Date	Place of Application
	Jinmaiwang Fujian	18	6941676	8 September 2008	PRC
	Jinmaiwang Fujian	25	6941677	8 September 2008	PRC
	Jinmaiwang Fujian	25	6941679	8 September 2008	PRC
	Jinmaiwang Fujian	25	6941681	8 September 2008	PRC
	Jinmaiwang Fujian	35	8199083	12 April 2010	PRC
	Jinmaiwang Fujian	18	8756350	19 October 2010	PRC
	Jinmaiwang Fujian	25	8756372	19 October 2010	PRC
	Luotuo Quanzhou	35	8378201	9 June 2010	PRC

(iii) As at the Latest Practicable Date, our Group has been licensed to use the following trademarks:

Trademark	Class	Registration Number	Place of Registration	Licensed Period
	25	1242732 ^(a)	PRC	1 August 2009 to 27 January 2019
	25	G745105 ^(b)	Designations under the Madrid Agreement and Protocol ^(d)	1 January 2010 to 31 December 2014
	25	2002509 ^(b)	PRC	1 January 2010 to 31 December 2014

Trademark	Class	Registration Number	Place of Registration	Licensed Period
骆驼动感	25	3008600 ^(b)	PRC	1 January 2010 to 31 December 2014
	25	101337 ^(c)	PRC	1 May 2005 to 28 February 2013

Notes:

- (a) As at the Latest Practicable Date, we were granted the licence to use this mark until 27 January 2019 pursuant to the trademark license agreement dated 10 February 2011 entered into between Greiff (UK), a company incorporated in the United Kingdom and is wholly-owned by Ms. Cai, and our Group.
- (b) Pursuant to the trademark license agreement dated 27 October 2009 entered into between CMLC Asia Sdn Bhd and our Group (as amended and supplemented by a side letter dated 10 May 2011), we are granted the licence to use this mark for a term from 1 January 2010 to 31 December 2014, renewable for a further five years provided that we can agree on the sales targets for such five years by 30 June 2014.
- (c) As at the Latest Practicable Date, we were granted a licence to use the **Luotuo Brand** for casual footwear in the PRC (other than sales through internet) until 28 February 2013 pursuant to the trademark license agreement dated 13 July 2011 entered into between Shishi Haomai and Camel California.
- (d) This trademark has been registered in, through designations under the Madrid Agreement: Algeria, Kazakhstan, Tajikistan; and through designations under the Madrid Protocol: Antigua and Barbuda, Denmark, Estonia, Finland, Georgia, Greece, Iceland, Ireland, Japan, Lithuania, Norway, Sweden, Turkey, Turkmenistan, United Kingdom, Uzbekistan; and through designations under the Madrid Protocol by virtue of Article 9 sexies: Albania, Armenia, Austria, Azerbaijan, Belarus, Benelux, Bintan, Bosnia and Herzegovina, Bulgaria, Croatia, Cuba, Czech Republic, Democratic People's Republic of Korea, France, Hungary, Italy, Kenya, Kyrgyzstan, Latvia, Lesotho, Liberia, Liechtenstein, Monaco, Mongolia, Montenegro, Morocco, Mozambique, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, San Marino, Serbia, Sierra Leone, Slovakia, Slovenia, Spain, Sudan, Swaziland, Switzerland, The former Yugoslav Republic of Macedonia, Ukraine, Vietnam.

(b) **Patents**

As of the Latest Practicable Date, our Group has applied the following patents in the PRC:

Title	Type	Name of Applicant	Application Number	Application Date	Place of application
A kind of casual footwear which is convenient to wear (一種便於穿著的休閒鞋)	Invention	Jinmaiwang Fujian	201020674458.2	22 December 2010	PRC
A kind of casual leather footwear which can relieve tiredness of feet (一種可緩解腳步疲勞的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020674297.7	22 December 2010	PRC

Title	Type	Name of Applicant	Application Number	Application Date	Place of application
A kind of refreshing casual leather footwear (一種穿著涼爽的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020673967.3	22 December 2010	PRC
A kind of casual leather footwear with high breathability (一種透氣性能良好的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020673867.0	22 December 2010	PRC
A kind of casual leather footwear which is anti-bacteria and has deodorization capability (一種抗菌除臭的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020673919.4	22 December 2010	PRC
A kind of casual leather footwear with advancement in structure (一種結構改進的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020674052.4	22 December 2010	PRC
A kind of casual leather footwear which is environmental-friendly in deodorization (一種除臭環保的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020674142.3	22 December 2010	PRC
A kind of casual leather footwear which is wrinkle resistance (一種不易褶皺的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020674341.4	22 December 2010	PRC
A kind of casual leather footwear which is convenient to walk in the dark (一種便於在黑暗中行走的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020684059.4	28 December 2010	PRC
A kind of casual leather footwear which is thermal protection (一種保暖的休閒皮鞋)	Invention	Jinmaiwang Fujian	201020684391.0	28 December 2010	PRC

(c) *Domain names*

As at the Latest Practicable Date, our Group is a registered proprietor of the following domain names:

Domain name	Registered proprietor	Date of Registration	Expiry Date	Place of Registration
activegroup-int.com	Greiff Xiaman	14 April 2010	14 April 2012	PRC
activegroupint.com	Greiff Xiamen	14 April 2010	14 April 2012	PRC
動感國際.com	Greiff Xiamen	14 April 2010	14 April 2012	PRC
動感集團.com	Greiff Xiamen	20 April 2010	20 April 2012	PRC

C FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

1. Directors

(a) *Disclosure of interest - interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interest or short position of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to our Company and Stock Exchange, once the Shares are listed are as follows:

(i) *Interest in our Company*

Name of Director	Capacity/ Nature of Interest	Long/Short position	Number of Shares	Approximate percentage of shareholding in our Company
Ms. Cai (<i>Note 1</i>)	Interest of controlled corporation	Long position	684,720,000	57.06%
Mr. Zhang (<i>Note 2</i>)	Interest of spouse	Long position	684,720,000	57.06%

Notes:

1. Ms. Cai is the beneficial owner of the entire issued share capital of Festive Boom which holds 684,720,000 Shares.
2. Mr. Zhang is deemed to be interested in the 684,720,000 Shares held by Festive Boom by virtue of the interest held by his spouse, Ms. Cai.

(ii) *Interest in associated corporations*

Name of Director	Name of associated corporation	Number of shares	Approximate percentage of shareholding
Ms. Cai	Festive Boom	one	100%

(b) *Particulars of our Directors' service contracts*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 4 September 2011, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set out in the Articles of Association.

Each of our executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of twelve months in a year. In addition, each of our executive Directors is also entitled to bonus as determined by the Board based on the recommendations made by the Remuneration Committee.

The director's fees and remuneration of our executive Directors under their service contracts with our Company are as follows:

Name of our executive Directors	Remuneration
Ms. Cai	HK\$20,000 per month
Mr. Zhang	HK\$20,000 per month
Mr. Huang Jianren	HK\$10,000 per month
Mr. Chen Yuanjian	HK\$10,000 per month

Our independent non-executive Directors have been appointed for a term of three years commencing from 4 September 2011. Our Company will pay the following director's fees to the independent non-executive Directors:

Name of our independent non-executive Directors	Director's fees
Mr. Wu Xiaoqiu	HK\$15,000 per month
Mr. Ye Lin	HK\$15,000 per month
Mr. Lee Ho Yiu Thomas	HK\$10,000 per month

For the years ended 31 December 2008, 2009 and 2010 and the five months ended 31 May 2011, the aggregate emoluments paid and benefits in kind granted by our Group to the Directors were approximately RMB366,000, RMB434,000, RMB551,000 and RMB277,000, respectively.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to our Directors for the year ending 31 December 2011 will be approximately HK\$400,000.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and Global Offering without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity/ Nature of Interest	Long/Short position	Number of Shares	Approximate percentage of shareholding in our Company
Festive Boom (Note 1)	Beneficial owner	Long position	684,720,000	57.06%
Hong Kong Investments (Note 2)	Beneficial owner	Long position	72,000,000	6.00%

Notes:

- The entire issued share capital of Festive Boom is beneficially owned by Ms. Cai who is deemed to be interested in the Shares held by Festive Boom pursuant to the SFO.
- The entire issued share capital of Hong Kong Investments is beneficially owned by Mr. Cheung Chi Mang who is deemed to be interested in the Shares held by Hong Kong Investments pursuant to the SFO.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to under the section headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and

- (h) none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group.

D OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of the Shareholders of our Company passed on 4 September 2011.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group;
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group; and/or
- (iii) for such purposes as the Board may approve from time to time.

(b) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or any of its subsidiaries; and
- (ii) any suppliers, customers, consultants, agents, advisers and related entities who, in the sole opinion of the Board, will contribute or have contributed to the Group.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect

of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 120,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the Over-allotment Option and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.03(4) and the disclaimer required under 17.06 of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(f) *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to

a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to our independent shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

Any change in the terms of any option granted to a substantial shareholder of our Company or an independent non-executive Director which would result in the number and value of the Shares exceeding that set out above shall be subject to:

- (a) a circular regarding the change has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of the Listing Rules; and
- (b) the change has been approved by the Shareholders in general meeting at which all connected persons abstained from voting in favour at such meeting.

(g) *Restrictions on the times of grant of Options*

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be).

Where the grant of options is to a Director:

- (a) no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(h) *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the scheme may be registered).

(i) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) *Rights on dismissal*

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) *Rights on takeover*

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied

by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) ***Rights on compromise or arrangement between our Company and its members or creditors***

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than any time prior to 12:00 noon (Hong Kong time) the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) ***Ranking of Shares***

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

(q) ***Effect of alterations to capital***

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to

the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) *Cancellation of Options*

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 120,000,000 Shares in total, representing 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option).

2. Estate duty, tax and other indemnities

The Indemnifiers have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph 1(g) of the section headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the date on which the Global Offering becomes unconditional (the “**Effective Date**”).

The deed of indemnity also contain, amongst other things, indemnities given by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Company may be subject on or before the Effective Date which might be payable by any member of our Group.

3. **Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. **Sponsor**

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

5. **Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$77,000 and are payable by our Company.

6. **Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. **Qualification of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Guotai Junan Capital Limited	Licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities
KPMG	Certified Public Accountants
Hills & Co.	PRC lawyer
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Asset Appraisal Limited	Property valuer

8. Consents of experts

Each of the experts referred to in paragraph 7 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no outstanding convertible debt securities or debentures;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (v) no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
 - (vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;

- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of its subsidiaries;
- (c) none of the persons named in the paragraph headed “Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (d) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (e) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (f) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) there is no arrangement under which future dividends are waived or agreed to be waiver;
- (i) all necessary arrangement have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the Application Forms;
- (b) the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other Information” in Appendix VI to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Summary of material contracts” under the section headed “Further Information about the Business of our Group” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the subsidiaries of our Group for each of the three financial years ended 31 December 2010;
- (d) the letter prepared by KPMG relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the letters relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix IV to this prospectus;
- (g) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;
- (h) the Companies Law;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (i) the material contracts referred to in the paragraph headed “Summary of material contracts” under the section headed “Further Information about the Business of our Group” in Appendix VI to this prospectus;
- (j) the written consents referred to in the paragraph headed “Consents of experts” under the section headed “Other Information” in Appendix VI to this prospectus;
- (k) the service contracts referred to in the paragraph headed “Particulars of our Directors’ service contracts” under the section headed “Further Information about our Directors and Substantial Shareholders of our Company” in Appendix VI to this prospectus;
- (l) the PRC legal opinion issued by Hills & Co; and
- (m) the rules of the Share Option Scheme.

Active Group Holdings Limited
動感集團控股有限公司*